CHAPTER 8

INDUSTRY AND MINING

Kerala, which has been traditionally backward in the field of industrial development, is taking serious efforts to identify new opportunities and to equip it to meet the emerging challenges. The Industrial Policy, IT Policy, Biotechnology Policy, Labour Policy, proposed Export Policy, conduct of Global Investor Meet are all intended towards enhancement of investment in the State especially in the industrial sector with the objective of creating more income and employment.

Industrial Growth

8.2 Growth of Manufacturing Sector in Net State Domestic Product (NSDP) of Kerala for the years from 1999-2000 to 2003-04 is given below.

Index of Industrial Production

8.3 The general Index of industrial production in Kerala registered a significant decrease from 360.20 in 2000-01 to 302.29 in 2001-02. A positive growth was recorded in beverages, tobacco, coffee, textiles, chemicals and chemical products, non-metallic mineral products etc. Negative growth was recorded in food products, wool, silk man made fibre textiles, wood and wood products, rubber, plastic petroleum and coal products basic metals, manufacturing industries etc.

Industrial Exports

8.4 The following table depicts the performance of Kerala in industrial exports during the last three years.

Fig 8.1
Growth in General Index of Industrial Production

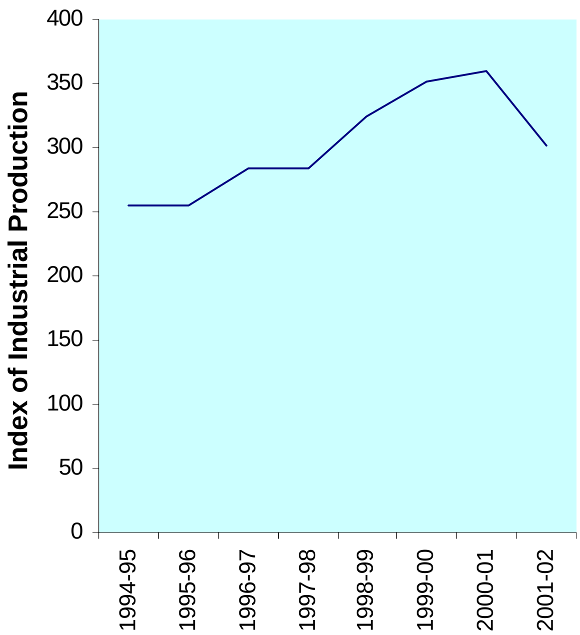


Table 8.1
Growth of Manufacturing Sector (NSDP)

Base Year 1993-94 (Rs lakhs)

Year	Percentage change over years			
	At constant prices		At current prices	
	Actual	Percentage	Actual	Percentage
1998-1999	350458	--	558175	--
1999-2000	369687	5.49	612334	9.70
2000-2001	353129	-4.48	603075	-1.51
2001-2002*	354398	0.36	682150	13.11
2002-2003**	359733	1.51	689145	1.03
2003-2004***	368346	2.39	742571	7.75

* Provisional, ** Quick Estimate, *** Advance Estimate

Source: Department of Economics & Statistics.

Table 8.2
Industrial Exports- 2000-01 to 2002-03

Qty: Metric Tonnes
Value: Rs crores

Sl. No.	Commodity	2000-2001		2001-2002		2002-2003	
		Quantity	Value	Quantity	Value	Quantity	Value
1.	Cashew Kernels	50789	1153	54330	965	66859	1217
2.	Marine products	88852	1046	72756	951	77851	995
3.	Spices	29534	434	34600	560	55750	630
4.	Coir And Coir Products	55614	301	56606	321	76850	321
5.	Coffee	176927	919	145221	842	126900	735
6.	Tea	53430	357	54462	394	53071	351
7.	Cotton Garments & Piece Goods	22737	507	22872	537	21198	498
8.	Cotton & Polyester Yarn	16414	269	12773	209	12520	205
9.	Others	0	2260	0	2259	0	2727

Source : Kerala State Export Trade Development Council

Fig 8.2
Export of Major Commodities during 2002-03 (Quantity)

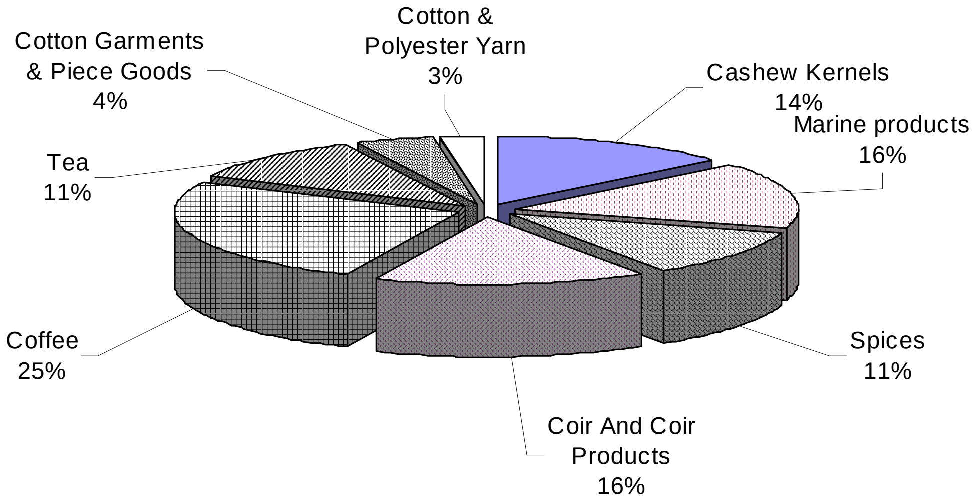
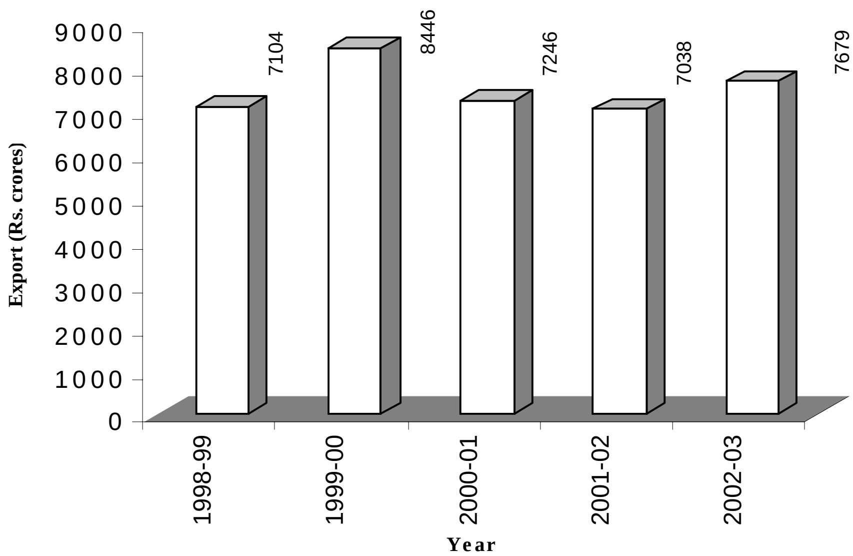


Fig 8.3
Export of Major Commodities (Value)



Investment Attractiveness

8.5 Ranking of different States based on the outcome of the study of CII on industrial attractiveness done in 2002 is given in Table below.

Table 8.3
Composite Ranking of Large States

1	2	3
Kerala	A	2.8
Maharashtra	A	2.8
Tamilnadu	A	2.7
Punjab	A	2.7
Gujarat	B	2.5
Karnataka	B	2.4
Himachal Pradesh	B	2.3
Hariyana	B	2.3
Uttaranchal	C	2.1
Andhra Pradesh	C	2.1
Jammu & Kashmir	C	1.9
West Bengal	C	1.7
Rajasthan	C	1.5
Madhya Pradesh	D	1.3
Uttar Pradesh	D	1.2
Chattisgarh	D	1.1
Assam	D	1.0
Orissa	D	0.9
Jharkhand	D	0.8
Bihar	E	0.0

Source: Study of CII on industrial attractiveness- 2002

8.6 The Global Investor Meet conducted during January 2003 was the State's concerted effort to bring in more private investment in sectors like Tourism, Infrastructure, Ports, Industries etc.

8.7 GIM attracted offer for investment aggregating Rs.26000 crores, despite the economic slowdown. MoUs were entered into for 96 projects, totalling an investment of Rs.11159.45 crores.

8.8 In order that the MoUs signed during GIM are converted into actual projects, the State Government has devised a special mechanism by constituting the Investment Promotion Board (IPB). Of the 96 MoUs signed during GIM, 40 projects with an outlay of Rs.6846.45 crores have been cleared by the Board and approved by the Government.

Working Factories and Employment

8.9 The number of working factories in private and public sector was 18602 as in 2002, which consisted of 18038 in private and 564 in public sector as against 18554 factories in 2001. There was only a marginal increase of 48 factories during the year 2001-02. Unlike the previous year the increase was in both private and public sectors. The average number of workers employed in the registered working factories in the State increased from 436410 in 2001 to 437340 in 2002 showing a very marginal growth of 0.21 percent. The number of employees decreased in private sector where as in public sector it rose by 1.20 percent. Of the total 437340 workers 328875 were in private and 108465 in public sector factories.

8.10 The growth in number of working factories during the last 10 years is shown in Figure 8.4 In 2001 the number of working factories in 12 districts increased marginally compared to the previous year, and decreased slightly in Idukki and remained constant in Kasargod. As in previous years Ernakulam district had the highest number of factories ie. 2946 followed by Thrissur (2563), Palakkad (1980) and Kollam (1908). Wayand district had the lowest number of factories followed by Kasaragod (272). The number of workers engaged in the factories from 1992 to 2002 is shown in Figure 8.5. Number of workers in all districts except Idukki, Thrissur, Kozhikode and Kasargod increased during the period. Malappuram district recorded the largest percentage increase followed by Wayanad, Kottayam and Palakkad.

Fig. 8.4
Growth of working factories in Kerala 1992-2002

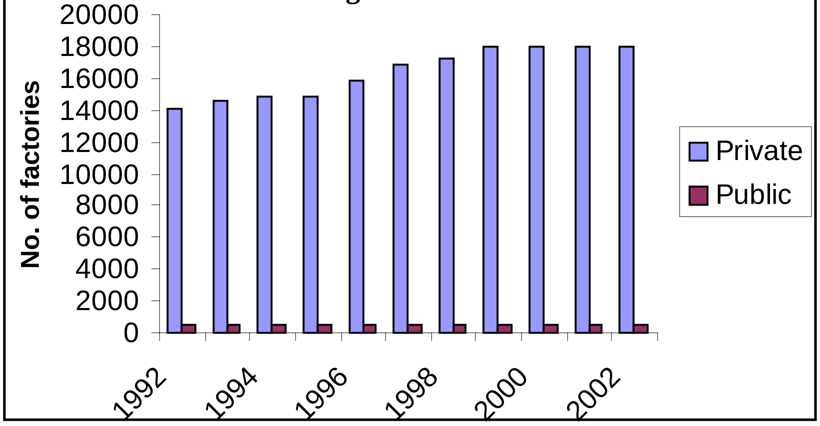
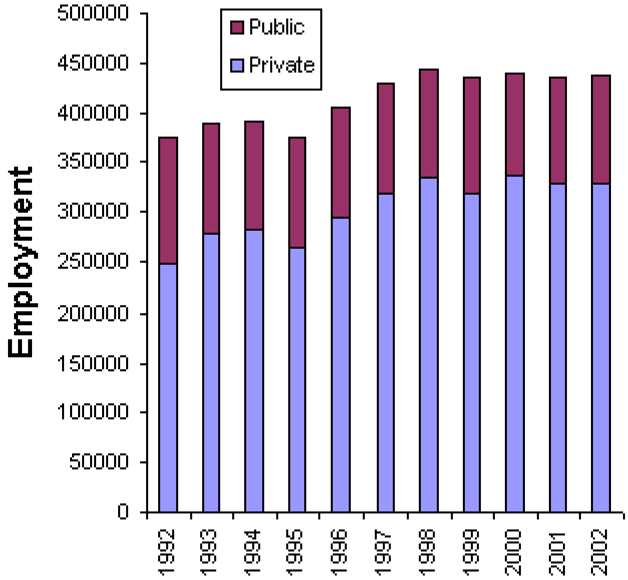


Fig. 8.5
Employment in the factory sector in Kerala 1992-2002



Industrial Disputes

8.11 During the year 2002-03 a total of 6268 disputes were handled in the State of which 3879 cases were settled through voluntary negotiation between parties, conciliation, withdrawal and by adjudication. During the period under review 81,77,159 man-days were lost due to strikes and lockouts, which was much higher than that of 2001-02. This was mainly due to the strike in coir sector and consequent loss of 640000 man-days during the year. The number of disputes that led to strikes and lockouts increased from 47 to 56 in 2002-03. This was due to increase in lockouts.

Central Sector Investment

8.12 Central Sector investment in Kerala has been increasing from 1996 after a steady fall during the period from 1975 to 1995. Investment in terms of gross block in the public sector in the State was Rs.13504 crores as on 31.3.2002 as against Rs.9893 crores as on 31.3.2001. Employment also increased from 0.39 lakh in 2000-2001 to 0.49 lakh as on 31st March 2002.

