CHAPTER II

CONCEPT OF SMALL-SCALE INDUSTRIAL UNIT
AND ECONOMIC SETTINGS OF KANYAKUMARI DISTRICT

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2.1. INTRODUCTION

This chapter analyses and explains the concept of small-scale industrial unit and brings the economic settings of Kanyakumari District. The chapter has been prepared on the basis of secondary data collected from the Small Industries Development Organisation (SIDO), New Delhi, the Ministry of Small-scale industries and Agro and Rural Industries, Government of India, New Delhi, the Planning Commission, Government of India, the Commissioner and Director of Industries and Commerce, Chennai and the District Industries Centre, Nagercoil. In addition, the reports, books and magazines published by individuals and the institutions of Government of India and Tamilnadu are used.

2.2. SMALL-SCALE INDUSTRY

The Governments of developing countries have adopted positive measures to defeat the forces of stagnation. To perform this gigantic task, a well considered and most suited policy of economic development has been framed. The growth process of these countries aims at accelerating the economic development to enhance their social welfare. Nowadays, most of the developing countries are following the dictum that industrialisation is a process of growth and as such it is organically
linked both to the social and economic past and to the parallel process of social and economic development.¹

Since the end of the Second World War, most of the developing countries are giving priority to industrialisation as panacea for underdevelopment and poverty. The most primitive countries are now keenly interested in the rapid enlargement of manufacturing industries. It is rapid industrialisation in which they place a major hope of finding a solution to their problems of poverty, insecurity and over population and ending their newly realised backwardness in the modern world.²

The thrust on the development of small-scale industrial units emerged as a crucial element of the post-second world war initiatives for rapid economic development, where employment creation, mostly in the short-run, was too crucial. In India, the basic thrust given to this sector in practical platforms as well as in policy formulation owes to a variety of historical reasons, rather than some immediate economic needs. These historical reasons have significantly influenced the administration and development of small enterprises in the country. The small-scale industrial unit has been recognised as one of the most appropriate means of developing the industrial economy of backward countries. It facilitates tapping of resources which otherwise would
remain unused. These resources include entrepreneurship, capital, labour and raw materials. They can mobilise rural savings which may otherwise remain idle or may be spent on luxuries channelled into non-productive ventures.

Small-scale industrial units create employment opportunities at a relatively low capital cost. They contribute significantly to the strengthening of the industrial structure and serve as seedbeds of entrepreneurship. The establishment of small-scale industrial units made it possible to reverse the current trend of the migration of the people from rural to urban areas. Small-scale industrial units provide more employment with less capital requirements compared to large-scale sector.

Since independence our national leaders have recognised the role of the small-scale industrial units in the development of the economy and laid a solid foundation for its accelerated development through active policy support and creation of an institutional framework. The Industrial Policy Resolutions of the Government of India from 1948 to 1991 visualised the integrated growth of both large and small-scale sectors and recognised the social and economic contribution of small-scale sector. These Industrial Policy Resolutions stated that the
Government of India would stress the role of the cottage and village industries and the small-scale industrial units in the development of national economy. The policy further envisaged that the decentralised sector should acquire sufficient vitality to be self-supporting and its development should be integrated with that of large-scale industry.

2.2.1. Small-scale industries In India

Industrialisation can be the best means of achieving the higher growth rate and raising the living standard of the people. It provides work for the growing population to raise the standard of living by increasing the per capita net national income and often to improve the balance of payment position.

India is often described as an underdeveloped country, which implies that the resources of the country have not been properly harnessed with the result that the people have to live in poverty. The full and effective utilisation of manpower is the local point of socio-economic policies. The emphasis has to be laid on small-scale industrial unit to absorb the surplus manpower. The small-scale industrial unit leads to creation of employment opportunities on a dispersed basis not only in large cities and towns but also in small towns and far flung regions.
2.3. DEFINITION OF SMALL-SCALE INDUSTRY BY DIFFERENT COUNTRIES

In China, the definition of small-scale industry is less quantified and varies with the product. The industries are designed to mobilise local raw materials, local skills, local finance and local market.³

The working group of the Economic Commission for Asia and Far East (ECAFE) suggested in 1952 that the small-scale industry be defined for statistical purposes as an establishment employing not more than 20 persons when using power or 50 when not using power.⁴

The United Nation’s Report (1958) on the development of the manufacturing industry in Egypt, Israel and Turkey defines all manufacturing establishments employing less than 10 persons as small-scale industries.⁵

In Indonesia, there is no differentiation between small-scale enterprises and cottage industries. More than 90 percentage of the enterprises in the small scale and cottage industries group are cottage industries. The World Bank has characterised the small-scale industries in Indonesia as hybrid of the traditional and modern industries.⁶
In Thailand a small-scale industry is defined as an enterprise, the fixed deposits of which do not exceed Baht 2 million (approximately Rs.12 lakhs). Industrial enterprises are grouped under four categories such as manufacturing, servicing, handicraft and cottage industries.7

In German, Sweden, Norway and Denmark, there is no official definition of small-scale industry. Units employing upto 300 workers are considered to be small. However such units as employ 10 to 100 workers are taken to be small-scale industrial units.8

In Iran, small industries are defined as those with 100 percent Iranian ownership and management whose assets do not exceed 5 million Rials and whose products are not artistic in nature. It has been further provided that investment in land and buildings must not exceed 25 percentage of the total capital.9

In Japan, the small industry refers to those industries relatively small in the scale of management and capital investment, although the basis for classifications varies according to the type of industry and cannot be generalised. The Government applies the term to those industries which employ less than 300 million yens and in the commercial and professional services sector, with a capital of less than
10 million yens employing less than 50 persons. The small scale enterprise includes retail shops, shopping districts, beauty salons, hairdressing establishments and laundry shops (basic law of 1963).³⁰

In Italy, units having a capital investment of not more than 1500 million Lire and employing not more than 500 workers are considered to be small industries.¹¹

In Korea, the term small and medium industry is defined in the Small and Medium Industry Cooperative Act as any unit: (i) involved in manufacturing with more than 5 and less than 200 employees or with total assets of less than 50 million won and (ii) in mining with more than 5 and less than 300 employees or with total assets of less than 50 million won.¹²

In Netherland, there is no definition for a small-scale industry, which generally employ 10 to 100 workers.¹³

In Philippines, the institute of small-scale industries defines the small industry: “as a manufacturing or industrial service enterprise in which the manager is not actively engaged in production but in a varied
range of tasks involved in guidance and leadership without the help of specialised staff officer".14

In Sudan, small industries are defined as those industries which have a capital investment of less than Ls.50,000 ($142000) or which employ less than 30 full time workers. Most industries in this category are workshops, small oil mills, perfumeries, ice factories and tanneries.15

In Taiwan, in the manufacturing and processing sector, any business employing less than 100 persons or with assets worth NT $ 5 million is a small industry.16

In Turkey, all industries employing less than 10 workers and having a connected load of less than 10 H.P. are considered as small industry.17

In the United Kingdom, there is no demarcation between small and large industries. However, units employing less than 500 workers are generally referred to as small units, but this cannot be considered as a criterion of universal applicability.18
In the United State of America, the manufacturing firm is officially a small business for government procurement purposes, if it is not dominant in its field of operations and if it has fewer than 500 employees or if it is certified as small by the Small Business Administration for purposes fewer than 250 employees depending on the size and the standard set for different industries.¹⁹

In Vietnam, a small industry is defined as one employing less than 300 persons and having not more than 20 million piastres ($250000) in capital investment.²⁰

In India, the concept of small-scale industry covers a wide range of activities and its definition changes from time to time. The latest definition (with effect from 21.12.1999) of small-scale industry is that industries with a capital investment of Rs.100 lakhs in plant and machinery are classified as small-scale industry. The smaller units with a capital investment of Rs.25 lakhs are classified as Tiny units. Units with a capital investment in plant and machinery varying between Rs.25 lakhs and Rs.100 lakhs are classified as ancillary industries. A small-scale industrial unit or industry related service or business enterprise, managed by one or more women entrepreneurs in proprietary concerns or an industry in which she or they individually or jointly have a share
capital of not less than 51 percent as partners or shareholders or directors of private limited company or members of cooperative society is classified as women entrepreneurial unit. A unit with an obligation to export at least 30 percent of its annual production by the end of the third year of its commencement and having investment ceiling in fixed assets upto Rs.100 lakhs is regarded as an export oriented unit (EOU). 21

With the dawn of independence in several countries of Asia and Africa during the years succeeding the Second World War, the development imperatives were wide. A policy of positive discrimination towards small enterprises is the offspring of the freedom movement and more specifically the Quit India Movement, where Khadi evolved as the symbol of the policy thrust. The national government's policy was concretised in the Industrial Policy Resolution of 1948. Following the approach outlined by the Industrial Policy Resolution, an institutional network involving the All India Cottage Industries Board and six other specific boards was set up during First Five Year Plan period. The Second Five Year Plan and the Mahalanobis Model which provides its theoretical under-pinning came out with a clear statement on the respective roles of small and large industries in evolving the policy and strategy of development of the country. The vital need for a modern small-scale industrial sector, which provides for mass consumption of
goods and contributes to the intersectoral linkages, was indisputably underlined by the Second Five Year Plan. The planners also gave due importance to the Gandhian dream and philosophy of Gramaswaraj (Village autonomy) through a concrete and specific policy for the development of such enterprises named variously as traditional industries, decentralised industries, rural industries, village industries and the like. The recommendation of the Karve Committee which focused on village and cottage industries was instrumental in shaping policies in this industrial area. Under a democratic system of governance, but with a vide variety of problems, economic, political, and social, the legacy of democratic planning offered an inherent strength to the Indian economic system by facilitating economic activities with diverging organisational forms.22

The third major phase of small enterprise development in the country was inaugurated by the mid 1980's. This era has been marked by a further focus on project-based approaches and mounting arguments for intermittent widening of the limits of the small scale sector. The liberalisation regime, formally inaugurated in 1991, brought forward a new policy for small scale and tiny industries with significant focus on loosening the protective measures applicable to this sector.
Table 2.1 brings to light the periodic revision in the definition of small-scale industries from time to time.

