Chapter 3

Performance And Prospects Of Village Industries In Kerala

3.1 Meaning and Definitions

The term ‘Village and Small-scale’ Industries is defined on different criteria. Under this title we discuss some of the international and Indian definitions of the respective concepts.

3.1.1 International Definitions

Village and Small Industries are defined on the basis of employment, capital, technology etc. The use of the word is different in different regions. Japan calls them “small enterprises”, India “small industry”, others “small business”, and some others, “rural or cottage industries”.

In Japan the Basic Law of 1963 defined small enterprises as (i) enterprises in the manufacturing sector with capital less than 50 million Yen or having less than 300 workers, (ii) enterprises in the commercial and professional service sector with capital less than 10 million Yen and with workers less than 50. Thus, if either the capital or the employment criteria is satisfied, the unit comes under the category of small enterprises.

In USA, the Small Business Act 1953 defines small business as one which is independently owned and operated and which is not dominant in its field of operation. It allows other criteria, however, such as number of employees and dollar volume of business. The criteria vary from industry to industry and reflect different characteristics of the industry.
In UK small enterprises located in rural or depressed areas alone are entitled to special benefits. The criteria employed are, villages or country towns with less than 10,000 inhabitants and firms employing less than 20 skilled workers.\(^1\) All this brings out the difficulty in making any meaningful comparisons among countries

### 3.1.2 The Indian Concept

‘Village and Small Industries’ is a broad concept in India. It can be defined by different criteria and the definitions are changed from time to time on the basis of changing Governmental policies and economic environments. In this section we discuss some of the definitions and make a distinction between village industries and small-scale industries.

In India, before independence, the term small-scale industry was meant to denote the village base and/or urban cottage industry, manufacturing handicrafts. During the First Five Year Plan, the distinction between “small scale industry” and village industry was made. Small-scale enterprises were described as those small units, which did not form an integral part of the village economy and were defined as (i) those units which employed less than 50 workers, if using power; or (ii) less than 100 workers if not using power; or (iii) having capital assets not exceeding Rs. 5 lakhs. Thus, the Small Scale Units included in the category of “small scale and village industries”, are of a type ranging from the age-old household industries to modern mechanical small-scale units. Broadly they can be divided into (i) traditional industries based on traditional techniques and skills, and (ii) modern small scale industries using modern techniques as well as artisan workshops engaged in activities such as repair of implements, machinery, vehicles etc. The traditional industries can further be divided into (i) handicrafts producing goods of high skill

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workmanship (wood and ivory converting, carpet making etc.) and (ii) Village and household industries providing common consumer goods of low skill variety (pottery, leather products, hand woven textiles etc.) and are highly labour intensive. In short, those, which formed an integral part of the village economy, were called the village industries.

According to Khadi and Village Industries Commission, “a Village Industry means any industry located in rural area or township (the population of which does not exceed 20,000 or such other figures as the Central Government may specify time to time) which produces any goods or renders any services with or without use of power and in which the fixed capital investment per head of an artisan or a worker does not exceed Rs.50,000 (in plant and machinery and land building)”.  

Small-scale enterprises comprise of different segments such as small-scale industries, Ancillary undertaking, Tiny Units, Export Oriented Units, Women Enterprises and Small Scale Service Business Oriented Enterprises. These enterprises are defined in terms of investment in plant and machinery. The definition is revised from time to time taking into consideration the changes in price indices, changing needs of the industry such as technical upgradation, modernisation etc. and changes in government policy with regard to giving protection to this sector. In 1997, the investment in plant and machinery was limited to Rs. 3 crores for Small scale Industries (SSI), Ancillary Units, Export Oriented Units and Women Enterprises, Rs. 25 lakhs for Tiny Units and Rs. 5 lakhs for Small Scale Service Business Oriented Enterprises. In December 1999, the above definition was revised and the investment limit was brought down to Rs. 1 crore from 3 crores. The investment limit for Tiny

Units and Small scale Service Business Oriented Enterprises was retained at Rs. 25 lakhs and Rs. 5 lakhs, respectively.\(^3\)

We can summarise our discussion as follows: (i) What is called the village and small industries (VSI) sector comprises both traditional and modern small industries; (ii) It is constituted by eight specific groups viz. Handloom, Handicrafts, Coir, Sericulture, Khadi, Village Industries, Small scale Industries and Power looms. The last two items constitute the modern group of industries, the others being traditional. In short, village industries are concerned, in the main, with the processing of local raw materials for local markets and with simple techniques.