Fig 8.7
Percentage Share of Central Investment in Kerala

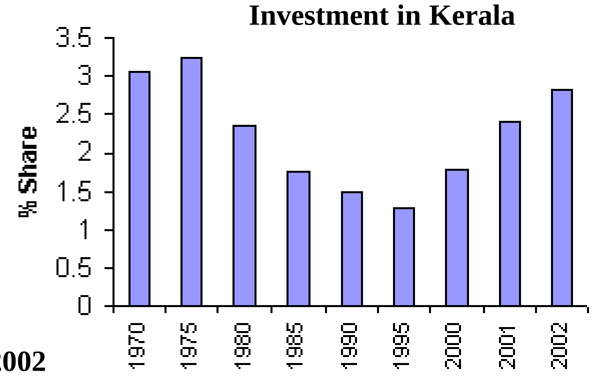
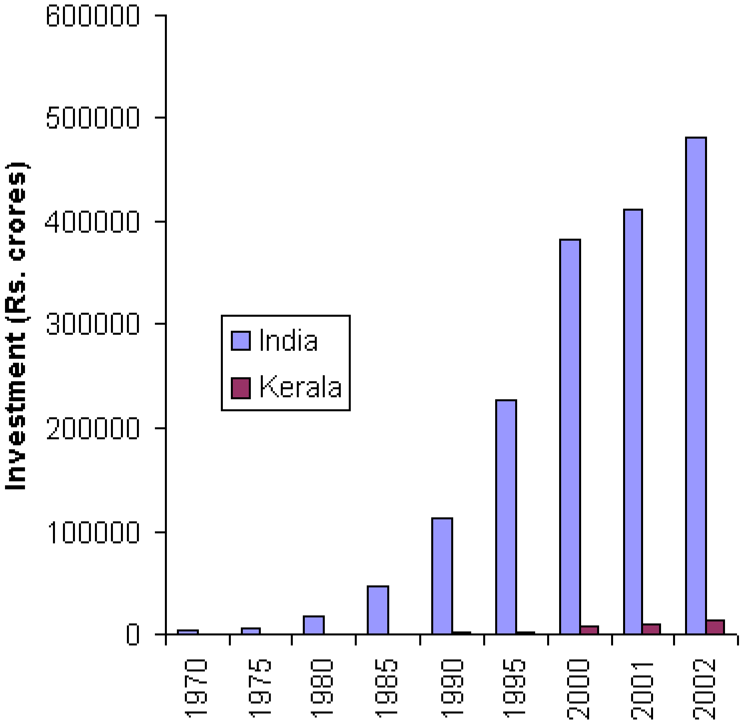


Fig. 8.6
Central Sector Investment in India & Kerala 1970-2002



Joint Stock Companies

8.13 In Kerala 12817 joint stock companies were working as on 31.3.2003 which included 10909 private limited and 1408 public limited companies. During the year 2002-03 a total of 723 joint stock companies were registered comprising 695 private limited and 28 public limited companies. Only four companies, 2 private and 2 public limited companies, were transferred to other states during the period. Number of companies wound up/dissolved/struck off/amalgamated during 2002-03 was only 71 of which 68 were private limited and 3 public limited companies. Accordingly net addition to the total number of joint stock companies in

Kerala during 2002-03 was 648 which consisted of 625 private and 23 public limited companies. Eleven public limited companies were converted to private and 17 private to public limited companies. No Government Company was registered during the year.

State Level Public Sector Enterprises

8.14 Kerala has the largest number of State level Public Sector Enterprises (SLPEs) in India (113 out of 1071) and employ 1,28,021 persons. Of these, 63 are manufacturing units and are classified under chemical; engineering, electrical equipment, textiles, electronics, ceramics, infrastructures, agro & wood based sectors.

8.15 Out of 63 enterprises four are under merger/ closure. Capital investment is more than Rs.100 crores in two enterprises. Investment in majority of the manufacturing enterprises was between Rs.1 crore to Rs.10 crores. The net worth of 26 manufacturing enterprises is negative. Of these manufacturing enterprises only three enterprises provide employment to more than 1500 persons and the majority of the enterprises are providing employment only to below 500 persons and the total employees working in all these 63 manufacturing enterprises comes to 48307. The net loss of these enterprises is Rs.2046.03 lakhs in a year.

8.16 The SLPEs in the manufacturing sector have been plagued by poor standards of corporate governance. Reasons for this include the diffused nature of ownership, delays in critical state sponsored interventions for improving its performance, conflicting objectives advocated by trade unions, inadequate incentives for competent personnel, slow decision making, redundancy of manpower, lack of autonomy and improper person task fit. Many SLPEs are saddled with outdated technology and unviable processes. Data on the performance of PSUs under the Industries Department for the period 2002-03 are given in the following table 8.5

Reforms in Public Sector Undertakings

A. Government of India PSUs

8.17 The policy of the Government of India on Public Sector Reforms and Disinvestment has evolved over a period since 1991-92. Main objective of disinvestment is to put national resources and assets to optimal use and to unleash the productive potential in-

Table 8.4
Capital Investment Structure in PSUs

Sector	No of PSUs with Capital investment						Total
	>Rs 100 crores	Rs 50 to 100 crores	Rs 20 to 50 crores	Rs10 to 20 crores	Rs1 to 10 crores	< Rs1 crore	
Development & Infrastructure	4	6	5	-	2	0	17
Manufacturing	2	6	12	14	23	2	59
Other Enterprises	0	0	0	0	2	2	4
Plantation & Agro-based	0	0	0	2	2	0	4
Public Utilities	4	0	0	1	1	0	6
Trading Units	1	0	0	0	1	1	3
Traditional Industries	0	0	2	0	0	1	3
Welfare Agencies	1	1	0	1	4	0	7
Total	**12**	**13**	**19**	**18**	**35**	**6**	**103**

Source: RIAB, Tvpm. *Note-Figures is provisional*

Table 8.5
Performance of PSUs under Industries Department

Sl. No	Company	2002-03	
		Turnover	Profit/Loss
1	The Kerala Minerals and Metals Ltd.	22417.44	6861.95
2	Kerala State Industrial Development Corporation	3066.49	1421.00
3	Transformers and Electricals Kerala Ltd.	9219.00	377.00
4	Kerala Automobiles Ltd.	4523.05	281.06
5	Keltron Component Complex Ltd.	3002.00	210.20
6	Kerala State IndustrialEnterp5rises Ltd.	632.00	185.00
7	CAPEX	400.00	150.00
8	Kerala Clays& Ceramic Products Ltd.	388.37	76.00
9	Steel and Industrial Forgings	2016.00	62.00
10	Forest Industries (Travancore) Ltd.	388.58	1.63
11	Keltron Electro Ceramics Ltd.	378.14	0.56
	Sub Total (Profit Making)	46431.07	9630.40
12	Kerala Hi-tech Industries Ltd.	9.04	-0.72
13	Foam Mattings (India) Ltd.	546.57	-1.80
14	KELPALM	16.69	-7.84
15	The Metal Industries	232.28	-14.36
16	Keltron Resistors Ltd.	154.59	-17.00
17	Kerala Artisans Dev. Corpn. Ltd.	31.44	-2131
18	Keltron Magnetics Ltd.	257.04	-36.24
19	United Electricals Industries Ltd.	1186.00	-47.00
20	The Kerala State Coir Corporation Ltd.	403.84	-54.16
21	The Kerala Ceramics Ltd.	670.45	-68.50
22	Kerala Garments Ltd.	54.25	-99.26
23	Travancore Sugars & Chemicals Ltd.	161.90	-101.43
24	Scooters Kerala Ltd.	60.43	-110.84
25	Kerala State Bamboo Corporation Ltd.	1300.00	-112.00
26	The Malappuram Co-operative Spinning Mills Ltd.	1997.90	-121.88
27	The Alleppey Co-operative Spinning Mills Ltd.	673.83	-131.42
28	The Metropolitan Engineering Company Ltd.	62.00	-148.00
29	The Trichur Co-operative Spinning Mills Ltd.	1281.00	-164.14
30	Keltron Crystals Ltd.	85.32	-171.94
31	The Cannanore Co-op. Spinning Mills Ltd.	983.43	-191.31
32	Sitaram Textiles Ltd.	421.81	-213.00
33	The Quilon Co-operative Spinning Mills Ltd.	1018.22	-228.83
34	COIRFED	2160.00	-250.00
35	HANTEX	1808.00	-250.00
36	Kerala Small Industries Development Corporation Ltd.	2085.45	-250.00
37	Keltron Counters Ltd.	178.31	-256.10
38	The Travancore Cements Ltd.	2542.00	-274.00
39	Steel Complex Ltd.	1741.00	-297.00
40	Kerala Electrical & Allied Engineering Company Ltd.	4965.96	-305.85
41	Autokast Ltd.	1045.84	-427.58

Source: RIAB, Tvpm. *Note-Figures is provisional* herent in public sector enterprises.

8.18 The following table indicates the actual disinvestment from 1991-92 to 2002-03, the methodologies adopted for such disinvestment and the extent of disinvestment in different CPSUs.

B. Reforms in State Level PSUs

Andhra Pradesh

8.19 Government privatised Allwyn Nissan and a working group that was constituted to examine working of SLPEs has given its recommendations in respect of 30 SLPEs so far. A State Renewal Fund (SRF) was created with an initial capital of Rs.5 crores to provide resources for institution of safety nets and 12586 employees have availed VRS. Employees who do not qualify for retirement schemes, or who qualify but do not opt for the retirement schemes will be compensated (equivalent to 15 days of wages for each year of

Table 8.6
Progress in Disinvestment

Year	No. of companies in which equity sold	Target for the year	Actual Receipts	Methodology
1	2	3	4	5
1991-92	47	2500	3038	Minority share sold by auction method in bundles of 'very good' 'good' and 'average' companies
1992- 93	35	2500	1913	Shares sold separately for each company by auction method
1993- 94	-	3500	-	Equity of 7 companies sold by open auction but proceeds received in 1994-95.
1994- 95	13	4000	4843	Sale through auction
1995- 96	5	7000	362	"
1996- 97	1	5000	380	GDR (VSNL) in international market
1997-98	1	4800	902	''
1998-99	5	5000	5371	GDR (VSNL/Domestic offerings with the participation of FIIS. Cross purchase by 3 oil sector companies ie GAIL, ONGC & IOC
1999-2000	2	10000	1829	GDR–GAIL VSNLdomestic issues, BALCO restructuring, MFILs strategic sale and others
2000-2001	4	10000	1869	Strategic sale of BALCO, LJMC, KRL(CRL), CPCL (MRL)
2001-02	10	12000	5632	Strategic sale of CMC– 51%, HTL–74%, VSNL–25%, IBP–33.58%, PPL–74% and other modes ITDC, HCI, STC, NMTC.
2002-03	6	12000	3360	Strategic sale of HZL 26%, MFIL –26%, IPCL-25%, Jessop–72% and other modes : HCI, ITDC, Maruti, NMTC, STC and HZL–1.46% (ESops)
Total	**48***	**78300**	**29499**	

* Total no of companies in which disinvestment has taken place so far.

Source : Annual Report 2002-2003, Ministry of Disinvestment, GOI service plus other legal dues) under the Industrial Disputes Act. The Public Enterprises Reforms Programme of Andhra Pradesh is a component of the AP Economic Restructuring Project supported by World Bank. The World Bank has sanctioned about $ 26 million, to finance 70 per cent of the VRS to employees. The balance of the VRS amount and the terminal benefits are provided by the State Government.

Karnataka

8.20 Government had set up the Linn Committee to suggest privatisation, de-regulation and merger of SLPEs and later set up a Public Sector Restructuring Commission, in March 2000. The Commission submitted a report on restructuring of 15 PSUs and a policy on Public Sector Reforms and privatisation has been brought out by the Karnataka State Bureau of Public Enterprises. The policy document also outlines institutional mechanism for implementation. The Karnataka Government has also structured a voluntary retirement scheme, which is similar to what is being adopted by the Government of Kerala.

Tamil Nadu

8.21 Tamil Nadu set up a Committee for streamlining and restructuring SLPEs and to initiate privatisation process. The committee recommended setting up of a Tamil Nadu Public Sector Disinvestment Commission. A three pronged approach was suggested for restructuring of public sector viz. retention, disinvestment and winding up. Tamil Nadu News Print and Papers Ltd. has been privatised by reducing the Government stake to 35.10 per cent.

Maharashtra

8.22 Maharashtra has constituted a Cabinet Sub Committee to review the loss incurring, non-viable SLPEs and make recommendations on their restructuring and privatisation.

West Bengal

8.23 The State Government has announced that the Government would close down loss making SLPEs and also welcome private participation in State run enterprises. Restructuring and reforms of SLPEs have been made part of the 0710- assisted (UK) externally aided programme. West Bengal has finally decided to privatise the Great Eastern Hotel.

Madhya Pradesh

8.24 Madhya Pradesh has embarked on an integrated Public Resource Management Programme under which an integrated Public Enterprises Reform is envisaged, with loan and technical assistance grant from the Asian Development Bank (ADB). As a part of reforms the Government proposes to strengthen SLPEs in which Government ownership is required to meet public purposes, close down those which are chronically sick and loss making, and restructure and divest the remaining enterprises to achieve greater efficiency, increase market discipline and have a wider dispersion of ownership. Accordingly an Empowered Committee has been set up. It has also been decided to transfer the responsibility of restructuring SLPEs from the administrative departments to the department of Public Enterprises, in order to accelerate the reform process.

Orissa

8.25 Orissa has set up a Cabinet Sub Committee and has suggested closure and privatisation of certain units. Orissa is availing Rs.85 crores, financial assistance from the Department for International Development (DFID), UK for implementing the reform programme.

Gujarat

8.26 Gujarat has approved a Comprehensive Public Sector Restructuring Programme and has been one of the most successful State Government in winning the confidence of the workers in working out mutually agreed schemes for closure of non core enterprises. The Government decided to provide a social safety net and the State Renewal Fund was set up with a substantial budgetary provision. As a part of the safety net, Gujarat has made elaborate arrangements for counseling, re-training and re-deployment of workers with support from the ADB.

Punjab

8.27 Punjab has set up a State Disinvestment Commission and a Core Group for restructuring, reforms and disinvestment of SLPEs and Apex Co-operative Institutes. Five SLPEs have been wound up pursuant to the Government policy of closing down chronically loss making non core, non strategic SLPEs.

Haryana

8.28 Haryana has set up a High Power Cabinet Sub Committee for Public Sector Restructuring. Six rice mills and one oil mill owned by Haryana State Co-operative Supply and Marketing Federation have been closed. A food and fruit processing plant owned by Haryana Agro Industries Corporation has been closed.

Uttar Pradesh

8.29 Uttar Pradesh set up a State Disinvestment Commission in 1998.

Rajasthan

8.30 Rajasthan set up a Committee on Re-organisation, Strengthening and
Disinvestment of SLPEs and Industrial Development.