**TABLE 2.1**
**EVOLUTION OF DEFINITION OF SMALL-SCALE INDUSTRIES**

<table>
<thead>
<tr>
<th>S.No.</th>
<th>Year</th>
<th>Basic Conditions</th>
<th>Additional Condition</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>1950</td>
<td>Upto Rs.5 lakhs in fixed assets</td>
<td>Less than 50/100 persons with or without power</td>
</tr>
<tr>
<td>2.</td>
<td>1958</td>
<td>Capital Investment of less than Rs.5 lakhs</td>
<td>Less than 50/100 persons with or without power</td>
</tr>
<tr>
<td>3.</td>
<td>1959</td>
<td>Capital investment value of machinery to be taken at original price paid irrespective of it being new or old</td>
<td>Less than 50/100 persons with or without power</td>
</tr>
<tr>
<td>4.</td>
<td>1960</td>
<td>Upto Rs.5 lakhs in fixed assets</td>
<td>No condition</td>
</tr>
<tr>
<td>5.</td>
<td>1966</td>
<td>Upto Rs.7.5 lakhs in plant and machinery</td>
<td>No condition</td>
</tr>
<tr>
<td>6.</td>
<td>1975</td>
<td>Upto Rs.10 lakhs in plant and machinery</td>
<td>No condition</td>
</tr>
<tr>
<td>7.</td>
<td>1980</td>
<td>Upto Rs.20 lakhs in plant and machinery</td>
<td>No condition</td>
</tr>
<tr>
<td>8.</td>
<td>1985</td>
<td>Upto Rs.35 lakhs in plant and machinery</td>
<td>No condition</td>
</tr>
<tr>
<td>9.</td>
<td>1991</td>
<td>Upto Rs.60 lakhs in plant and machinery</td>
<td>No condition</td>
</tr>
<tr>
<td>10.</td>
<td>1997</td>
<td>Upto Rs.300 lakhs in plant and machinery</td>
<td>No condition</td>
</tr>
<tr>
<td>11.</td>
<td>1999</td>
<td>Upto Rs.100 lakhs in plant and machinery</td>
<td>No condition</td>
</tr>
</tbody>
</table>

(The periodic revision in the definition of small scale industry as made by the Government of India)

Table 2.1 depicts that in 1950 an industry was classified as a small-scale industrial unit, its investment level being Rs.5 lakhs and employment limit, less than 50 persons when using power and less than 100 persons without using power. The capital investment ceiling in plant and machinery was revised. In 1997, the amount of investment in plant and machinery was increased to Rs.300 lakhs, but with effect from 21.12.1999, the limit was reduced to Rs.100 lakhs by the Government of India.

The small-scale industrial sector in India covers a wide spectrum of industries categorised under small, tiny and cottage segments ranging from small artisans and handicraft units to modern production units with significant investments. This sector has acquired a prominent place in the socio-economic development of the country as it not only acts as a ‘nursery’ for the development of entrepreneurial talent but also produces a wide range of products exceeding 7500 items.

The term small-scale industrial unit evokes different meanings for different agencies. The Planning Commission and the Government of India view the entire village and small industries (VSI) sector as a part of the small-scale industrial unit sector. The National Sample Survey Organisation, the Government of India, defines the entire industrial
sector in terms of organised and unorganised segments as well as in terms of industrial enterprises run by households and non-households. The central excise department distinguishes small-scale industrial units on the basis of the annual turnover of the units. The industry policy planners in small-scale industries board defines a small-scale industrial unit on the basis of investment in plant and machinery.

Since independence, a series of six Industrial Policy Resolutions and Statements have been formulated by the Union Government and they aim at promoting industrial growth and determining a pattern of state intervention and assistance. While the Industrial Policy Resolution, 1948 spelt out the framework of the basic and strategic industries to be established by the state, the policy of supporting cottage village and small industries took shape in 1956, when the government decided to build the competitive strength of the small village industries. The 1956 Resolution recognised the role of small-scale industrial sector in providing employment opportunities, mobilising local skills and capital resources, and in the process of integrating with the large industrial sector.

The Industrial Policy Statement, 1977 stressed the wider dispersal of cottage and small industries into rural areas and small
towns. The concept of District Industries Centre was also mooted so as to provide services to small industries under one roof. The Industrial Policy Statement released in 1980 was important from the point of view of ancillaryisation and creation of nucleus-plants for the growth of the sector. The Industrial Policy, 1990, laid emphasis on the steps to be taken to enhance the contribution of the small-scale industrial sector in overall exports, employment generation and dispersal of industries in rural areas. The industrial policy measures announced in 1991 contained a special thrust on the promotion and strengthening of small, tiny and village industries. Under the package of measures announced, the investment limit for tiny industries was raised to Rs.25 lakhs and locational conditions were withdrawn. In order to boost the ancillaryisation and strengthening of the capital base, equity participation by other industrial undertakings was permitted up to a limit of 24 percent of shareholdings in small-scale industrial units. A new scheme of integrated infrastructural development for small-scale industrial units was provided for with the participation of State Governments and Financial Institutions. A pro-active role for Non-Governmental Organisations (NGOs) and Industry and Trade Association was mooted.23
In 1977, there was a major upward revision in the investment limit in plant and machinery for the purpose of defining small-scale industrial unit and tiny sector units. This limit was brought up to Rs.300 lakhs. At present it has been brought down to Rs.100 lakhs in Dec.1999.24

To protect the interest of small-scale industrial units and to improve their viability, measures taken by the Government from time to time, include reservations, revision of investment ceilings in the definition, modernisation, technology upgradation and market assistance. Eight hundred and twelve items were currently reserved for exclusive manufacture in the small-scale industrial sector. However, there is no regulation or restriction on marketing the reserved items by large industries. The reservation of products for exclusive manufacture by small-scale industrial units is reviewed regularly. The government has also been extending preferences in respect of purchase of items manufactured by small-scale industrial units. In the recent post-reform period, a number of new steps have been initiated by the Government with regard to foreign direct investment, establishment of growth centres, export promotion measures, marketing and the like.
2.4. GROWTH OF SMALL-SCALE INDUSTRIAL UNIT DURING PLAN PERIOD

In the early period, only cottage industries, village industries, rural industries or agro-based industries were considered to be small industries. The panel constituted by National Planning Committee under the Chairmanship of Pandit Jawaharlal Nehru studied the problems of small-scale industrial units. The Government has been following a policy of promotion as well as protection of the small industrial sector but the protection will be gradually reduced as and when promotional activities begin to produce results. The table 2.2 illustrates the plan-wise total outlay, production, employment, sales and earnings in small-scale industrial units.
### TABLE 2.2
PLAN-WISE OUTLAY, PRODUCTION, EMPLOYMENT, SALES AND EARNINGS IN VILLAGE AND SMALL-SCALE INDUSTRIAL UNITS

<table>
<thead>
<tr>
<th>S. No</th>
<th>PLAN</th>
<th>PERIOD</th>
<th>OUTLAY (Rs. in crores)</th>
<th>PRODUCTION (Rs. in crores)</th>
<th>EMPLOYMENT (Persons in lakhs)</th>
<th>SALES (Rs. in crores)</th>
<th>EARNINGS (Rs. in crores)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>First</td>
<td>1951-56</td>
<td>31.20 (100)</td>
<td>10.93 (100)</td>
<td>3.02 (100)</td>
<td>0.90 (100)</td>
<td>3.60 (100)</td>
</tr>
<tr>
<td>2.</td>
<td>Second</td>
<td>1956-61</td>
<td>175.00 (561)</td>
<td>33.16 (303)</td>
<td>5.64 (187)</td>
<td>28.36 (3151)</td>
<td>6.53 (181)</td>
</tr>
<tr>
<td>3.</td>
<td>Third</td>
<td>1961-66</td>
<td>262.00 (840)</td>
<td>55.87 (511)</td>
<td>8.75 (290)</td>
<td>49.73 (5526)</td>
<td>10.74 (298)</td>
</tr>
<tr>
<td>4.</td>
<td>Fourth</td>
<td>1969-74</td>
<td>293.13 (940)</td>
<td>122.00 (1116)</td>
<td>9.27 (307)</td>
<td>115.64 (12840)</td>
<td>22.15 (615)</td>
</tr>
<tr>
<td>5.</td>
<td>Fifth</td>
<td>1974-79</td>
<td>535.03 (1715)</td>
<td>347.98 (3484)</td>
<td>16.13 (534)</td>
<td>388.97 (43219)</td>
<td>78.84 (2190)</td>
</tr>
<tr>
<td>6.</td>
<td>Sixth</td>
<td>1980-85</td>
<td>1780.45 (5707)</td>
<td>807.06 (7384)</td>
<td>24.84 (823)</td>
<td>880.46 (97829)</td>
<td>220.49 (6125)</td>
</tr>
<tr>
<td>7.</td>
<td>Seventh</td>
<td>1985-90</td>
<td>2752.74 (8823)</td>
<td>1700.00 (15554)</td>
<td>30.00 (993)</td>
<td>1785.00 (198333)</td>
<td>320.00 (8889)</td>
</tr>
<tr>
<td>8.</td>
<td>Eighth</td>
<td>1992-97</td>
<td>2458.00 (7878)</td>
<td>3760.00 (1978)</td>
<td>46.25 (NA)</td>
<td>NA</td>
<td>NA</td>
</tr>
</tbody>
</table>