3.2 INFORMAL SECTOR

Village Industries come under the informal sector in India. Informal sector has been defined as the one, which is not regulated by the government and is compelled by circumstances to operate outside the framework of law. The term home based has generally been used in reference to piece-rate workers who complete specific steps in the production process for an employer or sub-contractor from their homes. They work at home and look independent, but in reality they are mostly dependent on employers and intermediaries for work. The earnings of the home-based producers are generally lower than other workers and often less than the minimum wages.

The informal sector is highly heterogeneous, encompassing production units of different features and in a wide range of economic activities as well people (workers, producers and employers), working or producing under many different types of employment relations and productions arrangements. Due to its multiple

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dimensions, it is difficult to describe the informal sector. Handlooms, Handicrafts and several other village industries come under the informal sector.

Informal sector or unorganized sector is rapidly growing in India due to shutting down of state enterprises or privatization. As a result there is a rise in unemployment in the organized sector. The proportion of the active population in the informal sector (excluding agriculture) increased from 75% in 1990 to 94% in 2000. As per the findings of the 10th Five Year Plan the total employment in the unorganized sector has increased to 369 million in 2000 from 308 million in 1994. On the other hand total employment has decreased in the organized sector from 28 million to 27 million during the same period.4

3.3 IMPORTANCE OF VILLAGE INDUSTRIES

3.3.1 Gandhian View of Village Industries

According to Mahatma Gandhi every person should be provided with bare minimum necessaries i.e. food, shelter, and clothing. Gandhi is in favour of the self-sufficient village economy where the villages will be the independent economic units. India lives in villages. Naturally the development of the country depends on the development of villages. All the goods and services necessary for the villagers should be grown within the village. If every village distributes its surplus produce to the poor villagers then there will not be the problem of poverty and starvation in the rural areas. Agricultural sector alone cannot solve the problem of rural poverty and unemployment. That is why Gandhi gives stress on the growth of the rural industries like khadi, handlooms, sericulture and handicrafts. He opines that large-scale industries make people lazy and help concentration of wealth in the

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hands of few. On the contrary rural industries are based on family, labour and required less amount of capital. Raw materials are also collected from local markets and the goods thus produced are sold in the local markets. Large-scale production creates conflicts between labour and capital. Here capital takes upper hand over labour. Such conflicts may not occur in the case of rural industries. Rural industries are the symbols of unity and equality. Gandhi advocated SWADESHI and advised boycott of foreign goods for strengthening the village economy.

3.3.2 Village Industries in the Indian Context

In the economic development of India, a strategic position has been given to the development of Village and Small Industries (VSI), which constitute an important segment of the overall economy. Next to agriculture, the VSI sector provides the greatest employment opportunities, which is in rural and semi-rural areas. It contributes about 50% of the value added in manufacturing. Small Industry sector is able to provide employment to 26 persons for every Rs. 1 lakh of fixed investment whereas only 4 persons are employed in large-scale sector. The small-scale industry sector is producing more than 7500 products and contributes 35% of the total exports. It provides employment to about 17 million persons. 

Village Industries have a crucial place in rural development programmes. India’s First Five Year Plan identifies the importance of village industries in rural development. The Plan initiates, the development of village industries should be as much a matter of State action as the increase of agricultural production. Village industries, therefore call for programmes, which will develop a great deal of local initiative and co-operation, and an economic environment in which they have a reasonable chance of succeeding. The importance of small-scale and village industries has been outlined by the Industrial Policy Resolution, 1956, as follows:

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“The Government of India would stress the role of cottage and village and small-scale industries in the development of the national economy. In relation to some of the problems that need urgent solutions, they offer some distinct advantages. They provide immediate large-scale employment, they offer a method of ensuring a more equitable distribution of the real income and they facilitate an effective mobilization of resources of capital and skill, which might otherwise remain, unutilized. Some of the problems that unplanned distribution tends to create will be avoided by the establishment of small centres of industrial production all over the country”.6

The importance of village and small-scale industries in rural industrialization in the Indian context can be summarised as follows:

(i) Small rural firms employ labour intensive techniques and employ relatively unskilled people.