Jammu and Kashmir

8.31 Jammu and Kashmir appointed a Committee on Economic Reforms (Godbole Committee) and an apex committee has been set up to consider the recommendations of the Godbole Committee. The Committee has already taken a view on the closure of 7 non-viable units. A Cabinet Sub Committee has been constituted to work out a voluntary retirement scheme for units where decision on closure has been taken.

C. SLPE Reforms in Kerala

8.32 SLPEs reforms in Kerala since 2001 involve implementation of competitive strategies that operate at four levels viz. Policy for facilitating industrial development, sectoral restructuring programmes, enterprise level re-engineering for making it attractive for investment and capacity building for managing the post reform environment.

8.33 As an institutional strengthening initiative for implementation of SLPE reforms consequent to the Industrial Policy 2001, the Government constituted the Enterprise Reform Committee (ERC) for spearheading State level Public Enterprise Reforms in Kerala. The approach paper of the ERC on SLPE reform was approved by the Government in 2002. A Social Safety Net Programme (SSNP) proposed by ERC for employees in SLPEs was approved by the Government in June 2003. ERC has forwarded recommendations of 38 SLPEs till date. Of this Government have taken decisions on 22 SLPEs based on the recommendations of ERC and State Planning Board.

8.34 The PSUs which were closed down or declared closed down are given in Box.

8.35 Current status of the progress made in reform measures are given in the Box.

Box -8. 1

SLPEs closed down in the past (before 2001)

- Kerala Fisheries Corporation Ltd.
- Kerala State Engineering Works Ltd.
- Kerala State Coconut Development Corporation
- Kerala Fishermen Welfare Corporation Ltd.
- Kerala Inland Fisheries Development Corporation
- Chalakkudy Refractories Ltd.
- Keltron Power Devices Ltd.
- Kerala Special Refractories Ltd.
- Kerala Premo Pipe Factory Ltd.

SLPEs being closed down

- Trivandrum Spinning Mills
- Kerala Soaps & Oils Ltd.
- Kerala Construction Components Ltd.
- Keltron Rectifiers Ltd.
- Kerala Ceramics (one division only)
- Kerala State Textile Corporation (one division only)

Box -8.2

Snap Shot of Current Status of SLPEs

- No. of SLPEs closed down in the past 9
- No. of personnel brought under VRS in SLPEs since 1996 3408
- Compensation paid (Rs. Crores) 81
- No. of SLPEs in which ERC has forwarded recommendations till date: 38
- No. of SLPEs in which Government have taken decisions based on ecommendation of ERC and SPB 23
- No. of SLPEs of which ERC recommendations are being processed by the Government 15
- No. of further SLPEs of which restructuring proposals will be considered by the ERC in 11/2003 10
- SLPEs being closed down based on Government decision 6
- No. of SLPEs advertised for Expression of Interest through ICICI – Kinfra Ltd. 5

Social Safety Net Programme for SLPEs in Kerala

- Government have formulated a Social Safety Net Programme (SSNP) for the employees of SLPEs with two packages viz.

i) Financial Compensation Package.

ii) Welfare and Economic Sustainability package.

- All permanent/temporary employees directly appointed against the sanctioned strength and whose name appear in the muster roll of the SLPE are eligible for inclusion under SSNP.

8.36 Financial compensation package is the modification of the VRS declared by BPE. For eligible permanent employees, an amount equal to one and a half months emoluments (Pay + DA) for each completed year of service or the monthly emoluments at the time of retirement multiplied by the balance months of service left before normal date of retirement whichever is less will be provided. For eligible employees ex-gratia payment equivalent to 45 days emoluments (Pay + DA) for every completed year will be given. Only the actual days of service rendered shall be considered for giving the ex-gratia payment.

8.37 Details of VRS implemented being introduced in PSUs under Industries Department are given in the following table.

8.38 Other terminal benefits include

- Balance in the PF amount payable as per GPF Act and rules.
- Cash equivalent of accumulated earned leave/privilege leave.
- Gratuity as per payment of Gratuity Act.
- Notice or notice pay as per rule.

Welfare and Economic Sustainability package

- The contribution for the Employees package is optional.
- 30% of the ex-gratia received by an employee can be invested in their welfare fund.
- 25% of the employees' contribution will be given by the Government subject to a minimum of Rs.25000/- as an incentive.
- An interest rate equivalent to that prevailing in the Nationalised Banks will be given.
- KIRFB will manage the welfare fund.

Table 8.7
Implementation of VRS in PSUs

Sl. No	Name of Company	No. of employees	Amount in lakhs
1	Steel Complex Ltd.	155	200.10
2	Trivandrum Spinning Mills Ltd	358	396.47
3	Kerala State Drugs and Pharmaceuticals ltd.	55	87.38
4	The Chalakudy Refractories Ltd	130	178.00
5	Kerala Soaps and Oils Ltd.	499	1047.00
6	Mannam Sugar Mills Co-operative Ltd.	146	169.00
7	Travancore Plywood Industries Ltd	149	285.06
8	Keltron Power Devices Ltd.	104	321.51
9	Sitaram Textiles Ltd.	188	200.51
10	Kerala State Electronic Development Corporation	623	2661.00
11	Kerala State Textile Corporation Ltd.	305	387.43
12	Sidkel Television Ltd.	50	100.00
13	The Cannanore Co-operative Spinning Mills Ltd.	97	152.31
14	Autokost Ltd.	100	302.71
15	Keltron Computers Ltd.	138	686.75
16	The Kerala Ceramics Ltd.	89	200.00
17	Keltron Rectifier's Ltd.	99	377.11
18	United Electrical Industries Ltd.	123	331.28
	Total	**3408**	**8083.11**

(Kerala Industrial Revitalisation Fund (KIRF) is a Special Purpose Vehicle (SPV) with a fund base of Rs.225 crores funded for the revival of the PSUs.)

Box -8.3

Assistance by KIRFB

Total loans provided	
a) Long Term	- Rs.107 crores
b) Short Term	- Rs.184 crores
	Rs.291 crores
Loans outstanding	
a) Principal	- Rs.160 crores
b) Interest	- Rs.18 crores
Recovery percentate	
a) Principal	- 63%
b) Interest	- 67%

8.39 The SLPEs which improved their performance during 2002-03 are shown in Box 8.4

Industrial Promotion

Box -8.4

SLPEs which improved their Performance during 2002-03

1. Kerala State Electronics Development Corporation Ltd.
2. Kerala Minerals &Metals Ltd.
3. Travancore – Cochin Chemicals Ltd.
4. Kerala Electrical & Allied Engineering Company Ltd.
5. Transformers and Electricals Kerala Ltd.
6. Kerala Automobiles Ltd.
7. Kerala Hi-tech Industries Ltd.
8. Kerala State Industrial Development Corporation Ltd.
9. Kerala State Industrial Enterprises Ltd.
10. Foam Mattings (India) Ltd.

8.40 State Government is assisting the industrial units by providing financial assistance, infrastructure and training/ consultancy services. Premier agencies/departments engaged in industrial promotion in the State include

- Kerala State Industrial Development Corporation (KSIDC)
- Kerala Financial Corporation (KFC)
- Small Industries Development Bank of India (SIDBI)
- Kerala Industrial Infrastructure Development Cororation (KINFRA)
- Directorate of Industries & Commerce (DIC)
- Small Industries Development Corporation (SIDCO)
- Small Industries Service Institute (SISI)
- Kerala Industrial & Technical Consultancy Organisation
- Centre for Management Development

Industrial Financing

8.41 Kerala State Industrial Development Corporation (KSIDC) provides supports by way of extending financial assistance, share capital and loan to projects coming under different categories.

Box -8.5

Performance of KSIDC 2002-2003

• Gross Financial Sanction	(Rs. Crores)	:	52
• Projects completed		:	15
• Project cost	(Rs. Crores)	:	94
• Employment generated	(Nos)	:	1194
• MOU signed	(Nos)	:	37
• Estimated cost	(Rs Crores)	:	6959
• Project under various stages of implementation			39
• Project cost	(Rs. Crores)	:	799
• Employment potential	(nos)	:	2796
• Loan recovery- Total over due	(Rs. Crores)		368
• Amount recovered	(Rs. Crores)	:	58
• Operating profit	(Rs. Crores)	:	12

8.42 The Kerala Financial Corporation (KFC) is providing term loan assistance upto a maximum of Rs.500 lakhs per unit for corporate sector and Rs.200 lakhs for others to develop and promote small and medium scale industrial units in the State. The capital adequacy rates of KFC at 31.3.03 was 11.05 percent and is ranked among the top three State Financial Corporations, out of 18 SFCs in the country. The Corporation met the stipulation of Capital Adequacy Ratio (CAR).

Box - 8.6

Performance of KFC 2002-2003

• Applications received	793
• Applications sanctioned	696
• Cost involved (Rs. crores)	155.73
• Recovery (Rs crores)	252.85
• One time settlement (No. of cases)	488
• Amount settled (Rs crores)	36.68

8.43 Small Industries Development Bank of India (SIDBI) is engaged in providing and financing development of small scale industries and coordinating the functions of the institutions engaged in the similar activities. SIDBI extends financial assistance to small-scale sector through indirect assistance by way of finance to primary lending institutions such as KFC, KSIDC and Commercial banks, direct assistance to small-scale units and development and support services.

8.44 The cumulative sanction and disbursement assistance to small-scale industries extended by SIDBI aggregated to Rs. 86159 crores and Rs. 59101 crores respectively till the end of March 2003. The amount sanctioned in Kerala corresponding to this was 4.66 percent of the total. During 2002-03 the amount disbursed under various schemes of assistance decreased to Rs. 214 crores from Rs. 396 crores in the previous year showing a decrease of 45.96 percent. Kerala's share correspondingly decreased to 3.2 percent of the total disbursement. Of the total of Rs. 214 crores disbursed, Rs. 94.30 lakh was spent under micro – credit scheme.

8.45 Government of India has made a brief announcement to set up Rs. 10000 crore Small and Medium Industry (SMI) Fund to overcome the financial crunch being faced by the small-scale sector. SIDBI has been asked to structure the fund, initially of Rs 10000 crore, spread over the next two years. A comprehensive strategy to solve the problem of resource crunch of the SME sector is awaited from Government of India.

Industrial Infrastructure

8.46 The infrastructure facilities offered in the State include industrial parks, industrial estates, development areas/ plots, special economic zones etc. Greater emphasis is laid on providing infrastructure with a view to attracting more investment to the State.

Industrial Parks

8.47 Kinfra is the main State owned agency in offering infrastructure facilities required for setting up industries. These facilities include developed land, dedicated power, continuous water supply, communication facilities etc. and providing ready made manufacturing environment for easy start up of industrial units at minimum cost and time. Kinfra has started allotment of space to companies with all facilities.

8.48 Details of land allotment, investment and employment in KINFRA parks is given in the Table. 8.8

8.49 Kinfra completed the works in nine parks and works in eight parks are nearing completion.

Box - 8.7

Kinfra Parks

Parks Completed

- Kinfra Export Promotion Industrial Parks, Kakkanad
- Kinfra International Apparel Park, Menamkulam
- Small Industries Park Menamkulam
- Kinfra Food Processing Park, Malappuram
- Small Industries Park, Thalassery
- Small Industries Park, Mazhuvannoor
- Small Industries Park, Seethangole
- Approach road to KEPIP, Kakkanad
- Seafood Park, Aroor.

Parks nearing completion

- Small Industries Park, Kalpetta
- Rubber Park, Irapuram, EKM
- Kinfra Film & Video Park, Kazhakuttom
- Kinfra IT & Electronics Park, Malappuram
- Integrated Infrastructure Development Centre, Koratty
- Food Processing Park, Mazhuvannoor
- Primary Processing Centre cum Cold Storage, Kalpetta

Table 8.8
Land Allotment, Investment & Employment in KINFRA Parks

Area in Acres
Amount Rs lakhs

Sl. No.	Park	Total Area Allotable	Allotments made			Allotments in Pipe Line		
			Area	Invest ment	Emp loym ent	Area	Investm ent	Emp loym ent
1	Kinfra International Apparel Park, Tvpm.	34.00	11.99	1650	900	1.5	2100	950
2.	Kinfra Small Industries Park, Tvpm	19.90	11.15	1436	150	12.28	1383.20	1208
3.	Kinfra Film & Vedeo Park, Tvpm	65.00	12.20	1180	183	11.50	437	79
4.	Kinfra Export Promotion Industrial Park, Kochi	137.70	133.03	10227	300	42.85	7358	2822
5.	Kinfra Food Processing Park, Mpm.	53.00	12.32	1652	240	1.26	455.70	83
6.	Kinfra Small Industries Park, Mazhuvannoor,	42.45	3.83	476.20	312	18.02	1669.36	284
7.	Kinfra Small Industries Park, Thalassery	34.86	26.19	3611	878	4.89	823.84	310
8.	Kinfra Small Industries Park, Ksd.	40	3.75	100.12	77	3.80	1708	445
9.	Kinfra Small Industries Park, Trissur.	20				2	232.50	90
10	Kinfra Small Industries Park, Mpm.	1.39	0.16	81	128	0.38	1012	521
11	Wise Park, Palakkad	200	65.62	5675	255	28	3500	205
12.	Rubber Park, EKM	72	23	3000	600	7	3000	300
13.	Sea Food Park, Aroor	4	4	500	1000			

Source : KINFRA

8.50 Kinfra received an amount of Rs. 1100.00 lakhs under the GOI Scheme "Assistance to States for Infrastructure Development in Exports (ASIDE) and this amount is distributed to different agencies for the implementation of ASIDE projects.

Box - 8.8

ASIDE PROJECTS

Rs in Lakhs

1) Marine Products Export Development Agency - Rs.400
2) Sea Food Export Association, Ernakulam - Rs.100 "
3) Cashew Export Promotion Council - Rs.100 "
4) Kerala State Industrial Enterprises - Rs.150 "
5) Cochin Port Trust - Rs.10 "
6) KINFRA - Rs.125 "
7) Marine Products Infrastructure Development Corporation Rs.215 "

- Rs.1100
=============

8.51 Directorate of Industries and Commerce provides infrastructure facilities for small-scale sector by acquiring land and developing it into development area/ plots with facilities like land development, road formation, water supply, electricity, necessary building etc. Details of development areas/development plots provided by Industries Department are furnished in Table 8.9

8.52 The Small Industries Development Corporation also undertakes works on provision of infrastructure facilities for the small-scale sector through its industrial estates and mini industrial estates. Details are given in Table 8.10 & Table 8.11.