Note: Figures in parentheses indicate percentages

The plan outlay for village and small-scale industries during First Five Year Plan (1951-1956) was Rs.31.20 crores, and it was increased to Rs.2752.74 crores in the Seventh Plan (1985-90). Then it was Rs.2458 crores in the Eight Plan (1990-1995). The production of village and small-scale industrial units were Rs.10.93 crores in the First Plan but it was Rs.1700 crores in the Seventh Plan. Similarly the employment provided by small-scale industrial units increased from 3.02 lakhs in the First Plan to 30 lakhs in the Seventh Plan. The sales during the First Plan of small-scale industrial units ranged from Rs.0.90 crores to 1785 crores in the Seventh Plan.

During the First Five Year Plan, a major step was taken for the development of All India Cottage Industries Board to advise and assist in the formulation of a programme of development for small-scale industrial units. It also attempted to highlight some problems which were involved in the formulation of development programmes for small-scale industrial units and divided the small-scale industrial units into three groups viz: those which exist independently, those integrated and those offering competition to imports.²⁵

The Second Five Year Plan sought to fulfil two broad objectives of establishing a socialistic pattern of society and laying the foundation of
a strong industrial economy. Some effective steps were taken for laying down a separate target of production for small scale and large-scale sectors of selected industries. The marketing conditions of small-scale industrial units were improved by intensifying the import restrictions. The small-scale industrial units were expanded considerably at the rate of 25 to 50 percent per annum during the plan period.26

The Third Plan added greater emphasis to agriculture and rural development, boosting of exports, expansion of employment opportunities and development of education, health and other social services. They emphasised improvement in productivity of the workers at a lesser cost and reduce progressively the role of subsidies, sales rebates and sheltered markets.27

The Fourth Plan laid stress on increasing agricultural production, reducing the reliance on foreign aid and also improving the conditions of under privileged and weaker sections of the society. The main programmes were to entrust the work of administration of credit facilities under the state aid to Industries Act, training and common service facilities, quality marketing and consolidation of industrial estate programme to the states.28
The Fifth Plan aimed at controlling inflation and stabilising economic situation. The programme was oriented for mass production and of the products, which have export potentials.

The Sixth Plan included poverty alleviation, development of infrastructure and expansion of investment and employment outlets. By achieving the target of 5.2 percent annual growth rate, this plan showed an encouraging prospect of reaching a high growth trajectory. Improvement in the level of production and earnings, creating additional employment on dispersed basis, ensuring a significant growth in manufacturing sector, establishment of wide entrepreneurial base and expand efforts in export promotion were the basic concepts of this plan. In marketing of products, a major effort was mounted to remove the middlemen and to provide services through the co-operative sector.

The Seventh Plan relied on the policies and programmes for increasing food production, raising capacity utilisation and productivity, stimulating export and effecting import substitution, increasing employment opportunities and initiating special drives for poverty alleviation. Specific steps were taken to diversify the industries in rural areas to remove regional imbalances, which resulted in (about 43.5
percent) granting industrial licenses granted to backward area during the first two years of the plan.30

The Eighth Plan broadly utilised the growth stimulus and emphasised the development of infrastructure with a view to providing the much needed basic facilities for expansion of productive activities. A revival of growth rate which touched the level of 6.4 percent in 1999-2000 reflected some resilience of the economy. Sixty percent of the total public sector investment was allocated for the small-scale industrial units, which are high labour intensive through self-employment. SSIs contributed to exports to the tune of Rs.52,230 crores which is 44 percent of the total export.31 This proved that small industries are very important in the effort to globalise the Indian economy.

The Ninth Plan emphasised the wider application in production and information technologies, improvements of computer penetration, strengthening of Research and Development manpower base and boosting of hardware and software exports. This plan indicates that the small-scale sector is presently producing about 8000 items, out of which 822 are reserved for production in the small-scale sector. This plan gives importance to their inherent strength and resilience of the small-scale sector and its ability to respond to the challenge of the
market forces. The infrastructure facilities are being developed in backward rural areas under the scheme of integrated infrastructure development centres.

The Government has taken a number of policy initiatives like allowing 24 percent equity participation to large and medium units in small-scale industrial sector to help the small-scale sector. The Government is also simplifying the procedures and labour laws pertaining to small-scale industrial units.

2.5. ECONOMIC INDICATORS OF SMALL SCALE INDUSTRIAL UNIT

The performance of small-scale industrial units can be studied in terms of its production, employment and export.

The opportunities in the small-scale sector are enormous on account of various factors like less capital intensive, extensive promotion and support by government, reservation for exclusive manufacture by small scale sector, project profiles, funding-finance and subsidies, machinery procurement, raw material procurement, man power training, technical and managerial skills, tooling and testing support, reservation for exclusive purchase by Government, export
promotion, growth in demand for domestic market size to overall economic growth and increasing export potential for Indian products.

The small-scale industrial sector is ideally suited to build on the strength of our traditional skills and knowledge, by infusion of technologies, capital and innovative marketing practices. This is the opportune time to set up projects in the small-scale sector. It may be said that the outlook is positive, indeed promising, given some safeguards. This expectation is based on an essential feature of the Indian industry and the demand structures. The diversity in production system and demand structures will ensure long-term co-existence of many layers of demand for consumer products and technologies. There will be flourishing markets for the same product and process, differentiated by quality, value added and sophistication. However, the bugbear of the sector has been the inadequacies in capital, technology and marketing. The process of liberalisation coupled with the Government support will attract the infusion of the deficiencies of capital, technology and marketing in the sector.
2.5.1. Production

The small-scale industrial sector plays a vital role in the growth of the country. It contributes almost 40 percent of the gross industrial value added in the Indian economy. It has been estimated that a million rupees of investment in fixed assets in small-scale sector produces 4.62 million worth of goods or services with an approximate value addition of 10 percent. The small-scale sector has grown rapidly over the years. The growth rates during the various plan periods have been very impressive. The number of small-scale units has increased from an estimated 0.87 million units in the year 1980-81 to over 3 million in the year 2000.

When the performance of this sector is viewed against growth in the manufacturing and the industry sector as a whole, it instills confidence in the resilience of the small-scale sector.

2.5.2. Employment

The small-scale industrial sector in India creates the largest employment opportunities for the Indian populace, next to agriculture. It has been estimated that Rs.1,00,000 investment in fixed assets in the small-scale sector generates employment for four persons. The food
products industry has ranked first in generating employment, providing employment to 0.48 million persons (13.1 percent). The next two industry groups are non-metallic mineral products with employment of 0.45 million persons (12.2 percent) and metal products with 0.37 million persons (10.2 percent). In chemicals and chemical products, machinery parts except electrical parts, wood products, basic metal industries, paper products and printing, hosiery and garments, repair and services, and rubber and plastics, the contribution range from 9 percent to 5 percent, the total contribution by these eight industry groups bring 49 percent. In all other industries, the contribution was less than 5 percent. The per unit employment was the highest (20 percent), in units engaged in beverages, tobacco products mainly due to the high employment potential of this industry particularly in Maharashtra, Andhra Pradesh, Rajasthan, Assam and Tamil Nadu. Next came the Cotton textile products (17 percent) non-metallic mineral products (14.1 percent) basic metal industries (13.6 percent) and electrical machinery and parts (11.2 percent). The lowest figure of 2.4 percent was in repair and services line. The per unit employment was the highest (10 percent) in metropolitan areas and lowest (5 percent) in rural areas. However, in chemicals and chemical products, non-metallic mineral products and basic metal industries per unit employment were higher in rural areas as compared to metropolitan areas and urban
areas. In urban areas the highest employment per unit was in beverages, tobacco products (31 percent) followed by cotton textile products (18 percent), basic metal industries (13 percent), and non-metallic mineral products (12 percent).\textsuperscript{33}

The non-metallic products contributed 22.7 percent to employment generation in rural areas. Food products accounted for 21.1 percent, wood products and chemicals and chemical products shared 17.5 percent. As for urban areas, food products and metal products almost equally shared 22.8 percent of employment. Machinery parts except electrical, non-metallic mineral products and chemicals and chemical products accounted for 26.2 percent of employment. In metropolitan areas, the leading industries were metal products, machinery parts except electrical and paper products and printing (total share being 33.6 Percent).\textsuperscript{34}

Tamil Nadu (14.5 percent) made the maximum contribution to employment, followed by Maharashtra (9.7 percent), Uttrapradesh (9.5 percent), West Bengal (8.5 percent), Gujarat (7.6 percent), Andhra Pradesh (7.5 percent), Karnataka (6.7 percent) and Punjab (5.6 percent). The per unit employment was high, 17, 16 and 14
respectively in Nagaland, Sikkim and Dadra and Nagar Haveli and 12 in Maharastra, Tripura and Delhi.  