(ii) They maximize utilization of local raw materials as well as unskilled workers

(iii) They are often a vehicle for developing entrepreneurship and skills.

(iv) They provide the basic needs requirements of the rural population; and

(v) They contribute to improved gender equality by employing a high proportion of women

3.4 SCOPE OF VILLAGE INDUSTRIES

Planning Commission of India has unambiguously stated that the scope of village industries depends in part, on their relation to the corresponding large-scale industry, in part, on the development of agriculture and the growth of rural amenities. As agriculture becomes more intensive, there will be greater demand for

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certain articles of consumption and tools and implements, which could be met by
village industries. Amenities in rural life such as supply of pure drinking water,
street lighting, sanitation, hospitals recreation grounds, community centres and roads
widen the field for village industries. The possibility of turning waste into wealth,
for instance, production of gas form cow dung and other refuse of the village through
gas plants in so far as the operations prove economic, production of bone manure
through bone digesters, soap making out of non-edible oils etc. will further provide
scope for the development of village industries. Rural arts and crafts which have
both social and economic significance, village printing, embroidery and pottery
and the crafts of the tribal people, for instance, have not only a long tradition but
have also been essential elements in the organic unity and culture of the villagers.

3.5 NEED FOR A SPECIAL DEVELOPMENT STRATEGY— KEY
PROBLEMS

If village industries are to be developed, it is necessary to deal with the
deficiencies, which have led to their decline. The First Five Year Plan specifically
identified the problems faced by the village industries related to the following areas:

(i) Organisation  (ii) State Policy (iii) Finance (iv) Raw materials (v) Research
(vi) Technical guidance (vii) Supply of equipment and (viii) Marketing.

On the basis of these key problems the governments, both Central and
State, have formulated several Policies and Schemes for the development of village
industries. Among them the most important one is the Industrial Policy. Therefore,
it may be useful to discuss some of the relevant Industrial Policies in this context.

3.5.1 Industrial Policies and Village Industries

The Industrial Policies, Five Year Plans and Governmental programmes
have given special importance for curing the above problems of the village industries.
The 1948 Industrial Policy has recognized the important role of cottage and small-scale industries in national economy. The Policy stressed on the coordination and integration of cottage and SSI sector with the large-scale industries. For example, it has stated that the Government would examine how the textile mill industry can be made complementary to rather than competitive with handloom industry, the country’s largest and best-organised cottage industry. It is also proposed to establish a Cottage Industries Board for the fostering of small-scale and cottage industries. The 1956 Industrial Resolution has thrust the need for encouraging village and small-scale industry by giving preferential treatment over the large-scale industries. The Policy Resolution (1956) stated, “The State has been following a policy of supporting cottage and village and small-scale industries by restricting the volume of production in the large scale sector by differential taxation or direct subsidies”.

3.5.1.1 New Industrial Policy, 1991

The Industrial Policy of 1991 was accompanied by a special Policy Statement for small-scale and village industries whose main features were:

(i) To impart greater vitality and growth to the sector, it would be deregulated and debureaucratised.

(ii) Modifications in all statements, regulations and procedures to ensure they do not go against the interest of small and village enterprises.

(iii) Separate package for promoting tiny units and recognition of all industry related service and business enterprises as SSI.

(iv) Introduction of a new scheme of Integrated Infrastructural Development to promote industrialization in rural and backward areas.

(v) Stress on technology upgradation by setting up a Technology Development Cell.

(vi) Promotion of marketing of SSI products through institutions, other agencies and consortia approach and ancillarisation

(vii) Promotion of exports by setting up Export Development Centre.