Table 8.9
Development Areas/ Development Plots

Sl. No.	District	No. of DA/ DP	Total area acquired (in acres)	Allotable area (in acres)	Area allotted
1	Thiruvananthapuram	2	137.160	111.970	111.970
2	Kollam	1	20.667	18.088	18.088
3	Pathanamthitta	1	20.940	17.320	13.250
4	Alappuzha	7	182.440	164.550	162.240
5	Kottayam	3	45.990	41.500	41.500
6	Idukki	2	22.500	22.080	7.080
7	Ernakulam	6	844.460	753.890	753.890
8	Trissur	5	138.455	88.295	50.485
9	Palakkad	4	776.170	680.430	643.430
10	Malappuram	1	16.190	10.191	10.191
11	Kozhikkod	2	33.060	10.330	10.330
12	Kannur	2	59.310	46.610	46.610
13	Kasaragod	3	241.000	227.240	83.570
TOTAL		**39**	**2538.342**	**2192.494**	**1952.634**

Source : Directorate of Industries & Commerce.

Table 8.10
Industrial Estates

District	No. of Industrial Estates	Total area acquired (in acres)	Land allotted including common amenities	Total no. of sheds	No. of sheds allotted	No. of SSI units
Thiruvanantha puram	1	17.385	16.910	43	39	66
Kollam	2	34.664	29.799	62	58	73
Alappuzha	2	28.336	25.366	57	53	68
Kottayam	2	43.804	43.294	88	84	137
Ernakulam	2	4.422	4.307	28	27	25
Trissur	2	32.502	31.873	67	67	144
Palakkad	2	32.800	29.260	71	69	82
Malappuram	1	4.920	4.920	19	19	26
Kozhikkod	1	12.440	12.440	42	42	70
Kannur	1	6.189	6.079	11	11	47
Kasaragod	1	16.840	15.840	39	38	50
TOTAL	**17**	**234.302**	**220.088**	**527**	**507**	**788**

Source : SIDCO

Table 8.11
Mini Industrial Estates

Sl. No.	District	No. of Mini Industrial Estates	Total area acquired (in acres)	Vacant Land (in acres)	Total no. of sheds	No. of vacant sheds
1	Thiruvananthapuram	4	3.705	0	49	1
2	Kollam	3	2.830	1.331	36	9
3	Pathanamthitta	1	1.000	0.100	10	0
4	Alappuzha	2	2.310	0	24	1
5	Kottayam	3	3.000	0.979	36	0
6	Idukki	3	3.000	1.059	36	0
7	Ernakulam	5	4.700	0	56	0
8	Trissur	3	3.000	0	36	1
9	Palakkad	3	3.400	0	36	0
10	Malappuram	3	3.243	0.244	36	0
11	Kozhikkod	2	2.000	0.400	24	0
12	Wayanad	1	1.000	0	12	0
13	Kannur	2	2.000	0	24	0
14	Kasaragod	1	1.000	0	12	0
	TOTAL	36	36.188	4.113	427	12

Special Economic Zones

8.53 Cochin Special Economic Zone (CSEZ) has 103 acres of land. Government of India so far invested Rs. 76.00 crores for the development of CSEZ. The zone has 44 developed plots of varying sizes. Infrastructure development worth Rs. 33.00 crores have been sanctioned for the zone and are under implementation. During 2002-2003 six new project proposals were approved and six units have come into production. Employment is about 6100 in 2002-03. Besides, eight units are being set up. During the year exports grew from Rs. 278.91 crores to RS.311.95 crores.

Table 8.12
Industry – wise Export performance of units in CSEZ during the last five years

Sector	No. of Exporting units as on 31-8-2003	Exports				
		1998-99	1999-2000	2000-01	2001-02	2002-03
1	2	3	4	5	6	7
Electronic Hardware	9	8787	12081	15784	11343	13017
Electronic Software Garments	12	35	163	538	1284	1076
Gems & Jewellery	3	2340	2935	2608	3360	1242
Plastic & Rubber products	10	2700	1960	2008	1852	2776
Engineering Food & Agro products	7	4271	2431	1771	1279	4967
Others	8	1333	4096	6865	7690	5620
Total	**55**	**20005**	**24253**	**30430**	**27891**	**31195**

8.54 Country wise exports from CSEZ for the last 4 years shows that the percentage of exports to USA has fallen from 56 to 30 during the current year. Country wise exports from CSEZ is given in the following Table 8.13.

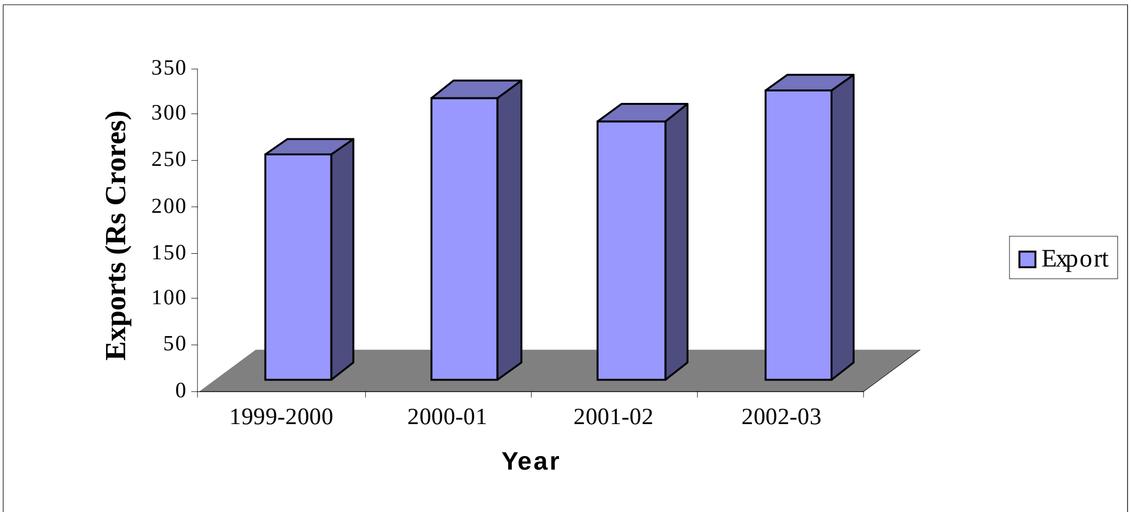
Table 8.13
Country wise Exports from CSEZ

(Rs. crores)

Country	**1999-2000**	**2000-01**	**2001-02**	**2002-03**
USA	136.01	152.44	128.76	95.96
UK	18.24	27.75	26.62	48.87
Germany	6.3	9.8	11.12	11.25
Netherlands	14.23	10.21	0.65	1.00
Japan	1.02	1.13	2.45	5.24
France	1.02	1.13	2.45	5.24
Cananda	0.75	1.06	2.41	3.45
Srilanka	-	-	0.45	0.97
UAE	3.88	5.61	7.13	7.72
South Korea	1.25	0.06	0.23	0.03
South Africa	0.30	0.21	0.06	1.02
Mexico	19.44	31.26	0.28	0.15
Italy	6.31	6.30	5.19	5.08
Iraq	-	8.48	17.07	17.53
Russia	0.54	4.96	0.06	3.14
Singapore	0.61	1.14	2.42	1.95
China	-	-	0.70	19.12
Spain	-	-	7.17	5.73
Others	31.78	40.28	65.13	80.73
Total	**242.53**	**304.30**	**278.91**	**311.95**

Source: RBI Annual Report 2002-2003

Figure 8.8
Exports from CSEZ



Human Resource Development

8.55 Kerala Industrial and Technical Consultancy Organisation (KITCO) caters to the consultancy needs of the small and medium industries and new entrepreneurs in the State. It achieved a growth rate of 7.64% during the year 2002-03 as against 12.84% during the previous year. The company rendered consultancy services largely in the fields of detailed engineering, valuation of assets, energy audit, project management and infrastructure development.

Box - 8.9

Major assignments handled by KITCO 2002-03

- KITCO extended consultancy service to M/S Roads and Bridges Development Corporation of Kerala Ltd. for the construction of 22 Road over bridges at an estimated cost of Rs. 85 crores. It also prepared a technical feasibility report for the construction 15 new RoBs to Kerala for RBDCK.
- Extended detailed engineering service for the construction of a new bridge across Kundhi River at Pulamanthode
- Extended consultancy services for the construction of a 5 – storied Standard Design Factory for the Cochin Special Economic Zone at Kakkanad
- Supervision of the construction of Raja Keasava Das Park, Picnic Park and Sea View Park for DTPC, Alappuzha was completed.
- Construction of Academic block for Kerala Institute for Entrepreneureship Development (KIED) at Kalamasery was completed
- Completed energy audit in 3 industrial units
- Conducted 110 PMRY training programmes and 4534 persons were trained in business/service/Industrial sectors
- Organised 12 Entrepreneurship Development Training Programmes

Extended Valuation service to Kochi Refineries Ltd, KSIDC, CSEZ, IDBI, KBDCK and other private organisations

8.56 Small Industries Service Institute (SISI) renders techno–economic and managerial assistance to existing and prospective entrepreneurs. It is engaged in the promotion and development of small-scale industries in the State and render common facility service to needy entrepreneurs and SISI units. This institute has 3 common facilities workshops viz. (I) Engineering workshop (ii) Foot wear service centre and (iii) Fruit & Vegetable Preservation Centre. During 2002-03 SISI conducted training programmes such as entrepreneurship development programme, skill development programme, management development programme, PMRY training scheme, computer training programme etc. The other activities carried out by SISI during the year under report include one day awareness programme on energy conservation, Biotechnology, waste minimization, ISO 9001-2000, motivation campaign, vendor development programme, preparation of a study report on Rubber industries cluster at Kottayam.

Box - 8.10

Training Programmes of SISI 2002-2003

Training programmes conducted (Nos.)	45
Persons trained (Nos.)	716
Of which women and SC/ST	342

8.57 The Centre for Management Development (CMD) provides research, consulting and training support to development agencies, corporate and the Government, at the national, state and local levels. During the year 2002-03, CMD undertook several research/consulting assignments for the Government of India, Government of Kerala as well as corporate enterprises (public and private sectors) and developmental agencies. CMD continued to provide professional support to the Public Sector Restructuring and Internal Audit Board (RIAB), Government of Kerala (support provided since 1994). CMD also prepared the Annual Review of Public Enterprises in Kerala, which forms part of the budget documents of the State, for the fifteenth consecutive year. A major study undertaken during the year was to restructure the Directorate of Industries and Commerce, Government of Kerala. CMD assisted the Directorate of Handloom & Textiles, Government of India, in preparing Detailed Project Reports on Cluster Development for Handlooms in Kannur, Infrastructure Development for Handlooms in Kannur and handloom Development Project for Exports. It supported the Ministry of Rural Development (MoRD), Government of India, in Monitoring of all MoRD schemes in seven districts in Kerala and Tamilnadu, apart from conducting studies to evaluate and assess the impact of various rural development programmes in different districts. CMD was chosen as the Nodal Agency at the National Level for the Concurrent Evaluation of Swaranjayanthi Gram Swarozgar Yojana (SGSY) in all the States of the Country.

Small Scale Industry

8.58 Small Scale Industrial sector achieved significant milestone for the Industrial development of India. This sector contributes to 40 percent of industrial production and 35 percent of direct exports. The sector produces a variety of products ranging from traditional to hi- tech. Even though the volume of production of SSI sector is very large, the quality of products, productivity, energy consumption and environmental effects have always been a concern. These concerns have accentuated with the opening of the economy where productivity and quality play a major role for the survival of small-scale industries.

Present Scenario

8.59 The Small Scale Industrial Units registered in Kerala as on 31.3.2003 was 2.70 lakhs with an investment of Rs.3911 crores, providing employment to 12.15 lakh persons.. The registration during the year 2002-03 was 12334 units as against 18114 in 2001-02. Inspite of the decline in the number of registration of units, value of output recorded an increase of Rs.1869.35 crores during 2002-03. The total number of SSI units promoted by SC/STs and women by March 2003 were 10643 and 49101 respectively. The district-wise details of registered SSI Units in Kerala as on 31st March 2003 is given in Appendix: The performance of SSI Sector in India and Kerala for the last five years is given in Table below:

8.60 An analysis of the performance of Small Scale Sector in India shows that number of SSI units, employment and production recorded an increase during 2002-03 from that of the previous year. With regard to the number of SSI units registered, Kerala's Share accounted for 11.11 per cent of the total number of 108000 units registered in India during 2002-03. Kerala's Share of employment during 2002-03 was 43000, constituting 5.53 percent of the total employment of 7.77 lakhs in SSI sector in the country .On the production side, Kerala's share of the value of the production is only 2.66 percent of the total value of production amounting to Rs. 70322 crores during 2002-03.

8.61 The third All India Census of Small Scale Industries 2001-02 was conducted during 2002-03 and the quick results were published. The state-wise distribution of registered SSI units and working units as per the census is given in the table below:

Table 8.14
Performance of Small Scale Sector

Year	All India			Kerala		
	Units (in lakhs)	Production (at current Prices) Rs.crores	Employment (In lakhs)	Units (in lakhs)	Production (at current prices) Rs. Crores	Employment (in lakhs)
1998-1999	30.80	520650	171.58	2.00	8604.42	9.81
1999-2000	32.12	572887	178.50	2.20	9770.65	10.54
2000-2001	33.70	639024	185.64	2.40	10998.25	11.14
2001-02	34.64	690522	192.23	2.58	12214.38	11.73
2002-03	35.72*	760844*	200.00*	2.70	14083.72	12.16

**(Estimated)*
Sources: India 2003 – Ministry of Information & Broadcasting, GOI, SIDBI, Directorate of Industries and Commerce.