2.5.3 Export

The small-scale industrial unit sector plays a major role in India’s export performance. 45 percent to 50 percent of the Indian exports is contributed by small scale industrial sector. Direct exports from small-scale industrial sector account for nearly 35 percent of total export. Besides direct exports, it is estimated that small-scale industrial units contributed 15 percent of exports indirectly through merchant exporters, trading houses and export houses. The indirect export may also be in the form of export orders from large units or the production of parts and components for use for finished exportable goods. It is estimated that non-traditional products account for more than 95 percent of the small-scale industrial unit exports. The exports from small-scale industrial sector have been clocking excellent growth rates in this decade. It has been mostly fuelled by the performance of garments, leather and gems and jewellery units of this sector. The product groups where the small-scale industrial sector dominates in exports are sports goods, readymade garments, wollen garments and knitwear, plastic products, processed food and leather products. The small-scale industrial sector is reorienting its export strategy towards the
new trade regime being ushered in by the World Trade Organisation (WTO).

The table 2.3 shows the growth of small-scale industrial units export’s performance from 1951-52 to 1998-99.
### TABLE 2.3
GROWTH OF EXPORT PERFORMANCE OF SMALL - SCALE INDUSTRIAL UNITS FROM 1951 – 52 TO 1999 – 2000

<table>
<thead>
<tr>
<th>S. No.</th>
<th>Year</th>
<th>Total Exports (Rs. in crores)</th>
<th>Export from SSI Sector (Rs. in crores)</th>
<th>Percentage share</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>1951-52</td>
<td>716</td>
<td>Negligible</td>
<td>---</td>
</tr>
<tr>
<td>2.</td>
<td>1961-62</td>
<td>660</td>
<td>Negligible</td>
<td>---</td>
</tr>
<tr>
<td>3.</td>
<td>1971-72</td>
<td>1608</td>
<td>155</td>
<td>9.6</td>
</tr>
<tr>
<td>4.</td>
<td>1976-77</td>
<td>5142</td>
<td>766</td>
<td>14.9</td>
</tr>
<tr>
<td>5.</td>
<td>1981-82</td>
<td>7809</td>
<td>2071</td>
<td>26.5</td>
</tr>
<tr>
<td>6.</td>
<td>1986-87</td>
<td>12567</td>
<td>3644</td>
<td>29.0</td>
</tr>
<tr>
<td>7.</td>
<td>1991-92</td>
<td>44040</td>
<td>13883</td>
<td>31.5</td>
</tr>
<tr>
<td>8.</td>
<td>1992-93</td>
<td>53688</td>
<td>17785</td>
<td>33.1</td>
</tr>
<tr>
<td>9.</td>
<td>1993-94</td>
<td>69547</td>
<td>25307</td>
<td>36.4</td>
</tr>
<tr>
<td>10.</td>
<td>1994-95</td>
<td>82674</td>
<td>29068</td>
<td>35.1</td>
</tr>
<tr>
<td>11.</td>
<td>1995-96</td>
<td>106353</td>
<td>36470</td>
<td>34.2</td>
</tr>
<tr>
<td>12.</td>
<td>1996-97</td>
<td>118817</td>
<td>39249</td>
<td>33.4</td>
</tr>
<tr>
<td>13.</td>
<td>1997-98</td>
<td>126286</td>
<td>44442</td>
<td>35.2</td>
</tr>
<tr>
<td>14.</td>
<td>1998-99(E)</td>
<td>141604</td>
<td>49481</td>
<td>34.9</td>
</tr>
<tr>
<td>15.</td>
<td>1999-2000</td>
<td>NA</td>
<td>53975</td>
<td>NA</td>
</tr>
</tbody>
</table>

(E) – Estimated

Source: Total exports, economic surveys, various issues, small-scale industry export – O/O DC (SSI).
It could be inferred from the table 2.3 that the export of small scale industrial units was negligible during 1951-52, increased to Rs.155 crores during 1971-72, and grown consistently for the remaining years to the maximum of Rs.49481 crores with 34.9 percent share to the total exports in 1998 – 99.

2.5.4. Economic Indicators Of Small-scale industry
   In India

The total number of small-scale industrial units in India is estimated as 3.3 million as on 2.07.2001. It provides employment to 18.6 million persons. Its share in Industrial value-added product is marked as 40 percent and total exports account for 45 percent direct and 35 percent indirect. The total number of items produced by small-scale industrial unit is counted as more than 8000 and the reserved item is 799.36

The table 2.4 depicts the trends in growth of small-scale industrial units and industrial sector in percent.
### TABLE 2.4

<table>
<thead>
<tr>
<th>S. No.</th>
<th>Year</th>
<th>Small-scale Industrial Unit</th>
<th>Industrial Sector</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>1991-92</td>
<td>3.1</td>
<td>0.6</td>
</tr>
<tr>
<td>2.</td>
<td>1992-93</td>
<td>5.6</td>
<td>2.3</td>
</tr>
<tr>
<td>3.</td>
<td>1993-94</td>
<td>7.1</td>
<td>6.0</td>
</tr>
<tr>
<td>4.</td>
<td>1994-95</td>
<td>10.1</td>
<td>9.4</td>
</tr>
<tr>
<td>5.</td>
<td>1995-96</td>
<td>11.4</td>
<td>12.1</td>
</tr>
<tr>
<td>6.</td>
<td>1996-97</td>
<td>11.3</td>
<td>7.1</td>
</tr>
<tr>
<td>7.</td>
<td>1997-98</td>
<td>8.43</td>
<td>5.8</td>
</tr>
<tr>
<td>8.</td>
<td>1998-99</td>
<td>7.70</td>
<td>4.0</td>
</tr>
</tbody>
</table>

Source: Annual Performance Report 2001, Small industries Development Organisation (SIDO), New Delhi
It could be seen from the table 2.4 that the growth rates of small-scale industrial units and industrial sector were 3.1 percent and 0.6 percent respectively. Then it tended to increase up to the period 1995-96 which accounted for 11.4 percent and 12.1 percent respectively for small-scale industrial units and industrial sector. But thereafter the growth rate declined for both sector. During the year 1999-2000 it was estimated at 8.16 percent and 6.5 percent respectively.

The table 2.5 gives the details of registered and unregistered small-scale industrial units in India.
TABLE 2.5

NUMBER OF REGISTERED AND UNREGISTERED SMALL SCALE INDUSTRIAL UNITS IN INDIA
FROM 1990 – 91 TO 1999 – 2000

<table>
<thead>
<tr>
<th>S. No.</th>
<th>Year</th>
<th>Number of Small- scale Industrial Units (in lakhs)</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Registered</td>
<td>Unregistered</td>
</tr>
<tr>
<td>1.</td>
<td>1990-91</td>
<td>13.78</td>
<td>5.70</td>
</tr>
<tr>
<td>2.</td>
<td>1991-92</td>
<td>14.98</td>
<td>5.84</td>
</tr>
<tr>
<td>3.</td>
<td>1992-93</td>
<td>16.48</td>
<td>5.98</td>
</tr>
<tr>
<td>5.</td>
<td>1994-95</td>
<td>19.44</td>
<td>6.27</td>
</tr>
<tr>
<td>6.</td>
<td>1995-96</td>
<td>20.84</td>
<td>6.40</td>
</tr>
<tr>
<td>7.</td>
<td>1996-97</td>
<td>22.07</td>
<td>6.50</td>
</tr>
<tr>
<td>8.</td>
<td>1997-98</td>
<td>23.52</td>
<td>6.62</td>
</tr>
<tr>
<td>9.</td>
<td>1998-99</td>
<td>24.47 (P)</td>
<td>6.74 (P)</td>
</tr>
</tbody>
</table>

Note: (P) Provisional (Pj) Projected
(Figures in parenthesis give percentage growth rate)


The table 2.6 depicts the full picture about the all India cumulative number of small-scale industrial units granted permanent registration by the State and Union Territory Directorates of Industries as on 02.07.2001.
### TABLE 2.6

ALL INDIA CUMULATIVE NUMBER OF SMALL SCALE INDUSTRIAL UNITS GRANTED PERMANENT REGISTRATION BY DIRECTORATE OF INDUSTRIES FROM 1995 – 96 TO 2000 – 01