(viii) Change in definition of women’s enterprises and support to women enterprises.

(ix) Significant expansion in programmes for entrepreneurship

3.5.1.2 August 2000 Package

Based on the recommendations of the S.P Guptha Committee, a package of various measures was announced with a view to preparing the SSI sector to meet global competition as given below:

A) 15 items short-listed for dereservation.

B) Hike in investment limit to Rs. 5 crore for 41 items, as compared to Rs. 1 crore for the rest of the SSI sector. The gradual liberalisation on this front is based on the Chinese model producing huge volumes at highly competitive prices.

C) Excise exemption limit raised to Rs.1 crore

D) 12 percent capital subsidy for investment in technology in select sector

E) Credit guarantee scheme with Rs. 125 crore corpus
F) Composite loan limit raised to Rs. 25 lakh

G) Rs. 441 crore scheme for Khadi and Village Industries.

3.5.1.3 Recent Policies

Some of the recent Governmental Policies introduced by the Central Government to encourage the small enterprises are given below:

(i) For allowing small enterprises to grow, 193 items reserved for exclusive manufactures in the SSI sector dereserved in 2004-05 to bring down the total number of reserved items to 506. More items are proposed to be dereserved in coming financial years

(ii) As announced in the budget 2005-06, the turnover eligibility limit under the general SSI Excise Exemption Scheme raised from Rs. 3 crore to Rs. 4 crore.

(iii) A Policy Package for ‘Stepping up Credit to Small and Medium Enterprises’ announced on 10th August, 2005.

(iv) Under the ‘Credit Linked Capital Subsidy Scheme’ (CLCSS) for technology upgradation, amendments made with effect from September 29, 2005, which raise ceiling on loans from Rs 40 lakh to Rs. 1 crore and the rate of subsidy from 12% to 15%.

(v) RBI formulated the Scheme of ‘Small Enterprises Financial Centres’ (SEFC) to encourage banks to establish mechanisms for better coordination between their branches and branches of Small Industries Development Bank of India (SIDBI) in the identified clusters for more efficient credit delivery.

(vi) To facilitate technology upgradation and enhance competitiveness, the investment limit (in plant and machinery) raised from Rs. 1 crore to Rs. 5
crore in respect of 69 items reserved for manufacture in the small-scale sector and for all items in the drugs and pharmaceutical sector.

Various policies and programmes implemented by the central and state Governments have resulted in an impressive growth of village and small industries. This is in general true but a number of problems continue to face the sector. The main problems are absence of interdependence among different strata of industry (large, medium and small), obsolete technology, sick units, increased production cost, marketing problems and absence of unified law so far to protect and regulate small-scale and village industries.

3.6 STRATEGY FOR THE GLOBALISED PERIOD

If village industries are to be developed during the period of globalisation, old development approaches of relying on tax incentives, subsidies and cash incentives should be supplemented or even replaced. Such measures should cover upgradation of industry, enhancement of productivity, improvement of quality (design conscious), better organization and innovation.

According to Frank Pyke, the upgradation process of the village industries is linked to (i) the provision of technical services, and (ii) the encouragement of inter-firm cooperation.

(i) Technical Services

The government has a significant influence on the delivery of technical services. The ultimate success in upgrading a regional economy may be as much a function of the mix and interaction between the various institutions and interest groups of a locality. Frank Payke points out that the government

may increasingly need to take on a kind of brokerage role to make all the ingredients work together.

(ii) Inter-firm Cooperation

Inter-firm collaboration between small firms generally requires some kind of external catalyst or brokerage role. Which individuals or institutions should play such a role can differ according to circumstance and existing institutions. In Denmark, Portugal and Valencia, a new class of professional brokers has been deliberately created through a scheduled training programme.

In tune with the overall philosophy of New Economic Policy, the Government sponsored Khadi and Village Industries must be slowly privatized and the existing industries to be modernized. If we are to achieve our position that is due to us in the world market, it can only be through maintaining high quality and high degree of modernisation of our product of Khadi and Village industries. This can be achieved only if there is a willing support not only from within the industry but also form supporting institutions such as financial institutions and research institutions.