Table 8.15

State-wise Distribution of Registered SSI Units, Working Units and Closed Units as per the 3rd All India Census of Small Scale Industries

Sl. No.	Name of State/ Union Territory	Registered SSI Units		Working Units		Closed Units	
		Number	Rank	Number	Rank	Number	Rank
1	Jammu & Kashmir	39680	15	16699	16	22981	13
2	Himachal Pradesh	17432	20	11092	19	6340	20
3	Punjab	154686	7	71091	8	83595	3
4	Chandigarh	2704	27	1366	27	1338	25
5	Uttaranchal	27415	17	15907	17	11508	18
6	Haryana	67413	13	40215	12	27198	11
7	Delhi	15740	21	9445	20	6295	21
8	Rajasthan	84256	10	46378	11	37878	7
9	Uttar Pradesh	289569	2	173269	1	116300	2
10	Bihar	74491	11	53631	10	20860	14
11	Sikkim	338	34	158	34	180	34
12	Arunachal Pradesh	579	33	361	32	218	32
13	Nagaland	698	32	503	31	195	33
14	Manipur	5778	22	4746	22	1032	28
15	Mizoram	4217	25	2890	23	1327	26
16	Tripura	2039	28	995	28	1044	27
17	Meghalaya	3768	26	2023	25	1745	24
18	Assam	24947	18	14807	18	10140	19
19	West Bengal	69269	12	40054	13	29215	10
20	Jharkhand	33021	16	19399	15	13622	17
21	Orissa	22324	19	6752	21	15572	16
22	Chattisgarh	62979	14	36895	14	26084	12
23	Madhya Pradesh	171376	5	107391	6	63985	5
24	Gujarat	178261	4	161838	3	16423	15
25	Daman & Diu	1505	29	937	29	568	30
26	D&N Haveli	1135	31	333	33	802	29
27	Maharashtra	137819	8	76378	7	61441	6
28	Andhra Pradesh	102761	9	66269	9	36492	8
29	Karnataka	165341	6	131247	5	34094	9
30	Goa	4842	23	2039	24	2803	22
31	Lakshadweep	84	35	68	35	16	35
32	Kerala	224524	3	151504	4	73020	4
33	Tamil Nadu	309162	1	168435	2	140727	1
34	Pondicherry	4362	24	1827	26	2535	23
35	A&N Islands	1210	30	762	30	448	31
	Total	**2305725**		**1437704**		**868021**	

Source: Quick results, Third All India Census of Small Scale Industries 2001-02 GOI.

8.62 All the 23.06 lakh SSI units permanently registered up to 31.3.2001 were surveyed,of which 14.38 lakh units (62.35%) were found to be working and 8.68 lakh units (37.65%) were found to be closed. Tamil Nadu occupies the first position in the number of units registered followed by Uttar Pradesh and Kerala. In terms of number of working units five states namely, Uttar Pradesh (12%), Tamil Nadu (11.7%), Gujarat(11.3%), Kerala (10.5%) and Karnataka (9.1%) had a cumulative share of 54.6%. With regard to closed units five states namely, Tamil Nadu(16.2%), Uttar Pradesh(13.4%), Kerala (8.4%), Madhya Pradesh (7.4%) and Maharashtra (7.1%) had a combined share of 52.5%.

Sickness in SSI Sector

8.63 About 14.47% of the units in the registered SSI sector at the all India level were identified to be either sick or incipient sick, while this percentage was only 8.25 in the case of unregistered units. The States of Kerala, Karnataka, Chattisgarh, Maharashtra and Tamil Nadu had the maximum number of sick units in the registered SSI Sector.

Box - 8.11

Reasons identified for Sickness/Incipient Sickness

- Lack of demand
- Shortage of working capital
- Non-availability of raw material
- Power shortage
- Labour problems
- Marketing problems
- Equipment problems
- Management Problems

8.64 District-wise working status of SSI Units, as furnished by DIC, as on 31st March 2003 is given in Appendix.

Self Employment under PMRY

8.65 The Prime Minister's Rozgar Yojana programme witnessed a better performance during the year under report. As against the target of 19250 persons for assistance under self-employment programme, 16297 persons were sanctioned for assistance. An amount of Rs.89.81 crores was sanctioned to them during 2002-03. The number of persons benefited increased in the year under review to 8596 from 7483 during 2001-02 showing an increase of 14.87 per cent. Corresponding increase in the case of amount disbursed was to Rs.4610 lakhs from 4213 lakhs. The district wise details of achievement under PMRY are furnished in Appendix.

Industrial Cooperatives

8.66 During 2002-03, 27 Industrial Cooperative Societies were registered afresh as against 70 in the previous year. The total number of Industrial Cooperative Societies reached to 1221 till the end of June 2003. Details of Industrial cooperative societies in Kerala as on 30-6-2003 are given in Appendix.

Reform Initiatives

8.67 The Department of Industries and Commerce has been restructured to act as a facilitator rather than a regulator. With the objective of achieving this, the major initiatives taken during the year under report are furnished below:

- Set up Food technology and Biotechnology, Mission.
- Separate Cells formed in the District Industries Centres for the revival of Sick Units.
- Capacity building exercise for departmental personnel started.
- Clusters in growth sectors formed through trained cluster development agents of the department.
- The procedures of State Investment subsidy scheme made more transparent and investor friendly.
- The procedure of selection for self employment assistance under PMRY was made more liberal and decentralised.
- The issue of permanent SSI Registration certificate on the day of application itself from the Green channel Counter in the District Industries Centres was introduced.
- Online registration of SSI units has been introduced to facilitate entrepreneur to apply for provisional registration through E-mail.
- Setting up of Entrepreneurship Development Clubs in educational institutions so as to develop entrepreneurship culture among the students – such

clubs were started in 46 institutions during 2002-03.

· Strengthening of the database in the Directorate. The District Industries Centre and Directorate were interconnected through WAN.

Bank Credit to SSI Sector

8.68 The outstanding bank credit to various sectors as at end of March 2003 was Rs. 27007 crore as compared to Rs.22062 crore in the previous year. The outstanding flow of credit to SSI sector showed a slight increase in absolute terms from Rs. 2540 crores in 2002 to Rs. 2562 crores in 2003. The percentage share of SSI sector in the total bank credit decreased from 11.51 per cent to 9.49 per cent during the same period. The status of flow of credit to various sectors is given in Appendix.

New Approach for SSI Development

8.69 The industrial policy of Kerala aims at bringing about a paradigm shift in the small-scale industrial scenario in the State. Policy lays emphasis on cluster development. Efforts already initiated to promote specific clusters of industrial units with the assistance of financial institutions and skilled development facilitated through Common Facility Centers and Training Institutions.

Cluster Development

8.70 A cluster is a sectoral and geographical concentration of enterprises, specially Small and Medium Enterprises (SME) which have common challenges and opportunities and face similar threats. There is also ample evidence that SMEs operating in the same or related industrial sectors tend to cluster close to one another. The tendency to bunch in well-defined areas has been observed in different employments in both developed and developing countries. There are sound economic reasons for this phenomenon. SMEs operating in clusters derive a clear competitive advantage in various factors. The factors leading to competitive advantages are

- Proximity to source of raw materials
- Availability of suitably customized business development services
- The abundance of clients attracted by cluster tradition of industry
- The presence of skilled labour

Box - 8.12

Results of Cluster Development

- Emergence and growth of specialized suppliers of raw materials, components, machinery, sector specific skills etc
- Emergence of specialized technical, administrative and financial services
- Creation of a conducive ground for development of inter firm cooperation and specialization as well as cooperation among public and private institutions to promote local production, innovation and collective learning.

8.71 Cluster formation is common in a wide range of countries and sectors. SME clusters have reached high level of growth and leadership in profitable niches of world market. UNIDO, through its Private Sector Development Branch has developed an approach to help government and private sector to cooperative in design and implementation of programmes to promote the organisation and development of clusters and net work of SMEs Currently UNIDO is implementing a cluster development project to India with the main objective of developing capabilities at both local and national levels so as to promote SSI net working and cluster development . Major clusters are formed in specific industrial areas.

Box - 8.13

Major Clusters in India

Blanket production	:Panipat
Sewing machine	:Ludhiana
Cotton Hosiery	:Thirupur
Bicycle and Bicycle parts	:Ludhiana
Shoes	:Agra
Software	:Bangalore
Woollen Knit wear	:Ludhiana

8.72 Several steps aimed at ensuring committed efforts towards development of clusters have been initiated in Kerala. A few clusters are also developed.

Box - 8.14

Clusters Developed in Kerala

Nature of Cluster	Location
Rubber Industry	Changanachery
Handloom	Kannur
Coir	Alappuzha
Plywood	Perumbavoor

8.73 Role of Cluster Development Agents(CDA) are being played by trained officials of the Department of Industries. The Cluster Development Agents will be responsible for creation of a common corporate entity leading to the formation of a consortium to undertake the cluster development activities. CDAs identify areas where interventions are very crucial to the success. Different phases of Cluster Developments are shown in figure 8.9.

Service Charter for Small Scale Industries

Industries Department

8.74 In order to promote the development of Small-Scale industries and to ensure fair, impartial and speedy implementation of schemes the State Government provides a variety of prompt quality and cost effective services to entrepreneurs by introducing a "Citizens Service Charter". The main features of the charter are given in the following Table.

Commercial Banks

8.75 Special offers are also being announced by banks for enhancing credit to SSI sector. For example, SBI has issued a Charter for Small Scale Industries, main features of which are given in Box 8.15

Figure 8.9
Key Steps in Cluster Development

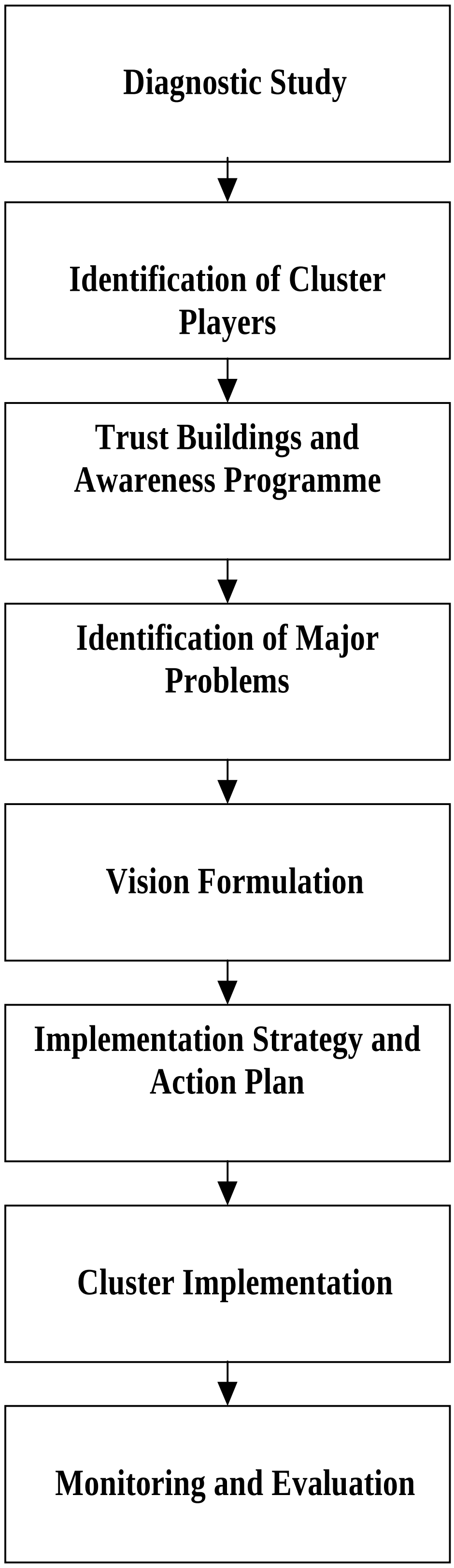


Table 8.16
Citizens Service Charter

On receipt of defect free application, - Industrial Single Window Clearance Boards	- Issuing licenses, certificates etc. within 60 days
SSI registration i) Provisional ii) Above Rs.2 lakhs	- Across the Table. - Within 10 days.
Permanent SSI Registration Amendment to permanent registration Margin Money State investment subsidy .	- Within 30 days. - Within 30 days. - Sanctioning and disbursement within 30 days subject to availability of funds. - Processing and placing before the committee meeting within 45 days - Sanctioning within one week from the date of meeting - Disbursement subject to the availability of funds
- Sales Tax Exemption	- Processing within 30 days of receipt and placing in the next meeting - Issuing proceedings within one week of the date of meeting Issuing essentiality certificate within one Week
- Land Allotment DA/DP/MIE	- Advance possession is given within 7 days from the date of execution of agreement
- PMRY	- Publishing the list of selected beneficiaries within a day of the selection - Forwarding of application to the Banks within one week of the selection - Conducting training for selected candidates within one month from the date of receipt of the sanction letter from the bank
- Sick unit revival Programme	- Preparation of revival project report within 15 days of registration
	Disbursing start up expenses within 30 days - payment of Margin money loan within one month from the date of DLRC
Registration of Industrial Co-operative Societies and Handicrafts Co-operatives Government share participation	- Within 30 days - Sanctioning upto Rs. 50000 within 30 days

Box - 8.15

Charter for Small Scale Industries – State Bank of India

- Time Norms for disposal of loan applications.
  a) upto Rs.25000 - Two weeks
  b) Over Rs.25000 and upto Rs.5 lakhs - Four weeks
  c) Over Rs.5 lakhs - 8 to 9 weeks
- No collateral security for advances upto Rs.5 lakhs.
- Composite loan upto Rs.25 lakhs is sanctioned to SSI units.
- Under Sthree Shakti Package (Scheme for women) margins are reduced by 5% and interest reduced by 0.5% in respect of loan above Rs.2 lakhs.
- Small Business Credit Card: Hassle free credit upto Rs.5 lakhs based on scoring model and simplified application form.