<table>
<thead>
<tr>
<th>S. No.</th>
<th>Name of the State</th>
<th>Cumulative Number of Small-scale Industrial Units Granted Permanent Registration</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>ANDHRA PRADESH</td>
<td>1,12,916</td>
</tr>
<tr>
<td>2.</td>
<td>ASSAM</td>
<td>19,242</td>
</tr>
<tr>
<td>3.</td>
<td>BIHAR</td>
<td>1,01,221</td>
</tr>
<tr>
<td>4.</td>
<td>GUJARAT</td>
<td>1,29,455</td>
</tr>
<tr>
<td>5.</td>
<td>HARYANA</td>
<td>94,462</td>
</tr>
<tr>
<td>6.</td>
<td>HIMACHAL PRADESH</td>
<td>14,015</td>
</tr>
<tr>
<td>7.</td>
<td>JAMMU &amp; KASHMIR</td>
<td>25,165</td>
</tr>
<tr>
<td>8.</td>
<td>KARNATAKA</td>
<td>1,15,353</td>
</tr>
<tr>
<td>9.</td>
<td>KERALA</td>
<td>1,33,114</td>
</tr>
<tr>
<td>10.</td>
<td>MADHYA PRADESH</td>
<td>2,33,225</td>
</tr>
<tr>
<td>11.</td>
<td>MAHARASHTRA</td>
<td>98,144</td>
</tr>
<tr>
<td>12.</td>
<td>MANIPUR</td>
<td>4,928</td>
</tr>
<tr>
<td>13.</td>
<td>MEHALAYA</td>
<td>2,005</td>
</tr>
<tr>
<td>14.</td>
<td>NAGALAND</td>
<td>741</td>
</tr>
<tr>
<td>15.</td>
<td>ORISSA</td>
<td>16,623</td>
</tr>
<tr>
<td>16.</td>
<td>PUNJAB</td>
<td>1,45,471</td>
</tr>
<tr>
<td>17.</td>
<td>RAJASTHAN</td>
<td>71,479</td>
</tr>
<tr>
<td>18.</td>
<td>TAMILNADU</td>
<td>2,02,210</td>
</tr>
<tr>
<td>19.</td>
<td>TRIPURA</td>
<td>5,833</td>
</tr>
<tr>
<td>20.</td>
<td>UTTAR PRADESH</td>
<td>3,02,557</td>
</tr>
<tr>
<td>21.</td>
<td>WEST BENGAL</td>
<td>1,45,713</td>
</tr>
<tr>
<td>22.</td>
<td>SIKKIM</td>
<td>275</td>
</tr>
<tr>
<td>23.</td>
<td>ANDAMAN &amp; NICOBAR</td>
<td>1,038</td>
</tr>
<tr>
<td>24.</td>
<td>ARUNACHAL PRADESH</td>
<td>766</td>
</tr>
<tr>
<td>25.</td>
<td>CHANDIGARH</td>
<td>2,880</td>
</tr>
<tr>
<td>26.</td>
<td>DADRA &amp; NAGAR HAVELI DELHI</td>
<td>409</td>
</tr>
<tr>
<td>27.</td>
<td>MIZORAM</td>
<td>3,018</td>
</tr>
<tr>
<td>28.</td>
<td>PONDICHERRY</td>
<td>4,209</td>
</tr>
<tr>
<td>29.</td>
<td>DAMAN &amp; DIU</td>
<td>693</td>
</tr>
<tr>
<td>TOTAL</td>
<td>20,17,499</td>
<td>21,52,794</td>
</tr>
</tbody>
</table>

Note: (P) Provisional, since figures for some of the quarters/districts have not been received.

(Pj) Projected, since figures for the quarters ending 31.03.2001 have not yet been received from the state/union territory.

It could be seen from the table 2.6 that the total number of small-scale industrial units which were granted permanent registration in 1995-96 was 20,17,499, but it increased to 26,72,188 in 2000-2001. Uttar Pradesh has got a larger number of permanent registrations of small-scale industrial units as compared to other states and union territory. In Tamilnadu, it was 2,02,210 in 1995-96 but in 2000-2001 and it was projected as 3,32,002.

During 1990-91 registered and unregistered small-scale industrial units were 13.78 lakhs and 5.70 lakhs respectively which account for a total of 19.48 lakhs. Thereafter it tended to increase year after year. During the year 1999-2000, the projected number of small-scale industrial units registered was 25.39 lakhs and unregistered units, was 6.86 lakhs with a growth rate of 3.33 percent. The growth rate estimated was 6.88 percent in 1991-92 and the growth rate showed a decreasing trend.

The performance of small-scale industrial units in India with comparative performance in number of units, production, employment generation and export achieved is presented in table 2.7.
### TABLE 2.7
PERFORMANCE OF SMALL SCALE INDUSTRIAL UNITS IN INDIA FROM 1991-92 TO 1999-2000

<table>
<thead>
<tr>
<th>S. No.</th>
<th>Year</th>
<th>Total no. of Units (in lakhs)</th>
<th>Production (Rs. in crores)</th>
<th>Employment (in lakhs)</th>
<th>Export (Rs. in crores)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td>At current price</td>
<td>At 1990-91 price</td>
<td></td>
</tr>
<tr>
<td>1.</td>
<td>1991-92</td>
<td>20.82</td>
<td>178699</td>
<td>160156</td>
<td>129.80</td>
</tr>
<tr>
<td>2.</td>
<td>1992-93</td>
<td>22.46</td>
<td>209300</td>
<td>169125</td>
<td>134.06</td>
</tr>
<tr>
<td>3.</td>
<td>1993-94</td>
<td>23.88</td>
<td>241648</td>
<td>181133</td>
<td>139.38</td>
</tr>
<tr>
<td>4.</td>
<td>1994-95</td>
<td>25.71</td>
<td>293990</td>
<td>199427</td>
<td>146.56</td>
</tr>
<tr>
<td>5.</td>
<td>1995-96</td>
<td>27.24</td>
<td>356213</td>
<td>222162</td>
<td>152.61</td>
</tr>
<tr>
<td>6.</td>
<td>1996-97</td>
<td>28.57</td>
<td>412636</td>
<td>247311</td>
<td>160.00</td>
</tr>
<tr>
<td>7.</td>
<td>1997-98</td>
<td>30.14</td>
<td>465171</td>
<td>268159</td>
<td>167.90</td>
</tr>
<tr>
<td>8.</td>
<td>1998-99</td>
<td>31.21</td>
<td>527515</td>
<td>288807</td>
<td>171.58</td>
</tr>
<tr>
<td>9.</td>
<td>1999-00</td>
<td>32.25</td>
<td>578299</td>
<td>312576*</td>
<td>177.30</td>
</tr>
<tr>
<td>10.</td>
<td>2000-01</td>
<td>NA</td>
<td>627454</td>
<td>NA</td>
<td>NA</td>
</tr>
</tbody>
</table>

(Pj) - Projected    (E) – Estimated

* Based on the growth rate 8.23 percent achieved during April – September 1999.

It is evident from the table 2.7 that the performance of the small-scale industrial units in India, in terms of number of units, production, employment generation and export, was consistently increasing during the study period. The steady growth of small-scale industrial units has been one of the most significant features of planned economic development. The small-scale sector has grown phenomenally during the last three decades and the sector has a potential to play a vital role in the fulfillment of our socio-economic objectives. The total number of small-scale industrial units in the country in 1999-2000 was projected as 32.25 lakhs compared to 31.21 lakhs in 1998-1999. The value of production in 1999-2000 aggregated to Rs.5,78,299 crores. The employment avenues created by small-scale industrial sector stood at 171.58 lakhs in 1998-99 and 177.3 lakhs by the end of March 2000. The exports from small-scale industrial sector accounted for about 35 percent of the country’s total export. In 1998-99, its exports were valued at Rs.49,481 crores which was increased by 11.33 percent over the year 1997-98. During the year 1999-2000, it was valued at Rs.53,975 crores registering an increase of 9.08 percent over 1998-99.
The performance of the small scale industrial units in Tamilnadu in respect of number of units, production, employment generated in small-scale industrial units is exhibited in table 2.8.

**TABLE 2.8**

PERFORMANCE OF SMALL SCALE INDUSTRIAL UNITS IN TAMIL NADU FROM 1991 – 92 TO 2000 – 01

<table>
<thead>
<tr>
<th>S. No.</th>
<th>Year</th>
<th>Total no. of Units (in lakhs)</th>
<th>Production (Rs. in lakhs)</th>
<th>Employment (in lakhs)</th>
<th>Export (Rs. in crores)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>1991-92</td>
<td>138404</td>
<td>761212</td>
<td>1464763</td>
<td>290648</td>
</tr>
<tr>
<td>2.</td>
<td>1992-93</td>
<td>157892</td>
<td>888406</td>
<td>1750133</td>
<td>357789</td>
</tr>
<tr>
<td>3.</td>
<td>1993-94</td>
<td>178114</td>
<td>1034841</td>
<td>1941446</td>
<td>397227</td>
</tr>
<tr>
<td>4.</td>
<td>1994-95</td>
<td>207357</td>
<td>1326176</td>
<td>2188000</td>
<td>512765</td>
</tr>
<tr>
<td>5.</td>
<td>1995-96</td>
<td>234400</td>
<td>1434348</td>
<td>2323000</td>
<td>562794</td>
</tr>
<tr>
<td>6.</td>
<td>1996-97</td>
<td>263845</td>
<td>1625740</td>
<td>2522000</td>
<td>639466</td>
</tr>
<tr>
<td>7.</td>
<td>1997-98</td>
<td>295004</td>
<td>1817224</td>
<td>2802638</td>
<td>713909</td>
</tr>
<tr>
<td>8.</td>
<td>1998-99</td>
<td>324627</td>
<td>1980225</td>
<td>2921643</td>
<td>779104</td>
</tr>
<tr>
<td>9.</td>
<td>1999-2000</td>
<td>354939</td>
<td>2129634</td>
<td>3194451</td>
<td>851853</td>
</tr>
<tr>
<td>10.</td>
<td>2000-2001</td>
<td>387597</td>
<td>3826166</td>
<td>2907532</td>
<td>1156722</td>
</tr>
</tbody>
</table>

(Compiled from Records of Industries Commissioner and Director of Industries and Commerce, Chennai.)
It is evident from the table 2.8 that the total number of small-scale industrial units in Tamilnadu during 1991-92 was 1,38,404 and it increased to 3,87,597 during the year 2000-2001. In production it was Rs.7,61,212 during 1991-92 and was projected to reach Rs.39,26,166 during 2000-2001. The employment generated was for 14,64,763 persons during 1991-92, but it was increased to 29,07,532 during 2000-2001. The total investment in small scale industrial units was Rs.2,90,648 during 1991-92 but it was increased to Rs.11,56,722 during 2000-2001.