3.7 INSTITUTIONAL FRAMEWORK

For developmental purposes the entire field of village and small enterprises has been grouped broadly under six different areas. Each area comes under the overview of one the following organizations set up by the Central Government:

a) The Small scale Industry Board
b) The Khadi and Village Industries Commission
c) The All India Handicrafts Board
Functions of these promotional institutions are briefly discussed below:

a) **Small Scale Industry Board**

The SSI Board functions under the chairmanship of Minister in charge of Ministry of SSI and ARI. It provides a forum for interaction among its members in order to facilitate coordination and inter-institutional linkages and to render advice to the Government on various policy matters and development of the SSI sector. The term of the SSI Board is two years.

b) **Khadi and Village Industries Commission**

The Khadi and Village Industries Commission (KVIC) is a statutory organization established by an Act of the Parliament - the Khadi and Village Industries Commission Act, 1956 (61 of 1956). It pays a pivotal role in the strengthening of the rural economy by promoting and developing Khadi and Village Industries. The objectives of the KVIC include skill improvement, employment generation in rural areas, transfer of technology, rural industrialization and promotion of self-reliance among the people and to build up a strong rural community base. The functions of the KVIC are to plan, promote, organize and assist in implementation of programmes for the development of Khadi and Village Industries. The KVIC operates through 33 State/UT KVI Boards, 5549 registered institutions and 30,129 co-operatives, 188 departmental units and 15,441 sales outlets.9

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9. ‘Small-Scale Industries and Agro and Rural Industries’, Statistics, Google Search
c) **The All India Handicrafts Board**

The All India Handicrafts Board was originally set up in 1952 to advise the Government on problems of handicrafts and to suggest measures for improvement and development. The Board was also required to study technical, marketing, financial, organizational, artistic and other aspects of handicrafts and to formulate plans on these lines. Its function also included advice and assistance to the State Governments for planning and executing schemes for the development of handicrafts.

d) **The Central Silk Board (CSB)**

CSB was constituted under an Act of Parliament (LXI of 1948) with the objective of promoting the growth and development of sericulture in the country. The programmes for development of the sericulture industry are primarily formulated and implemented by the State Sericulture Departments. However, the CSB supplements the efforts of the States by providing necessary support for Research, Development, Extension and Training through its country-wide network of units. Besides, the CSB organizes production and supply of quality silkworm seed, mulberry cuttings etc. and also undertakes directly as well as jointly with the state sericulture departments, the implementation of various sericulture projects.

e) **Coir Board**

The Coir Board is an autonomous statutory body established by the Act of the Parliament (Coir Industry Act 1953), for the overall development of the Coir Industry. The Headquarters of the Board is located at Cochin. There are Three regional offices one each at Bangalore, Visakhapatnam and Pollachi. The Central Coir Research Institute (CCRI) at Alleppey, Central Institute of Coir Technology (CCIT), Bangalore are engaged in research and development. The
Coir Board has established several showrooms and Sales Depots in important cities of the country for promoting sales and consumption of coir products in the domestic markets.

f) **All India Handloom Board**

The All India Handloom Board is an advisory board to the Government of India, which is constituted under the chairmanship of Minster of Textiles. The Development Commissioner for Handlooms is the member secretary. Objectives of the Handloom Board is summarized below:

i) To meet the clothing needs of the country progressively from the handloom sector

ii) To make handloom an effective instrument of reducing unemployment and underemployment and achieving higher standard of living of weavers

iii) To preserve and further promote the craft heritage of handlooms

iv) To devise strategies for expanding markets for handlooms within the country and abroad

v) To take steps for effective coordination of the developmental efforts of the various State Governments/Union Territories in this sector and

vi) To review the progress of development from time to time.