Food Processing

8.76 Food processing industry has been recognised as a potential area to development of enterprises in Kerala. Kerala Industrial Infrastructure Development Corporation (KINFRA) is the Nodal agency for promotion of food processing Industries in the State. During 2002-03 KINFRA set up a world class Food Park at Kakkancherry, Malappuram. Four units with a total investment of Rs. 1202 lakhs have already started functioning in the park. Two food processing units with a total investment of Rs. 113 lakhs are there in the KINFRA small Industries Park at Thiruvananthapuram. It is in the process of setting up an exclusive food-processing zone with specific infrastructure facilities for food processing at the Small Industries Park, Mazhuvannur, Ernakulam. Besides specific infrastructure facilities have been set up for the primary Food Processing Centre cum cold storage at Wayanad and Food Processing Park at Adoor.

8.77 KINFRA has succeeded in its efforts in building awareness among prospective entrepreneurs on the schemes of assistance available from the Central and State government. Among the 97 proposals received, KINFRA selected 55 and recommended to Government of India for financial support. Three proposals, two at Ernakulam and one at Thiruvananthapuram were approved by Government of India. An amount of Rs. 100 lakhs was disbursed till October 2003. From the data on the financial assistance received by different States in this regard during the 9th plan period it could be seen that Kerala had obtained a reasonable share from Government of India. The details are shown below in Table 8.17

Table 8.17
Details of Financial Assistance Availed by Different States forProjects in Food Processing Sector during the 9th Plan Period.

(in Rs, Lakhs)

Sl.No.	State	Assistance availed
1.	Andhrapradesh	720.93
2.	Assam	839.69
3.	Karnataka	1074.42
4.	Kerala	1311.58
5.	Madhya Pradesh	1025.57
6.	Maharashtra	1214.09
7.	Punjab	777.17
8.	Tamilnadu	1331.20
9.	Uttarpradesh	1176.26
10.	West Bengal	1180.67

Source: Annual Report 2002-03
Ministry of FPI, GOI.

Table 8.18
Details of Food Processing Units in KINFRA Parks

Name of Park	Total area acquired in acres	Food processing Units			Investment (Rs. in lakhs)	Employ ment (Nos)
		Number	Area allotted in acres	Activities		
1	2	3	4	5	6	7
Kinfra Small Industries Park, Thumba,Trivandur m	40	2	0.90	Spice, rice and wheat powder Vinegar, pickles, rice, curry powders, rose water, atta, rava, maida & masalas	113	34
KINFRA Food Processing Park, Kakkancherry, Malappuram	60	4	9.84	Edible oil and vanspathy and fractionation and votator unit Ice cream, Corrugated boxes, Warehouses and cold storage facilities.	1202	61

Source : KINFRA

Traditional Industries

Coir Industry

8.78 Coir Industry is a traditional Industry in India and is largely confined to coconut producing States. Sri Lanka, Thailand and Indonesia are other coir producing countries in the world. A significant share of world coir production is from India and Sri Lanka. Even though a large number of units with different degrees of mechanization and automation have been engaged in the coir processing sector, the market has not expanded, but tended to stagnate. The traditional coir industry is facing many challenges in the rapidly changing world market. Coir industry in India is dominated by about two hundred exporters and coir merchants/ traders owning composite/semi-composite units In India Kerala is the major contributor to coir industry accounting for 70 percent of coconut fibre production. The industry provides employment to five lakh persons in India.

Coir Industry in Indian States

Tamil Nadu

8.79 Tamil Nadu is the leading brown fibre producer in the country. Hand spun yarn, curled coir and mechanised spun yarn pith and pith products, garden materials and some rubberised coir mattresses are the major coir products produced in Tamil Nadu. Here, the units producing fibre and other coir products are located in clusters and each cluster specialises in production of a particular range of products depending up on raw material and skills availability. Tamil Nadu is a major centre for producing coir yarn spinning machines and a majority of private producers are machinery manufactures also. Machinery manufactures, Private coir products manufacturers, Co-operative sector units and Non-Governmental Organizations are the major players in Tamil Nadu coir sector. There are six NGOs functioning in the industry, funded by industrial associations, partly by Ministry of Human Resource Development and by international foundations. The domestic market in Tamil Nadu is large but is controlled by a few traders. Majority of producers sell through agents or intermediaries. The Tamil Nadu Coir Industry is also characterised by low scales of production, limited skills, limited knowledge of export formalities and limited knowledge of weaving technology etc. of export production. More over the problems of transport especially in the Puthukottai area make the products costly.

Karnataka

8.80 Coir Industry in Karnataka is only two decades old and is concentrating on brown fibre production. The process of extraction of fibre is mechanical and hence the structure of industry is quite different. Units in the organized sector dominate the Karnataka Coir Industry. There are 290 manufacturing units registered in the State of which around 80% are in private sector, 10% in the co-operative sector and the remaining in the Government sector controlled by Karnataka State Coir Development Corporation. In Karnataka, private sector produces fibre, curled coir and rubberised coir. Co-operatives produce curled coir, fibre, yarn, mats and the public sector produces curled coir, yarn and mats. Curled coir is made into rubberised coir and sold mostly in the domestic market by the private sector. A very small proportion of curled coir is exported. Curled coir faces stiff competition from Sri Lanka, which has freight advantage and hence domestic products, are costly and not competitive in the export market.. Karnataka State Co-operative Federation is the apex body of 96 primary coir co-operative societies and most of their members are workers.

Andhra Pradesh

8.81 Coconut cultivation in Andhra Pradesh is largely concentrated in the districts of East Godawari, West Godawari¸ Srikakulam, Cuddapah etc. A major concentration of the coir industry is in the East Godawari district, where 47000 hectres of land is under coconut cultivation. District Rural Development Authority (DRDA), with special assistance from Government of India, has taken up the task of developing the coir industry in the district in the year 2000. Coir Industry in the district has been undertaken as a poverty eradication programme where families below poverty line are given training in spinning yarn on motorised ratts, in making mats and handicrafts and brush making. There was a Coir Marketing Federation in Andhra Pradesh, which is dormant at present. The Federation collected the materials from the small private producers and paid them half the value of the product at the time of purchase.

Coir Industry In Kerala

8.82 Coir Industry is one of the major traditional industries in Kerala, consisting of three major sub sectors, namely, fibre extraction sector, spinning sector and weaving sector. Among the 23 varieties of coir yarn produced, Anjengo Yarn is the finest Yarn produced in Kerala. The industry employs 3.6 lakhs workers and nearly 76% of them are women. Coir industry in Kerala is dominated by co-operative sector. Even after a number of initiatives taken by Government for the betterment of the sector, the coir industry is still a sick traditional industry struggling for its survival in the field of competition with products made out of other natural as well as synthetic fibre both in domestic and international markets. Hence, incentives for private investment, better utilization of coir pith, focus on coir geo-textiles and identification of markets are considered as the major thrust areas in the 10th Plan.

Structure of Coir Industry

8.83 Yarn producers, manufactures/producers, public sector companies, exporters, depot holders, workers and co-operative societies are the major players in Kerala Industry.

Yarn Producers

8.84 Yarn Producers consist of small scale as well as large scale yarn producers. They buy coir fibre from private traders and give it to the spinners along with wages. They also produce the fibre themselves by immersing the husk in water and then give it to the spinners.

Product Manufacturers

8.85 Coir products manufactures consist of about 10000 tiny and small units, having looms ranging between one to ten looms. Tiny units supply their products to the depot holders or middlemen while small workers supply to the depot holders as well as exporters.

Public sector Companies

8.86 The Kerala State Coir Corporation was set up to ensure that the products of the small-scale manufactures were procured at reasonable prices and marketed. This ensures an outlet for regular sales of the produces of small-scale manufactures. Foam Mattings India Ltd.

is the another Public Sector Company in Kerala which produces coir mattings, sisal mattings, coir door mats, area rugs of coir and sisal, jute and grass and jute mattings. The company owns thirty conventional looms, two semi-automatic looms, two imported power looms and a latex backing plant imported from Denmark for mattings. The sales turn over of the company increased at the rate of 4.56 per cent per annum between 1992-93 and 2002-03.

Exporters

8.87 Exporters can be classified as both large and small scale exporters depending on the total capital employed and value of exports. They purchase coir products either from the depot holders or from the small-scale manufactures for export.

Depot holders

8.88 The depot holders act as middlemen between the tiny and small-scale manufactures and exporters. They secure orders from the exporters and purchase the required products from the small household units.

Co-operative Societies

8.89 Peculiarity of Coir Industry in Kerala is the dominance of Co-operative Sector. A good number of Primary Co-operative Societies are not functioning effectively. The Kerala State Coir Co-operative Marketing Federation (COIRFED) is the apex organisation in this sector consisting of 585 member societies producing yarn, mats and mattings and operating defibering units. COIRFED has 108 showrooms all over the country, of which 51 are its own and the rest are run by the agencies on behalf of COIRFED. Details of coir co-operative societies and their activities are given in appendix.

Key issues facing Kerala Coir Industry

v **Raw material availability**

8.90 Husk and fibre are the raw materials of coir industry. Even though Kerala is the largest producer of coconuts in the country, only 30 percent of the husk potential is being tapped at present. This results in scarcity of coir fibre. As fibre is extracted from husks in Kerala largely through the manual beating process, productivity is low and wage costs are high. The lack of availability of fibre is a crucial issue that threatens the very survival of the coir industry in Kerala.

Diversity in wage and price structures

8.91 Marketing conflicts arise because of the differing wage and price structures followed in the different segments. Price of the products does not match the increase in wages.

8.92 In the domestic market, the Public Sector Organizations themselves sell to large agents and wholesalers, as there are no established outlets for coir products. Thus there is a need to develop the domestic market through awareness and brand building and by standardization of quality. On international market, heavy dependence on mats and mattings is the major problem for Kerala coir industry. The competition is severe for both because of the availability of cheaper substitute products.. Although India is the largest producer of coir products, the competing countries are engaged in aggressive marketing of new and diversified products.

Standardization and Quality

8.93 The present standard fixed for coir fibres of Kerala origin is yet to be universalized. There are no systems of bench marking of quality and mandatory testing of products especially the products meant for “Mass Consumption”.

Market Information

8.94 Systematic studies do not exist for market information, analysis and dissemination of data. This erodes the competitiveness of the industry.

Research and Development

8.95 Research and Development is another area requires more attention. New value added products development attracts no attention. Centre for Development of Coir Technology(C-DOCT) was entrusted with the work of establishing High-Tech Coir Park at Perumon, Kollam district. During the period 2002-03, a Geo-textile weaving machinery with all accessories was purchased and installed at the park. In order to identify the R&D areas in coir sector, Government has constituted a State level R&D Advisory Commitee. So far the Committee has received twenty projects and the approval was given to seven projects for funding.

Traditional methods of production

8.96 Fear of labour displacement and unemployment led to persistence in the traditional methods of production. At present, the coir industry in Kerala is highly dependent on fibre from Tamil Nadu, where mechanical extraction of fiber is resorted to. In spinning sector also, only a small proportion is spun with motorised ratts and rest of them depend on Charkas (hand spinning).

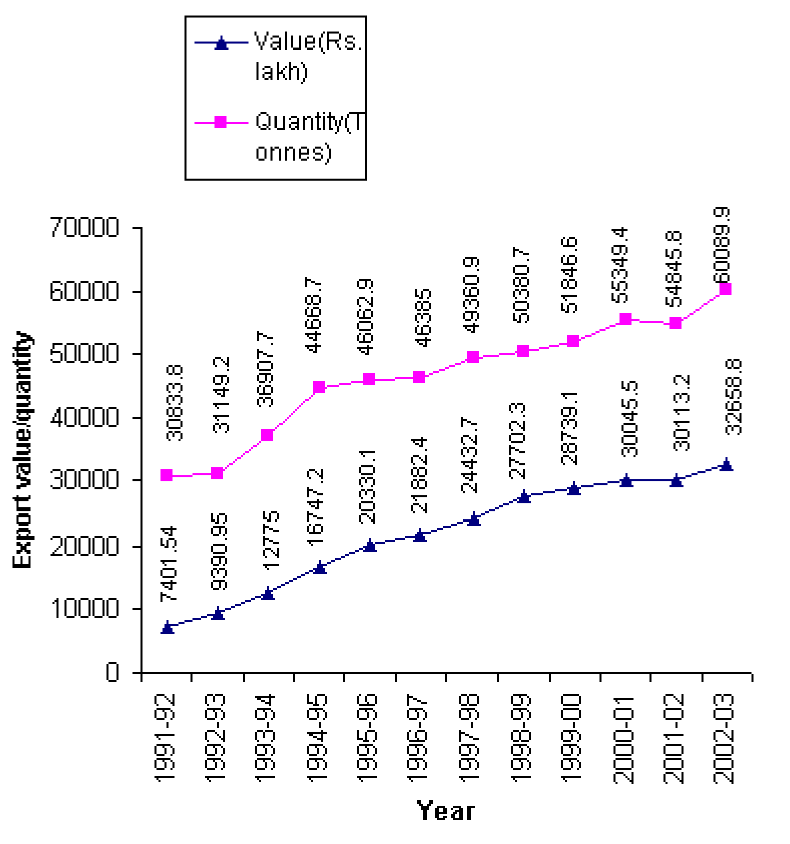
Trends in Exports

8.97 Exports of coir products from Kerala got almost doubled as it increased steadily from 30833.78 tonnes in 1991-92 to 60089.86 tonnes in 2002-03. The year 2002-03 recorded an increase in exports of coir products at the rate of 8.45% in value terms and 9.56% in terms of quantity. The unit price of export, measured in terms of dollar increased monotonically till the year 1995-96. It declined in dollar terms mostly due to the depreciation of rupee value in terms of dollar. The minimum export price (MEP) fixed by Government for coir products such as handloom matting, handloom mats, Tufted mats, coir rope, coir yarn, coir rugs and carpets and coir other sorts has been fully withdrawn in April 2002. The impact of this withdrawal upon the unit price of export of coir products is varied.

8.98 Administrative Staff College of India (ASCI) conducted a study on Coir Industry in Kerala. An analysis of enterprise level data relating to 135 private enterprises in Kerala over a period of five years from 1998-99 to 2002-03 revealed the following facts.

- During the period the private sector enterprises in the coir sector in Kerala experienced an annual growth rates of 0.6 percent in quantity of exports, while the value of exports declined by 1.54 percent.
- Out of total exports by 135 companies, the share of three companies was found to be around 39 per cent in 2002-03, and 114 companies had share in total exports of less than 1 per cent each.
- Export of the three major companies increased at the rate of 3.41% per annum in terms of quantity and 7.66 per cent in value terms during 2002-03.