The performance of small scale industrial units in Kanyakumari district in respect of number of units, investment in plant and machinery, land and building and employment generated as on 31.3.2001 is depicted in table 2.9.
<table>
<thead>
<tr>
<th>S. No.</th>
<th>Type of Industry</th>
<th>No. of Registered SSI units</th>
<th>Employment</th>
<th>Investment (Rs. in lakhs)</th>
<th>Production Capacity (Rs. in lakhs)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>FOOD PRODUCTS</td>
<td>55</td>
<td>822</td>
<td>44.84</td>
<td>74.79</td>
</tr>
<tr>
<td>2.</td>
<td>BEVERAGES</td>
<td>6</td>
<td>12</td>
<td>3.21</td>
<td>1.86</td>
</tr>
<tr>
<td>3.</td>
<td>COTTON TEXTILES</td>
<td>1</td>
<td>3</td>
<td>2.35</td>
<td>2.65</td>
</tr>
<tr>
<td>4.</td>
<td>WOOL, SILK AND SYNTHETIC FIBRE TEXTILES, HOISERY AND GARMENTS</td>
<td>263</td>
<td>845</td>
<td>107.35</td>
<td>120.24</td>
</tr>
<tr>
<td>5.</td>
<td>WOOD PRODUCTS</td>
<td>171</td>
<td>551</td>
<td>58.39</td>
<td>65.55</td>
</tr>
<tr>
<td>6.</td>
<td>PAPER PRODUCTS AND PAINTINGS</td>
<td>46</td>
<td>181</td>
<td>36.02</td>
<td>57.07</td>
</tr>
<tr>
<td>7.</td>
<td>LEATHER PRODUCTS</td>
<td>50</td>
<td>142</td>
<td>7.32</td>
<td>19.91</td>
</tr>
<tr>
<td>8.</td>
<td>RUBBER AND PLASTICS PRODUCTS</td>
<td>39</td>
<td>210</td>
<td>176.84</td>
<td>185.93</td>
</tr>
<tr>
<td>9.</td>
<td>CHEMICALS AND CHEMICAL PRODUCTS</td>
<td>7</td>
<td>18</td>
<td>6.93</td>
<td>10.29</td>
</tr>
<tr>
<td>10.</td>
<td>NON-METALLIC MINERAL PRODUCTS</td>
<td>30</td>
<td>270</td>
<td>43.83</td>
<td>43.68</td>
</tr>
<tr>
<td>11.</td>
<td>BASIC METAL INDUSTRIES</td>
<td>1</td>
<td>7</td>
<td>7.00</td>
<td>9.10</td>
</tr>
<tr>
<td>12.</td>
<td>METAL PRODUCTS</td>
<td>34</td>
<td>96</td>
<td>15.33</td>
<td>18.43</td>
</tr>
<tr>
<td>13.</td>
<td>MACHINERY AND PARTS EXCEPT ELECTRICALS</td>
<td>19</td>
<td>69</td>
<td>8.55</td>
<td>16.90</td>
</tr>
<tr>
<td>14.</td>
<td>ELECTRICAL MACHINERY AND APPARATUS</td>
<td>5</td>
<td>28</td>
<td>1.85</td>
<td>1.95</td>
</tr>
<tr>
<td>15.</td>
<td>TRANSPORT EQUIPMENTS AND PARTS</td>
<td>8</td>
<td>25</td>
<td>2.76</td>
<td>3.65</td>
</tr>
<tr>
<td>16.</td>
<td>MIS, MANUFACTURING INDUSTRIES</td>
<td>14</td>
<td>33</td>
<td>3.50</td>
<td>9.49</td>
</tr>
<tr>
<td>17.</td>
<td>BUSINESS SERVICES</td>
<td>5</td>
<td>8</td>
<td>2.16</td>
<td>2.56</td>
</tr>
<tr>
<td>18.</td>
<td>HEALTH SERVICES</td>
<td>26</td>
<td>85</td>
<td>19.95</td>
<td>54.64</td>
</tr>
<tr>
<td>19.</td>
<td>PERSONAL SERVICES</td>
<td>27</td>
<td>92</td>
<td>15.40</td>
<td>28.80</td>
</tr>
<tr>
<td>20.</td>
<td>REPAIR SERVICES</td>
<td>185</td>
<td>513</td>
<td>80.98</td>
<td>80.91</td>
</tr>
<tr>
<td>21.</td>
<td>SERVICES NOT ELSE WHERE CLASSIFIED</td>
<td>8</td>
<td>15</td>
<td>4.70</td>
<td>4.25</td>
</tr>
<tr>
<td></td>
<td><strong>TOTAL</strong></td>
<td><strong>1000</strong></td>
<td><strong>40.25</strong></td>
<td><strong>649.26</strong></td>
<td><strong>908.65</strong></td>
</tr>
</tbody>
</table>

**SOURCE**: DISTRICT INDUSTRIES CENTRE, NAGERCOIL
The table 2.9 highlights the fact that only 1000 units were registered and its production capacity was recorded as Rs. 1843.40 lakhs. It provided employment to nearly 40.25 lakhs people of Kanyakumari District. The registered small-scale industrial units have made a total investment of Rs. 649.26 lakhs in plant and machinery and Rs. 908.65 lakhs in land and building.

**2.6. ECONOMIC SETTINGS OF KANYAKUMARI DISTRICT**

The Kanyakumari district, which was named after the Goddess “Kanyakumari”, a small, compact, homogenous region without any diverse agro-climatic conditions, is in the southern most peninsula of India. It has its own ancient historical heritage. It was a part of wide land mass called Gondavana in the earliest geological period in which it was recorded as “Kumari Kandam”. The Kanyakumari district became its northern main land of Indian ocean and the land's end of India. The micro-lithic evidences indicate that fishing and herding formed the main economic activities of this district.
2.6.1. Location

The Kanyakumari district lies at the southern most tip of the peninsula, where the Indian Ocean, the Arabian Sea and the Bay of Bengal confluence. It is the tiniest district next to the Nilgris district in the state of Tamilnadu. It is situated at the foot of the Western Ghats and is bounded by Tirunelveli district at the north-east, Kerala state at the north-west, the Bay of Bengal in the south-east, the Indian Ocean in the south and the Arabian Sea in the west. 

Nagercoil is the district headquarters of Kanyakumari district. This district is accredited with all kinds of natural resources from land, sea, forest and mountain. It is a predominantly agrarian with 68 percent of the land being utilised for agricultural purposes. It has an area of 1684.17 sq.kms of which 1641 sq.km are rural and 43.17 sq.kms are urban. It has a coastal line of 68 kms and 49,354 hectares are reported to be forestlands. In total, this district is resource oriented.

This district is bounded between 77°-05' and 77°-36'' of the eastern longitude and 8°-03'' and 8°-35'' of the northern latitude. Eventhough, this district is within and closer to the equatorial belt, the special oceanic climate is spread throughout the year.
In the extreme west and southwest of the Kanyakumari district, there is a flat and fairly fertile strip, in between the mountainous region and the coastal strip. There exists an undulating terrain with a few streams running through it towards the west.\(^{42}\)

**2.6.2. Revenue Structure**

The Kanyakumari district is divided into two revenue divisions viz. Nagercoil and Padmanabhapuram and four taluks viz. Agasteeswaram, Thovalai, Kalkulam and Vilavancode. It has four municipalities, nine blocks and one township. It has seven assembly constituencies viz. Colachal, Kanyakumari, Killiyoor, Nagercoil, Padmanabhapuram, Thiruvattar and one parliamentary constituency Nagercoil.

The Kalkulam taluk with its head quarters at Thuckalay has the largest area of 606 sq.kms compared to the other taluks. The Agasteeswaram taluk with its headquarter at Nagercoil has the lowest area of 276 sq.kms. The Thovalai taluk with Boothapandi as head quarter and Vilvavancode with Kuzhithurai as head quarter have the area of 359 sq.kms and 431 sq.kms respectively.\(^{43}\)

This district has four municipalities viz. Colachel, Kuzhithurai, Nagercoil and Padmanabhapuram. All the municipalities have their
head quarters at their place itself except Padmanabhapuram at Thuckalay.