**3.7.1 Classification of Village Industries**

Khadi and Village Industries Commission has classified the village industries into seven broad groups. These are:

1. Mineral Based Industry
2. Forest Based Industry
3.7.2 Ministry of Agro and Rural Industries

The Ministry of Agro and Rural Industries (ARI) was set up in September 2001 with the objective of integrating efforts for the development of agro and rural industries based on the local raw materials, skills and technology and for creating more employment opportunities in the rural areas. The Ministry is the nodal agency for co-ordination and development of khadi and village industries and tiny micro enterprises in both urban and rural areas as well as for the implementation of the Prime Minister’s Rozgar Yojana (PMRY). The various policies, programmes and schemes related to agro and rural industries are implemented by the Ministry through Khadi and Village Industries Commission (KVIC) and the Coir Board with the active co-operation and participation by the RBI, nationalized banks and the State Governments.

3.7.3 Major Schemes/Projects for Rural Employment Generation

Related with the role of above institutions, it may be relevant to discuss some of the major governmental schemes and projects that generate employment opportunities in rural as well as urban areas.

3.7.3.1 Prime Minister Rozgar Yojana (PMRY)

Prime Minister Rozgar Yojana for providing self-Employment to Educated Unemployed Youth was announced by the Prime Minister on 15th August,
1993 to provide self-employed opportunities to one million educated unemployed youth in the country. The Scheme has been formally launched on 2nd October, 1993. The PMRY has been designed to provide employment to more than one million persons by setting up of 7 lakhs micro enterprises by the educated unemployed youth. It relates to the setting up of the self-employment ventures through industry, service and business routes. The scheme also seeks to associate reputed non-governmental organisations in implementation of PMRY scheme especially in the selection, training of entrepreneurs and preparation of project profiles.

Any unemployed educated person living in any part of the country rural or urban fulfilling the following conditions will be eligible for assistance:

a) **Age:** Between 18 to 40 years (SC/ST - 45 years).

b) **Qualification:** Matric (Passed or Failed) or ITI passed or having undergone Govt. sponsored technical course for a minimum duration of 6 months.

c) **Residency:** Permanent resident of the area for at least 3 years.

d) **Family income:** Upto Rs.40,000/- per annum.

Under this scheme, Government of India would provide subsidy at the rate of 15 percent of the project cost subject to a ceiling of Rs.7,500/- per entrepreneur. In case more than one entrepreneur join together and set up a project under partnership, subsidy would be calculated for each partner separately at the rate of 15 percent of his share in the project cost, limited to Rs.7,500 (per partner).

The PMRY was intended to cover urban areas only during 1993-94. However, the Self-employment Scheme for the Educated Unemployed Youth (SEEUY) has been merged with PMRY since 1994-95. Therefore, the Scheme covers both urban and rural areas since 1994-95. Hence PMRY is a major Scheme that promotes rural industrialisation and employment generation.
3.7.3.2 Rural Employment Generation Programme (REGP)

On the basis of the recommendation of the High Power Committee, headed by the then Prime Minister of India, the Khadi and Village Industries Commission launched the Rural Employment Generation Programme (REGP) with effect from 01 April 1995. The term rural area has been defined under the KVIC Act, 1956 as under:

(I) Any area classified as a village as per the revenue records of the state irrespective of population. As per the 1991 census, in the rural areas the smallest area of habitation (village) generally follows the limits of a revenue village that is organized by the normal district administration. The revenue village need not necessarily be a single agglomeration of the habitations. It may have one or more hamlets. The village base also includes a large number of uninhabited areas such as reserve forests or protected forests. But, the revenue village has a definite surveyed boundary and each village is a separate administrative unit with separate village accounts. In short, the entire revenue village is one unit.

(II) Any area classified as a town, provided its population does not exceed 2000 as per 1991 census. However, as per the 1991 census a town or urban area is defined by satisfying the following conditions:

a) All places with a Municipality, Corporation or Cantonment or Notified Town Area;

b) All other places which satisfied the following criteria:

i) A minimum population of 5,000.

ii) At least 75% of the male working population was non-agricultural

iii) A density of population of at least 400 per sq. km. (i.e. 1000 per sq. mile)
The main objectives of the REGP are:

A) To generate employment in rural areas.
B) To develop entrepreneurial skills and aptitude among rural unemployed youth.
C) To achieve the goal of rural industrialization
D) To facilitate participation of banks in the village industries sector so as to ensure higher credit flow to these industries.