Fig 8.10
Exports of Coir Products from Kerala



8.99 Among the items of export, Handloom mat, powerloom mat, Handloom matting, Geo- textiles, Coirpith, Coir other sorts and Rubberised coir have showed an increase in export and all other coir items recorded a decrease. During the period 1991-2003 while Handloom mat recorded export growth rates of 13.5% per annum in value terms and 7.3 per cent per annum in terms of quantity, the export growth rates of coir yarn were 4.3% per annum in terms of value. But the growth rate in terms of quantity was negative (0.06 per cent) Growth in exports of coir products in terms of value and quantity for the period between 1991 and 2003 are shown in Figure 8.10. Export growth rate was also high for Geo textiles ie, 30 percent per annum in value terms and 25.2 per cent in terms of quantity during 1994-2003.

Table 8.19
Growth Rates of Coir Products from Kerala

(in percentage)

Year	Coir yarn		Handloom Mat		Powerloom Mat		Tufted Mat		Handloom Matting	
	Qty	Value	Qty	Value	Qty	Value	Qty	Value	Qty	Value
1991 – 2003	(-)0.6	4.3	7.3	13.5	20.8	24.8	128.2	103.7	2.5	8.2
1991-97	1.2	11.0	13.5	25.7	41.2	93.2	103.2	118.3	17.5	34.6
1997-2003	(-)6.0	(-)6.2	8.9	9.1	2.1	4.5	131.8	144.0	(-)8.0	(-)8.6

Year	Powerloom matting		Geo Textiles*		Coir Rugs & Carpets		Coir Rope		Coir Other Sorts	
	Qty	Value	Qty	Value	Qty	Value	Qty	Value	Qty	Value
1991 – 2003	(-)8.5	(-)3.1	25.2	30.0	3.8	9.0	12.0	17.6	23.3	23.7
1991-97	(-)10.6	2.7	(-)9.6	(-)0.6	30.6	48.6	(-)6.11	2.3	77.8	96.8
1997-2003	(-)0.8	(-)0.5	17.8	19.2	(-)11.3	(-)11.7	27.2	31.5	(-)30.8	(-)32.7

**For Geo-Textiles data are available from 1994-95 onwards only.*
Source: Coir Board, Kochi.

8.100 Item wise export of coir and coir products from India during 2001-02 and 2002-2003 is given in appendix

8.101 Export of coir and other sorts declined at the rate of 32.7 per cent per annum in value terms and 30.8 per cent per annum in terms of quantity during 1997-2003 as shown in Table 8.19. As tufted mats, geo textiles and coir rope experienced acceleration during the sub period, those can be identified as products of high demand.

8.102 The shares of three coir products, namely, Handloom mat, Coir yarn and Handloom matting constituted 87 percent of total exports from Kerala during 1991 –2003 as in Table below.

Table 8.20
Export Shares of Coir Products

(Percent)

Year	Coir yarn		Handloom Mat		Powerloom Mat		Tufted Mat		Handloom Matting	
	Qty	Value	Qty	Value	Qty	Value	Qty	Value	Qty	Value
1991 – 2003	30.54	15.53	44.71	53.67	1.49	1.95	3.28	3.03	11.95	1.26
1991-97	30.08	20.94	41.65	50.30	1.06	1.39	0.14	0.14	13.08	17.41
1997-2003	26.63	13.80	46.52	55.12	1.76	2.11	5.33	5.37	11.10	14.05

Year	Powerloom matting		Geo Textiles		Coir Rugs & Carpets		Coir Rope		Coir Other Sorts	
	Qty	Value	Qty	Value	Qty	Value	Qty	Value	Qty	Value
1991 – 2003	0.88	1.10	1.79	1.70	4.29	6.18	0.46	0.26	0.59	0.52
1991-97	1.41	2.04	0.46	0.40	4.53	6.9	0.36	0.21	0.24	0.26
1997-2003	0.55	0.74	2.68	2.25	4.04	5.6	0.54	0.29	0.86	0.66

Source: Coir Board, Kochi.

8.103 Export share was the highest in the case of Handloom mat (44.71 per cent) followed by coir yarn(30.54 per cent and Handloom matting (11.95 per cent) in quantitative terms during 1991-2003. The changes in export composition between 1991-92 and 2002-03 both in terms of value and quantity are shown in table 8.21.

8.104 Export from the Kerala State Coir Corporation declined at the rate of 28.38 per cent per annum during the year 2002-03. Thus the share of the Corporation out of the total export from Kerala declined from 1.17 per cent in 1997-98 to 0.21 per cent in 2002-03

Performance of Public sector

8.105 During the period 1997-03, the annual turnover of the Kerala State Coir Corporation was Rs 439.97 lakh including export. Major problems are

- Loss due to existing purchase price system.
- Competition from China on Export Market for Grass Mattings.
- High Labour Cost on handloom products (60%) than power loom products (30%).

8.106 Sales turnover of the Foam Mattings(India) Ltd continued to increase till 1998-99 but declined thereafter. The sales turnover of the Company increased at the rate of 4.56% per annum between 1992-93 and 2002-03.

Handlooms and Textiles

8.107 Major production of Handloom goods is in the category of cotton fabrics. India is the World leader in global cotton yarn exports with 25 percent market share A positive development in the exports of textiles products is the shift from raw material to value added products. A significant feature of the emerging export profile is the increase in the share of made-ups in the overall basket of cotton textile exports from 28 percent in 1999-2000 to 35 percent in the year 2000-03. The year 2000-03 witnessed a growth of eight percent in the case of fabrics, 10 percent in yarns and 50 percent in made–ups. An important development in the global textile trade will be the total elimination of the quotas with effect from the year 2005. The new developments will bring with them fresh turbulence in the form of pressure on prices, growing resort to protectionist measures, proliferation of bilateral arrangements and regional groupings.

8.108 India is the second largest supplier of cotton made- ups with 16 percent of the market share, second only to China. Countries like India has significant cost advantage due to low labor cost as manufacturing of many made up items require direct human involvement and close manual supervision.

Table 8.21
Composition of Coir Products Export

(Percent)

	Quantity		Value	
Export of Coir Products	1991-92	2002-03	1991-92	2002-03
Coir Yarn	49.51	19.11	31.46	9.18
Handloom Mat	35.79	55.35	47.78	63.42
Powerloom Mat	0.42	1.59	0.44	1.79
Tufted Mat	0	9.98	0	10.06
Handloom Matting	9.78	7.25	13.22	8.92
Powerloom Matting	2.03	0.34	3.46	0.41
Geo Textile	0	3.31	0	2.84
Coir Rugs & Carpets	1.95	2.21	3.26	2.86
Coir Rope	0.45	0.55	0.3	0.31
Coir Other Sorts	0.06	0.31	0.08	0.21

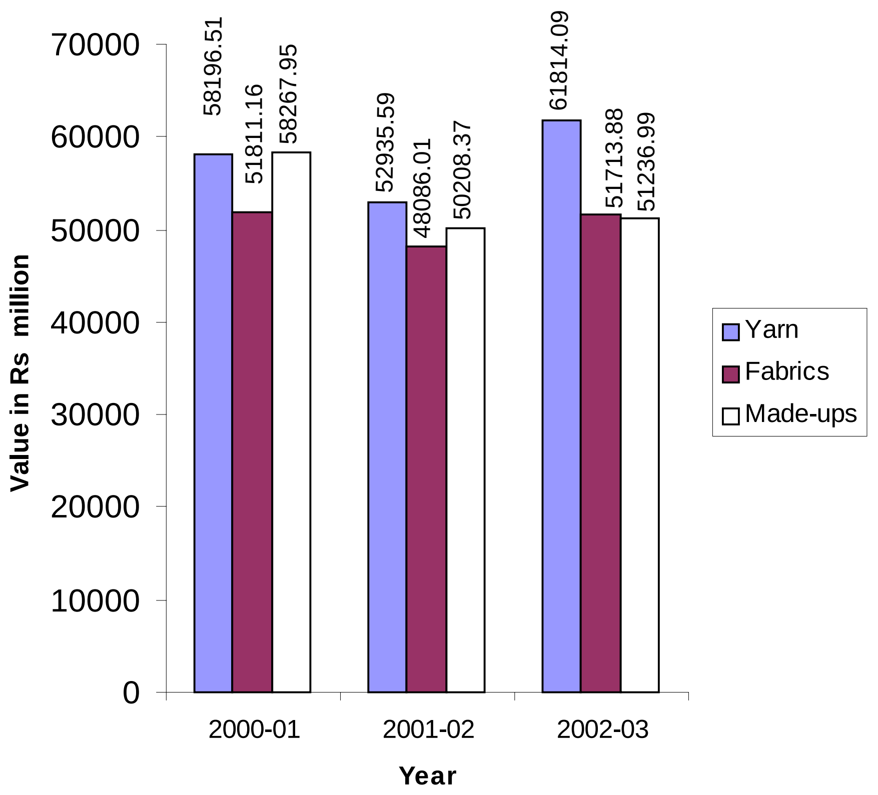
Source: Coir Board, Kochi.

Box - 8.16

Impact of Elimination of Quota Systems

- Pressure on prices - The removal of quota will result in a reduction in prices as exports are expected to quote realistic prices after discounting the quota rent. Competition is expected to intensify in a market of falling prices
- Protectionist measures - It is expected to see a rise in the use of a variety of protectionist measures like anti dumping, anti subsidy action, enforcement of environmental and labor standard, discriminatory application of Rules of Origin Criteria, implementation of cumbersome documentation and customs clearing procedures
- Proliferation of bilateral arrangements and regional groupings – Expansion of regional grouping and growing bilaterlism will result in development of 'con claves' distorting the principle of 'comparative advantage'

Fig 8.11
Exports of Cotton Textiles from India



Handloom Industry in Kerala

8.109 Traditional Handloom products of Kerala are extremely popular for its distinct blend of elegance, simplicity and excellence in design. This sector employs about 1.75 lakhs of people and this industry stands second to the coir sector in providing employment among the traditional industries of the State. Handloom Industry in the State is concentrated in Thiruvananthapuram, Kannur, Kozhikode, Palakkad, Thrissur, Ernakulam, Kollam and Kasaragod districts.

8.110 The industry is dominated by the cooperative sector with 86 percent of the looms followed by the entrepreneurial sector. The Cooperative sector consists of factory type and cottage type societies. As on March 2003, there were 758 primary handloom weavers' cooperative societies consisting of 155-factory type and 603 cottage type societies. The corresponding figure by the end of March 2002 was 135 and 620 respectively. The factory type societies increased in number where as the cottage type decreased.

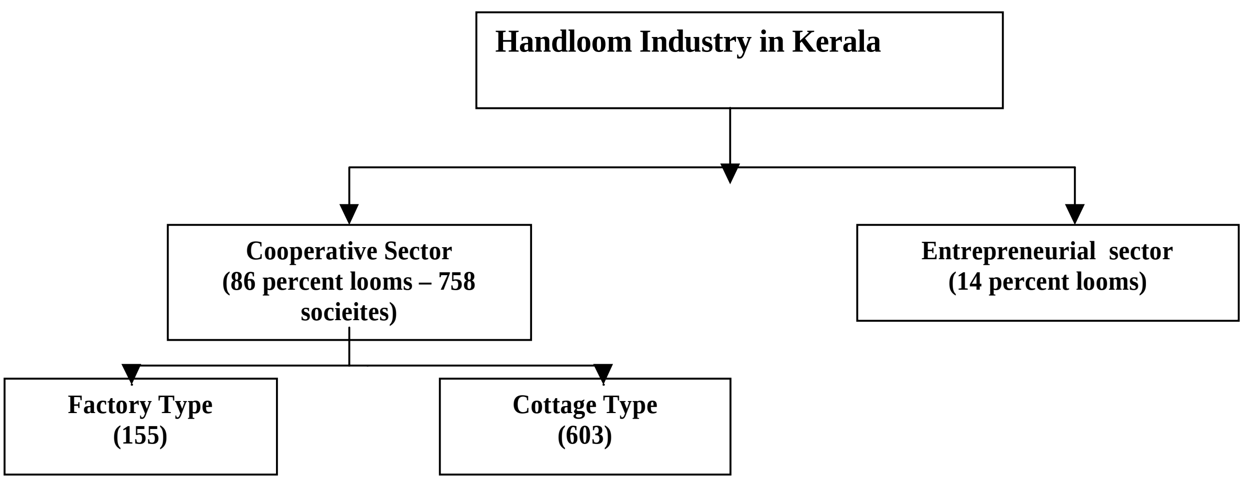
8.111 The district wise details of handloom societies in the State are given in Appendix.

8.112 Handloom products are dominated by cotton fabrics. The major varieties produced in the handloom sector of the State are Dhoti, Saree, furnishing material and lungi. The overall production of cloth by handloom societies in Kerala decreased from 70.75 million metres in 2001-02 to 56.82 million metres in 2002-03. Of the total production, 97 per cent is contributed by the co-operative societies and the remaining 3 per cent is from the entrepreneurial sector. Approximately 54.30 per cent of the total production of the co-operative sector is contributed by the Co-opeative Societies of the southern region. The share of the co-operatives in the central and northern regions in the production is 14.80 and 30.90 per cent respectively.

8.113 In the private sector the northern regions share is almost 41 per cent which is followed by the southern region with 40 per cent . The production and productivity under handloom industry in Kerala for the last 2 years are given in Appendix.

8.114 The Textile Committee, Government of India has completed the study for identifying the bottlenecks in the effective marketing of handloom products by Hantex, Hanveev and PHWCs and for chalking out a demand oriented production programme by identifying fast moving products.

Figure 8.12
Structure of Handloom Industry in Kerala



Promotion of Handloom

8.115 Procurement and marketing of handloom fabrics in the State are being undertaken by two State level organisations viz. Hantex and Hanveev. Hantex is the apex organisation of handloom cooperatives. Main activities of Hantex include distribution of required inputs to member societies, procurement and processing of goods produced by the member societies. The number of primary societies registered under Hantex remained steady at 450 during 2002-03 as in the previous year. The value of yarn purchased and distributed during 2002-03 decreased by 57 per cent and 55 per cent respectively compared to the previous year. The value of cloth produced decreased by Rs.5.98 crores registering a decline of 53 per cent over the previous year. Hantex conducted 32 exhibitions to increase the sales during the year under report as against 41 during the previous year. The working results of Hantex are furnished in Appendix.