This district has got purely agricultural oriented economy and hence depends solely on agricultural income. Based on the physiography, this district can be divided into three natural division:

(i) the north-eastern portion of the Thovalai Taluk constitutes a mountainous division with spurs from western ghats running into it called high lands.

(ii) the west and south-west portion of the district is the sea-coast which is flat and fairly fertile and called the low lands.

(iii) between the mountain range (high lands) and the sea-coast (low lands) there exists a strip of undulating valley- the mid lands with a few streams available for cultivation.44

In the hill areas, plantation crops such as tea, coffee, rubber and tapioca are cultivated whereas in the plains paddy, banana, coconut and vegetables are grown. The major corps grown in the district are paddy, tapioca, coconut, rubber, tamarind, palmyrah and cashewnut.
This is the only district in Tamilnadu where rubber is cultivated extensively.\textsuperscript{45}

The substantial quantity of timber is available from the forests of this district. The life and economy of the district are very much akin to the neighbouring Kerala of which it formed a part not long ago.\textsuperscript{46}

Paddy, the most important crop grown in this district, is cultivated in 40,000 hectares in two reasons with substantial increase every year. Next to paddy, coconut is cultivated in 20,719 hectares and tapioca is cultivated in 9,255 hectares in this district. Tanks and cannels are major sources of irrigation.\textsuperscript{47}

\textbf{2.6.3. Population}

This district has got a very high rate of literacy having a fascination for white collared and secured jobs. Hence they are very much reluctant to make investment to set up new industrial ventures. The table 2.10 shows the details of population, growth rate, sex ratio, population density and literacy rate at the National, State and District levels.
# TABLE 2.10

## DETAILS OF POPULATION AS PER 2001 CENSUS

<table>
<thead>
<tr>
<th>S. No.</th>
<th>Particulars</th>
<th>India</th>
<th>Tamilnadu State</th>
<th>Kanyakumari District</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Population</td>
<td>1,02,70,15,247</td>
<td>6,21,10,839</td>
<td>16,69,763</td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>53,12,77,078</td>
<td>3,12,68,654</td>
<td>8,29,542</td>
</tr>
<tr>
<td></td>
<td>Male</td>
<td>49,57,38,169</td>
<td>3,08,42,185</td>
<td>8,40,221</td>
</tr>
<tr>
<td></td>
<td>Female</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>Growth Rate (percentage)</td>
<td>23.86</td>
<td>15.39</td>
<td>12.43</td>
</tr>
<tr>
<td></td>
<td>(21.34)</td>
<td>(11.19)</td>
<td>(4.34)</td>
<td></td>
</tr>
<tr>
<td>3</td>
<td>Sex Ratio (female per 1000 male)</td>
<td>927</td>
<td>974</td>
<td>991</td>
</tr>
<tr>
<td></td>
<td>1991</td>
<td>933</td>
<td>986</td>
<td>1013</td>
</tr>
<tr>
<td>4</td>
<td>Population Density (per sq.km)</td>
<td>267</td>
<td>429</td>
<td>950</td>
</tr>
<tr>
<td></td>
<td>1991</td>
<td>324</td>
<td>478</td>
<td>992</td>
</tr>
<tr>
<td>5</td>
<td>Literacy Rate</td>
<td>65.38</td>
<td>73.47</td>
<td>88.11</td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>75.85</td>
<td>82.33</td>
<td>90.88</td>
</tr>
<tr>
<td></td>
<td>Male</td>
<td>54.16</td>
<td>64.55</td>
<td>85.38</td>
</tr>
<tr>
<td></td>
<td>Female</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: Census of India 2001, Series 34, Provisional population total, paper 1 of 2001
The table 2.10 reflects that the Kanyakumari district is densely populated with 16,69,763 people which accounts for 2.69 percent of the total population of Tamilnadu state and 0.16 percent of the total population of the nation. The population size of the district ranks eighteenth as per 2001 census in Tamilnadu state, which is seventeenth as per 1991 census. The density of the population is 992 per sq.km which ranks second by population density in the state next to Chennai. The urban population works out to 17 percent whereas the rural is 83 percent. The number of females for every 1000 males works out to 1013, which is 991 as per 1991 census. It ranks 10 by sex ratio in Tamilnadu state. The literacy rate of this district is 88.11 percent, which is very high when compared to other districts in the state. This district was declared to have 100 percent literacy by the Government of Tamilnadu on sixth July 1994.

This district is a bilingual district in which the majority speaks Tamil and the minority speaks Malayalam in Kalkulam and Vilavancode taluk. They have cultural legacy of both Travancore-Cochin state and Tamilnadu. They are again religiously divided the Hindus out numbered Christians and Muslims. The western culture and education began to expand with the establishment of London Mission Society of Neyyoor by providing employment opportunities. Higher education also spread
faster. The occupational environment and agrarian background provided a challenge for the initiative. Thereafter people preferred land base agrarian life to office-based employment.

2.6.4. Resource Analysis

The first and foremost fact is the availability of resources for the industrial production, which accelerate the pace of industrial development in this district. This district is fully resource-oriented in agriculture, mineral, forest, marine and also availability of human skills. Moreover, high density of population, non-availability of vacant lands for industrial utilisation and the high cost of land have aggravated the situation further. Hence this district has a slow pace of industrial development.

2.6.4.1. Human Resources

The human resource in this district has the unique feature of high rate of literacy, which has resulted in fascination towards secured jobs instead of setting up a new industrial venture.

As per 2001 census, the comparative study of the working force in this district reveals that 30.5 percent reflected the working force and
69.5 percent are non-workers. 1.5 percent accounts for marginal workers. Among the working force, cultivators and agricultural labourers account for 50.48 percent. The other workers are mainly engaged in other occupations like construction, mining, transportation, communication, industries other than household, livestock, forestry plantation, orchards, fishing and the like. The percentage of working population in this district is the lowest in the state of Tamilnadu (30.5 percent).

The District Employment office gives the details of the level of unemployment among educated youth in this district. Data does not give a full and true picture of the state of the unemployed in this district, since all the unemployed are not the registrants with District Employment office and all registrants are not unemployed. The details of professionally educated graduates and post-graduates in other disciplines who are unemployed are not available in the District Employment office.

The unemployed as per the live register of the District Employment office of this district are 1,93,318 of which 98,920 are male and 94,398 females. It may be seen from the above that there is no dearth of technically qualified persons in this district who can be taken
to industrial venture. The technically qualified personnel and other registrants with S.S.L.C. qualification in the age group of 18 to 35 can opt for assistance under PMRY scheme implemented by the District Industries Centre for starting new industrial ventures.49

2.6.4.2. Agricultural Resources

The climatic conditions of the Kanyakumari district and the fertility of her soil are very much suitable for the cultivation of cash and food crops. The climate is also suitable for dairy farming, goat rearing, poultry and duck farming, floriculture, apiculture, aquaculture, seawood culture, pisiculture, vermiculture, mussel culture, algal culture, tissue culture, horiticulture and sericulture. The agricultural products of the Kanyakumari district are sold in the nearest local markets at Vadasery, Mylaudy, Perumalpuram, Friday market, Monday market, Karungal, Thuckalay and Marthandam. There are a large number of mini-markets spread throughout the district for agricultural products. These markets ensure a better economic life to the local farmers. It also provides rural economic upliftment of the district.

The main agricultural crop, the paddy, offers no scope for any new avenues in industrial applications as there is no surplus, even though the approximate annual production is 1,61,320 tonnes in a large
area of 40,000 hectares. But it gives economic importance to rice mill owners. The coconut is another major crop cultivated in extensive area of 20,719 hectares, which yields about 210 million nuts. As the climatic condition of the district is not conducive for extraction of quality oil, the coparas are taken to Tuticorin for the production of quality coconut oil. By utilising the husks, about 5000 M.T. of white fibre and 18,000 M.T. of brown fibre are produced in this district. It facilitates small-scale industrial units for the manufacture of coir ropes, coir mate, mattings carpets and the like.

The rubber is cultivated in 15,699 hectares, which yields 11,800 tonnes. The rubber in the form of sheets and latex offer ample scope for the manufacturing of various rubber products. This offers good scope for starting rubber based industries. The tapioca is another major tuber crop cultivated in 11,402 hectares which could yield approximately 1,71,030 tonnes. The major portion of tapioca produced in the district is taken to Salem for manufacturing of Sago Rice. It is also used for manufacturing liquid glucose and gum-starch. The tapioca chips are popular food items in this district. The other crops also provide scope starting industrial ventures.
2.6.4.3. Forest Resources

Out of the total geographical area of this district, 54,211 hectares are covered under forest. The forest areas are rich in quality timbers, species, creepers, bamboo, cane, medicinal herbs and the like. It is estimated that 3,500 species are grown in this region. Softwood species like Elavu, Alpicea, Perumaram, Malaivembu, Manjakadambu and can are scarce now. There is ample scope for starting small-scale industrial units for the manufacture of carved wooden furnitures, splints and veneers and wooden electrical switch boxes in this district.