The salient features of the REGP are:

- The programme is applicable to all village industry projects set up in rural areas.
- The eligible beneficiaries under the programme are (i) individuals (rural artisans/entrepreneurs), (ii) institutions, co-operative societies, trusts & Self Help Groups (SHGs) for projects up to Rs. 25 lakh.
- Partnership firms, private/public limited companies, joint ventures, joint borrowers are not eligible.

### 3.7.3.2.1 Margin Money

Margin Money is a grant or subsidy for the loans availed of from various financial institutions and banks, for establishing village industries units as approved by Khadi and Village Industries Commission. Under the REGP, capital subsidy in the form of margin money is provided at the rate of 25% of the project cost up to Rs. 10 lakh and 10% on the balance project up to Rs. 25 lakh.

The permissible margin money assistance is as detailed in Table 3.1.
Table 3.1: REGP-Permissible Margin Money Assistance

<table>
<thead>
<tr>
<th>Category of beneficiary</th>
<th>Project cost</th>
<th>Margin money assistance</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. General</td>
<td>Up to Rs. 10 lakh</td>
<td>25% of project cost.</td>
</tr>
<tr>
<td></td>
<td>Above Rs. 10 lakh &amp; up to Rs. 25 lakh</td>
<td>Rs. 2.5 lakh plus 10% of balance project cost.</td>
</tr>
<tr>
<td>2. SC/ST/OBC/Women/PH Ex-service men/NE region/ Hill areas</td>
<td>Up to Rs. 10 lakh</td>
<td>30% of the project cost.</td>
</tr>
<tr>
<td></td>
<td>Above Rs. 10 lakh &amp; up to Rs.25 lakh</td>
<td>Rs. 3 lakh plus 10% of balance project cost.</td>
</tr>
</tbody>
</table>

Source: Annual Report 2004-05, Ministry of Agro and Rural Industries

KVIC is implementing REGP through all Public Sector Banks, all Regional rural Banks, Co-operative banks (approved by State/UT Governments), KVIBs, Private Commercial Banks approved by the State KVIBs and other Financing Institutions of State and Central Government as approved by KVIC.

Banks will sanction 90 percent of the project cost in case of general category borrowers and 95 percent of the project cost to the weaker section beneficiaries/institutions and disburse full amount of the loan. After the sanction of the credit facility by the Bank branch, eligible amount of Margin Money will be kept in Term Deposit of two years in the account of the borrower at the leading bank branch, which will be credited to the borrower’s loan account after a period of two years from the date of first disbursement of loan.

In order to identify the role of REGP and Margin Money in employment generation in rural India, we should refer the table 3.2
Table 3.2: Progress of REGP Scheme during 2004-05