8.116 SWOT analysis of Handloom Industry in Kerala is given in Box 8.17.

8.117 Kerala State Handloom Development Corporation (Hanveev) which started functioning in 1968 is another agency to accelerate the development of handloom industry in the State. The total income of

Box - 8.17

SWOT Analysis

Strength

- Unique skill set to make value added rich and diverse handloom products using cotton, wool, silk jute etc
- Flexible production capability and adaptability to the tastes of various target countries such as U S A, Europe etc.
- Huge production base employing about 1.75 lakhs traditional weavers and with 58,400 looms
- The state contributes to the extend of more than 10% of Handloom exports from the country

Weaknesses

- Poor infrastructure facility
- Obsolete looms with poor productivity
- Lack of product t diversification
- Lack of innovation in the areas of colours, textures etc
- In effective marketing

Opportunities

- The liberalised trade regime will open up huge export opportunities for value added unique handloom products
- Appropriate Technology and process upgradation such as the use of natural dyes will result in improved quality

Threats

- Removal of quota restrictions will witness a free-flow of textile products from other countries
- The Asian economics such as China, Taiwan have strong domestic handloom industry which can offer products at cheaper rates
- Isolation of Indian handloom sector on account of efforts for technological upgradation of textile sector.

the Corporation through sales of products decreased from Rs 16.88 crores in 2001-02 to Rs.9.90 crores in 2002-03. The Corporation incurred a net loss of 448.64 lakhs in 2002-03 compared to the loss of 207.17 lakhs during the previous year. The accumulated loss increased to Rs.1441.29 lakhs at the end of March 2003. The working results of hanveev are given in Appendix.

8.118 Kerala Garments Ltd. is a fully owned subsidiary of Hanveev, incorporated in 1974. The main activities of the company are stitching garments on job work and sale of readymade garments. The company produced 61000 pieces of readymade garments worth Rs.40 lakhs. It released Rs.44.91 lakhs by way of stitching charge and sold garments worth Rs.10.18 lakhs during 2002-03. The loss of the company during 2002-03 was Rs.109.71 lakhs as against Rs.113.84 lakhs in the previous year.

8.119 Powerloom is a dominant player in the weaving sector and it contributes more than 60 per cent of total textile production. There were 3900 powerlooms in the State during 2002-03 of which 1481 were in the co-operative sector. Three more powerloom co-operative societies were added during the year 2002-03, making the total number of societies 33. While the production of cloth by powerloom societies marked a slight increase of 14.41 lakh metres during the year 2002-03 from 98.15 metres during the previous year, the productivity per loom showed a decrease of 20.29 metres during the same period. Details on the production and productivity of powerloom industry are given in Appendix.

Handicrafts

8.120 Kerala State Handicrafts Apex Co-operative Society (SURABHI) started in 1964 with the objective of uplifting the standard of living of handicraft artisans by marketing their products and implementing various welfare schemes with the assistance from State and Central Government. This apex society has about 102 primary co-operative societies which market their products through 18 sales showrooms 14 in Kerala State itself and four outside the State. During 2002-03 the apex society purchased goods worth Rs.197 lakhs and achieved sales of Rs.309 lakhs registering an increase of 11.93 per cent and 18.39 per cent respectively compared to the previous year. In order to popularise Kerala crafts, the apex society conducted two exhibitions outside the State. It also participated in the catalogue show of Indian products in the International fair at Budapest organised by India Trade Promotion Organisation. Society has set up an export-oriented showroom at Kaloor, Ernakulam to boost up export sales. During 2002-03 society exported goods worth Rs.5 lakhs.

8.121 Handicrafts Development Corporation of Kerala was established in the year 1968 with SMSM Institute as a Central emporium and other 3 State emporium at Coimbatore, Madras and New Delhi. At present it is having a net work of 20 emporia all over the country. The activities of the corporation include marketing, raw material supply, production, infrastructure support, consultancy and workers welfare. During the year 2002-03 the Corporation conducted exhibitions in potential areas and tourist places inside and outside the State. The total sales turn over of the corporation rose to Rs.1049 lakhs from Rs.897 lakhs in the previous year. During the year 2002-03 the Corporation has supplied raw materials worth Rs.17.40 lakhs to artisans at subsidised rates at 25 percent by availing subsidy from State Government. The Corporation has become the channelising agency for the disbursement of loan to artisans from NBCFDC and NMCFDC.

8.122 The Kerala Artisans Development Corporation Ltd. has been nominated as one of the State channelising agencies for the implementation of schemes announced by the National Backward Classes Finance and Development Corporation (NBCFDC). The main activities of the corporation include assistance to artisans for establishing production units, promoting marketing of products and providing employment opportunities directly and in directly through schemes of trade fairs and marketing centres. The expenditure of the Corporation during the year 2002-03 was Rs.86.93 lakhs resulting in a loss of Rs.4.45 lakhs as against Rs.1.03 lakhs during previous year. During the year 2002-03 the Corporation organised 36 trade fairs through out the sate and crafts bazar 2002 at Ernakulam.

8.123 Kerala State Bamboo Corporation set up in the year 1971 is working for the upliftment of the workers belonging to mainly harijans and other backward communities, engaged in the reeds based cottage industry. The major activities of the Corporation includes I) collection of reeds from forest ii) distribution of reeds to the registered mat weavers and sale to other traditional workers iii) procurement of bamboo mat and iv) production and sale of bamboo ply. Bamboo industry provides direct employment to one lakh workers. The Corporation produces about 300 lakh sq. ft. bamboo mats, about 50 lakh sq. ft. bamboo ply boards per year. The formation of a multi disciplinary, multi departmental Bamboo Mission in the State is a major initiative for the development Bamboo sector.

Cashew Industry

8.124 Among the various Agri - Horticultural commodities taking part in the Indian commercial sector, Cashew has attained a prominent place. India continues to be the largest producer, processor, consumer and exporter of cashew Kernels in the World. The Indian cashew processing industry provides employment to over 3 lakh persons. India ranks first in the world with respect to area, production of raw nuts and productivity of raw nuts per hectare. The important cashew growing States in India are Kerala, Andra Pradesh, Karnataka, Maharashtra, Tamil Nadu, Orissa, Goa and Kerala is the top among the predominant States with large area and high production.

Table 8.22
Area, Production and productivity of cashew

	2000-01		Average productivity kg/ha.
	Area '000 hectare	Production '000 Tonnes	
India	720	450	710
Kerala	122	100	850

Source: Directorate of Cashew nut and Cocoa Development GOI.

8.125 At present in India there are nearly 1100 cashew processing units demanding one million tonnes of raw nuts. With the present level of production of five lakh metric tonnes of cashew and an import of two lakh metric tonnes the present processing capacity gets utilised to the extent of 70 per cent only leaving the rest unutilised for want of raw nuts.

8.126 The organised sectors are mostly concentrated in Kerala, Karnataka & Tamil nadu who have larger capacity for processing and large number of labourers engaged. The Industrial set up as existed in 1980's and in the year 2000 is depicted in Table 8.23.

8.127 Kerala inspite of having a long tradition both in cashew cultivation and cashew nut processing, the raw nut production is far from the requirement. The processing capacity of the factories remains under utilised. Also the excellent skill of labourers of the State in processing raw nut also remains untapped. This labour force hardly gets employment even for one third of the year due to shortage of raw nuts. Major constraints confronting the cashew industry are given in Box 8.18.

Box - 8.18

Cashew Industry - Major constraints

- Continued heavy dependence on imports due to shortage of raw nuts from indigenous sector
- Inability to expand domestic market
- Inability to find a larger market for cashew nut shell liquid

Table 8.23
Indian Industrial situation of Cashew

State	1982	2000					
		Processing units (Nos.)			Processing		
	Proce. Units (Nos.)	Organ ised	Unorgan ised	Total	Capacity ('000 MT)	Consum ption ('000 MT)	Labour force ('000 Nos.)
Kerala	**270**	**375**	**23**	**398**	**500**	**193**	**210**
Karnataka	50	164	8	172	60	25	25
Goa	21	25	32	57	20	8	5
Maharashtra	40	NIL	49	49	20	6	2
Tamilnadu	87	217	24	241	320	150	130
Andhrapradesh	95	38	65	103	50	28	25
Orissa	9	Nil	33	33	20	15	3
West Bengal	Nil	Nil	45	45	10	5	3
Total	**572**	**819**	**279**	**1098**	**1000**	**430**	**403**
Through imports						220	

Source: Indian Cashew Industry - Directorate of Cashew nuts and Cocoa Development , Kochi

8.128 The Kerala State Cashew Development Corporation (KSCDC) and Cashew Workers Apex Cooperative Society (CAPEX) are the two State agencies engaged in the cashew processing sector in Kerala. KSCDC has 30 factories while CAPEX possesses 10. There were 17254 employees in KSCDC and 4014 employees in CAPEX. The apex society could provide employment only for 29 days during 2002-03, but KSCDC could not provide any employment. KSCDC incurred a loss of Rs. 14.27 crores and CAPEX Rs 1.37 crores during the year 2002-03. Efforts are being made to improve the working of the Cashew Development Corporation and CAPEX.

Khadi and Village Industries

8.129 Khadi and Village Industries Board implements programs through Co-operative Societies, registered institutions, individuals and department units by availing assistance from the State Government, Khadi Commission and nationalised banks.

8.130 During the year 2002-03 Khadi Board received an amount of Rs.280 lakh only as against the allotment of Rs.350 lakh from the State Government. The board extended margin money assistance of Rs.367.20 lakh to 273 units and generated employment opportunities to the tune of 2522 persons during the period. Under the scheme, viz. strengthening of weaving sector, action has been taken to manufacture 80 looms, to repair 121 looms and to impart training in silk weaving to 30 artisans and khadi weaving to 91 artisans. Khadi Board introduced 145 new looms in various Khadi production centres and started 3 spinning units for the mentally retarted persons and 4 weaving units during the period under review by providing employment to 43 persons. Two honey processing units, one in Ernakulam and other in Palakkad district were also started by providing employment to 14 persons directly and 30 persons indirectly. A handmade paper unit at Kizhakkombalam was started with initial employment opportunities to 10 persons. Khadi Board participated in an International Trade Fare at New Delhi and at an All India Khadi and Village Industries Exhibition held at Panaji during the period under review. During 2002-03, 74 sales outlets were opened. The Board organised a state level exhibition at Thiruvananthapuram with financial support from KVIC. Item wise details of Khadi products and number sales outlets during 2002-03 are given in appendix.

Table. 8.24
Institutional Position of Khadi Sector

Agency	No. of units	No.of units working
Co operative societies	2009	584
Registered Institutions	2161	1247
Individuals	15814	13003
Departments	429	383

8.131 The Institutional position under Khadi Board as on 31-3-2003 is given below.

Sericulture

8.132 Sericulture, an agro- based industry is promoted as a subsidiary occupation in Kerala. Kerala State Sericulture Co-operative Federation (Serifed) is the nodal agency for promoting sericulture activities. Inspite of concerted efforts the industry could not take off as envisaged. Hence a new strategy for the development of sericulture was introduced during the Xth plan period which had mainly three components viz.

- Cluster based development
- Active involvement of local body and member societies
- Emphasis on postcocoon Technology sector

Table 8.25
Status of Sericulture

Year	Plantation (acre-cumulative)	No. of farmers (cumulative)	DFLs distributed (Nos.)	Cocoon production (Kg)	Raw silk production (Kg)
2001-02	555.75	979	113286	29935	2560.74
2002-03	1414	2366	98369	33229	2602.52
2003-04 (up to Sept)	1856	3005	80060	25163	1693.22

Source : Serifed

8.133 As part of cluster based sericulture development strategy, the sericulture activities in the state were confined to 125 Grama Panchayats spreading over 40 selected cluster during 2002-03. More emphasis is now given on creating awareness and motivating people to adopt sericulture as a means for increasing earnings. The cocoon production has been increased to 33MT in 2002-03 as against the achievement of 30MT during 2001-02. Achievements in the area under mulbery plantation, number of farmers covered, DFLs distributed and raw silk yarn produced are shown in the table.

Mining

8.134 The Exploratory and Prospecting division of the department of Mining and Geology conducted exploration for kaolinitic clays in

- Pallippuram area west of CRPF camp centre, Thiruvananthapuram
- Sitangoli area in Kasaragod
- Kattaikonam Thundathil area in Thiruvananthapuram
- Pallippuram-Mangalapuram-Murukkumpuzha area in Thiruvananthapuram

8.135 The coastal tract of Kasaragod District falling between pallikkara in the north and Thrikkarippur in the south was subjected to remote sensing and air photo interpretation with a view to study the prospects of economic mineral potential comprised in the quaternary sediments and also to study the geo- environmental aspects of the coastal tracts. An area of about 400-sq. km. was covered by air photo interpretation.

8.136 A rapid survey for assessing the sand resource along the river tracts of Kulathuppuzha, Chittoor and Kallada rivers draining the reserved forest area was conducted during 2002-03. A total of seventeen kadavus were inspected. Survey was also conducted in Vembanad Lake covering the area of about 800 meters east of the confluence of Puchakkal Thodu and two kilometers north of the confluence of Ittippuzha with Vembanadu Lake, comprised in parts of Chembu, Kulasekharamangalam and Udayanapuram villages to probe the possibilities of extraction of sand from lake bed. A total quantity of 36000 cbm of sand was estimated in the lakebed portion over an extend of 12 hectares.

8.137 Two hundred and forty nine minor mineral quarries falling in Moovattupuzha and Kothamangalam taluks in Ernakulam district were inspected and data regarding the quarries collected. Twenty four rock samples were collected from different quarries for petrographic and to examine the polishing characteristics. An area of 1.25 hectares at Vadakodu, Kalloorkkadu village was subjected to field inspection to confirm the availability of graphite ore.