The major forest product, timber, accounts for 752 tonnes. Further Nellikkai, Seevakkai and Elavangam are also available in the forest areas of the district which is utilised for industrial purposes.

2.6.4.4. Mineral Resources

The Kanyakumari district, though not very rich in mineral resources, is unique in possession of rare earth mineral sands at Manavalakurichy like Monozite, Illumenite, Ratile, Garnets, Silluminite, Zircon, Brown illuminite and the like.

Of the earth minerals available, the Illumenite accounts for production 91035 M.Tones, which is the major mineral resource used
for manufacturing white paints. The next resource which has attained notable production of 8943 M.Tones is Garnet which is used for abrasive and grinding wheels. In addition to this, large scale deposits of sea-shell are available in the coastal lagoons near Thamaraikulam, Manakudy and Rajakkamangalam which contain a high percentage of calcium. Quality shells are used in the manufacturing of calcium carbide, coated cement colour, bleaching powder and also chemical, paper and fertilizers, offering good scope for industrial utilisation.

2.6.4.5. Marine Resources

The Kanyakumari district has a coastal line of 68 kms spread over the west coast and the east coast. About 80,000 fishermen are actively engaged in fishing. An area of one lakh hectares are suitable for marine fishing. One of the richest fishing grounds in the world, the Wedge Bank, lies 88km from the south of Kanyakumari and extends to about 56 kms on either side of Cape Comorin. The annual catching of fish is estimated at 70,000 tonnes. The main variety of fish caught are white baits, ribbon fish, sharks, mercheries, echoviella, searorins, prawntuns, prompted raylobester, silver bellies, half breaks and jew fish. The important fish landing centers are Colachel, Manavalakurichi, Kadiyapattanam, Muttom, Keezhkulam, Midalam and Thengapattinam. It is estimated that a major portion of catches is transported to the
nearby Kerala state for processing for export. Hence, there is ample scope for fish processing industries and cold storage facilities.

2.6.4.6. Live Stock Resources

The livestock population of the Kanyakumari district is estimated at 2.10 lakhs. The number of cattles is estimated at 1,21,351 and goats and buffaloes are 65,450 and 13,372 respectively. Eventhough there are 6.08 lakhs of fowls in the district, the annual yield of eggs is quite insufficient to meet the local requirements. Salem, Erode and Namakkal districts supply eggs to meet the shortage. There is scope for starting bone meal industries in small scale sector.

2.6.4.7. Financial Resources

The per-capita income of the Kanyakumari district is fairly high, when compared to other districts. This is mainly because of the income from each crops like, rubber, coconut, spices and banana. The flow of Gulf money into the district is also having a bearing towards this increase. This district is having a well spread network of banks and banking centers. There are 87 bank centers with 127 branches of nationalised scheduled and private banks functioning in this district. There are 13 branches of co-operative banks, 117 branches of primary agricultural co-operative banks, and 5 branches of land development
bank functioning in this district. In addition to this, there are State Industrial Promotion Corporation of Tamilnadu Ltd, Tamilnadu Industrial Investment Corporation Ltd, National Bank for Agricultural and Rural Development (NABARD), Industrial Development Bank of India and Small Industries Development Bank of India for the promotion of industrial sector.

2.7. INFRASTRUCTURE FACILITIES IN KANYAKUMARI DISTRICT

The infrastructure facilities required for the industrial growth and developments are the availability of transport and communication, electricity, land, labour force, water, banking, insurance and district industrial centre. These are the important services required for the successful functioning of the industry. The optimum utilisation of available infrastructure facilities will reduce the operating expenses of the industry. The growth oriented industrial policy, the availability of huge stock of trained labour, the high rate of savings and new capital formation are important factors for the industrial growth, which purely depend on the infrastructure development. The establishment of infrastructure facilities will create a suitable climate for the growth of other economic activities. The infrastructure facilities, such as
railways, national harbour, highways, communication networks, banking and insurance facilities play an important role in the industrial development in the district.

2.7.1. Road

The provision of well-developed road will facilitate easy transportation of men and materials and thus pave the way for industrial development. This district has got a well-developed network of roads, both national and state. Major and minor district roads are linked to all the important cities and towns. The length of all weather roads per sq.km is 1.17km and the length of all weather roads per lakh of population is 177 km. The major district roads accounts for 1127.85 kms and the total length of union and village Panchayat roads account for 1,065.05 kms which covered 81 villages with weather road.57

2.7.2. Rail

The district did not have rail link with other parts of the country for a long period. The broad gauge railway recently formed has connected the district from Kanyakumari to Kashmir facilitating easy movement of people as well as goods to all parts of the nation.
2.7.3. **Air Transport**

The district has no air transport facilities. The nearest air transport available to this district is Thiruvananthapuram in Kerala, which is 70 kms away from Nagercoil. In Tamilnadu, the nearest airport available to this district is Madurai airport, which is 300kms away from Nagercoil. The Tuticorin airport is not having much infrastructure facilities, limited air services.

2.7.4. **Water Transport**

The district, which is on the Arabian Sea Board, has access to the vastness of sea and sea routes that cut across the Indian Ocean. The Cholachel and Chinnamuttam in Kanyakumari are the fishing harbours available in the district. The AVM canal (Ananda Victorian Marthandam) was used for inland transport till the middle of this district and now it is not properly maintained. The Tuticorin port, which is 125 kms from Nagercoil, is well served by excellent rail and road facilities. The Cochin port, which has established commercial contacts with western countries, is also adjacent to Kanyakumari district.
2.7.5. **Rivers And Canals**

There are no major rivers, canals and the like, worth mentioning, which are useful for transportation of men and materials. Pure water is abundantly available throughout the year except in certain pockets during summer season.

2.7.6. **Electricity**

As per the information available with the Tamilnadu Electricity Board, Nagercoil, all villages and important hamlets in this district are electrified. It is also informed that there is no scarcity of power for industrial utilisation. The entrepreneurs in this district can get power supply speedily to their industries without any problem. In Kanyakumari district, 5 towns, 88 villages, 2,510 hamlets and 5,130 agricultural pumsets were electrified and energised during 2000-01. The pattern of electricity consumption is recorded: for domestic 10,70,21,694 units, industry 1,92,72,434 units, agriculture 99,69,005 units, commercial 2,45,65,864 units and others 1,27,43,530 units during the year 2000-2001.

Further hydro-electric power is generated in this district at Kodayar I and II projects whose capacity is 1x60MW and 1x40MW.
respectively. New hydel projects have been proposed at Pechipparai and Perunchani which will produce 2x650KW and 2x650KW respectively. Besides these sources, power is generated through non-conventional resources. There are windmills in 193 places. It is informed by the Tamilnadu Electricity Board that the installed and expected production capacity of power through this non-conventional resources viz. windmill is 14,90,73,820 units through 406 fans during 2000-2001.  

2.7.7. Communication

The postal, telegraph, telephone and internet communication network facilities are fairly available even in villages and hamlets of this district. The communication network facilities available in this district as on 31.3.2001 reveals that there are 79300 telephone connections and 53 telephone Exchanges. It also has 2 Head Post Offices, 106 Sub-Post Offices, 158 Branch Post Offices and 35 Post and Telegraph Offices.

2.7.8. Education

The Kanyakumari district stands first in education in the state of Tamilnadu. This district is having a sufficient number of schools,
colleges and technical institutions required for imparting technical skill and academic education to the people. The absence of Medical College in this district is keenly felt.

This district has 417 primary schools with the enrolment of 1,17,023 students, high school 125 with 1,07,180 students and 115 higher secondary schools with 63,965 students but it has only 16 Arts and Science Colleges and Six Engineering Colleges. It has 16 Industrial Training Institute with 28,768 students for industrial training as on 31.03.2001.

2.7.9. Industrial Estates

There are two SIDCO Industrial Estates in this district: one at Konam and the other at Kappicadu near Marthandam. There are 8 small industrial sheds, 27 industrial shed constructed on the developed plots and 10 tiny sector sheds at the Konam Industrial estate. Industries engaged in the manufacture of nylon fish nets, rubber band gloves, rubber bands, rolling shutters, steel furnitures, oil extraction, sheet metal works and the like are functioning in the Industrial estate. There are 7 small industrial sheds and 8 industrial sheds constructed on the developed plots at the Industrial estate, Kappicaud near
Marthandam. Industries engaged in the manufacturing of wires and cables, aluminium conductors, rubber moulded automobile components and cashew processing are functioning in the Industrial estate. There is no vacancy in the existing industrial estates. But there is a heavy demand for sheds and developed plots in the industrial estate by the new and budding entrepreneurs. The District Industries Centre co-ordinates with Small Industries Development Corporation which is exploring the possibilities of starting one more industrial estate in this district.

Apart from this, the District Industries Centre has acquired 9.165 acres of land at Aralvoimozhy for the formation of a Cooperative Industrial estate. It has been proposed to have 55 plots for the construction of factory sheds at the estate. All the 55 plots have already been allotted to the members of the society. Out of which 6 plots are allotted to ST/SC members.

2.8. SUMMARY

In this chapter, the concept of small-scale industrial units, the definitions of small-scale industrial units and their developments during the plan period are discussed. It also evaluates the economic indicators of small-scale industrial unit and the economic profile of the study area, Kanyakumari District.
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