<table>
<thead>
<tr>
<th>Sl No.</th>
<th>State / UT</th>
<th>No. of projects</th>
<th>Margin Money utilized (Rs. lakh)</th>
<th>Employment generated</th>
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<tr>
<td>1</td>
<td>Andhra Pradesh</td>
<td>1988</td>
<td>3394.19</td>
<td>66463</td>
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<tr>
<td>2</td>
<td>Arunachal Pradesh</td>
<td>43</td>
<td>66.03</td>
<td>1219</td>
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<td>3</td>
<td>Assam</td>
<td>1658</td>
<td>1277.42</td>
<td>25768</td>
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<td>4</td>
<td>Bihar</td>
<td>254</td>
<td>281.69</td>
<td>5049</td>
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<td>5</td>
<td>Goa</td>
<td>138</td>
<td>88.90</td>
<td>1670</td>
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<td>6</td>
<td>Guajrat</td>
<td>376</td>
<td>530.55</td>
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<td>7</td>
<td>Haryana</td>
<td>1140</td>
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<td>102</td>
<td>73.66</td>
<td>1313</td>
</tr>
<tr>
<td>15</td>
<td>Meghalaya</td>
<td>146</td>
<td>196.03</td>
<td>3789</td>
</tr>
<tr>
<td>16</td>
<td>Mizoram</td>
<td>162</td>
<td>257.48</td>
<td>5180</td>
</tr>
<tr>
<td>17</td>
<td>Nagaland</td>
<td>151</td>
<td>204.46</td>
<td>3851</td>
</tr>
<tr>
<td>18</td>
<td>Orissa</td>
<td>991</td>
<td>863.05</td>
<td>15241</td>
</tr>
<tr>
<td>19</td>
<td>Punjab</td>
<td>864</td>
<td>1834.63</td>
<td>30665</td>
</tr>
<tr>
<td>20</td>
<td>Rajasthan</td>
<td>1537</td>
<td>2064.33</td>
<td>38287</td>
</tr>
<tr>
<td>21</td>
<td>Sikkim</td>
<td>139</td>
<td>1147.28</td>
<td>3227</td>
</tr>
<tr>
<td>22</td>
<td>Tamilnadu</td>
<td>925</td>
<td>214.14</td>
<td>19159</td>
</tr>
<tr>
<td>23</td>
<td>Tripura</td>
<td>233</td>
<td>3596.64</td>
<td>3994</td>
</tr>
<tr>
<td>24</td>
<td>Uttar Pradesh</td>
<td>2210</td>
<td>1999.62</td>
<td>64900</td>
</tr>
<tr>
<td>25</td>
<td>West Bengal</td>
<td>2584</td>
<td>165.78</td>
<td>36581</td>
</tr>
<tr>
<td>26</td>
<td>A &amp; N Island</td>
<td>6</td>
<td>4.16</td>
<td>93</td>
</tr>
<tr>
<td>27</td>
<td>Chandigarh</td>
<td>8</td>
<td>21.45</td>
<td>188</td>
</tr>
<tr>
<td>28</td>
<td>Delhi</td>
<td>9</td>
<td>8.09</td>
<td>144</td>
</tr>
<tr>
<td>29</td>
<td>Pondichery</td>
<td>7</td>
<td>9.05</td>
<td>146</td>
</tr>
<tr>
<td>30</td>
<td>Jharkhand</td>
<td>240</td>
<td>1000.91</td>
<td>6855</td>
</tr>
<tr>
<td>31</td>
<td>Chattisgarh</td>
<td>656</td>
<td>320.60</td>
<td>18347</td>
</tr>
<tr>
<td>32</td>
<td>Uttaranchal</td>
<td>513</td>
<td>578.63</td>
<td>10471</td>
</tr>
</tbody>
</table>

Total 23453 29239.95 530025

Source: REGP, ‘HTML Document’, Google search
The table, 3.2 represents that during 2004-05, 23453 projects were financed and implemented under REGP in India. The Government distributed Rs. 29239.95 lakh as margin money and employment generated, which is equal to 530025 man-days, during the same period. Andhra Pradesh and Uttar Pradesh are the States that created more employment opportunities by utilizing the Scheme. Since the commencement of REGP, 1,86, 252 projects have financed and 22.75 lakh job opportunities have been created up to 31-3-2004. Therefore, it is estimated that the number of projects financed by the REGP Scheme has increased by 12.5% and employment has risen by 18.8% during the year 2004-05.

3.7.3.3 National Rural Employment Guarantee Scheme (NREGS)

The Prime Minister Dr Manmohan Singh launched the National Rural Employment Guarantee Scheme (NREGS) in the remote village of Bandlapalli in Anantpur district, one of the country’s most backward districts, in Andhra Pradesh on February 2, 2006.

The scheme, one of the country’s most ambitious anti-poverty programmes ever, envisages a legal guarantee of a minimum of 100 days work in a year to one person in each of the India’s 60 million rural households. It also aims to create durable assets and strengthen the livelihood base of the rural poor.

The scheme would be expanded to cover all the districts of the country, over the next three years. With the proposed funding of Rs 100,000 crore, the scheme is expected to transform the face of rural India. The scheme guarantees 100 days of employment in a financial year to every rural household in India, and provides a social safety net for vulnerable groups, besides providing an opportunity to combine growth with equity.

The essential attributes of the Scheme is listed below:

- 100 days of work to earn a livelihood.
- Payment of wages once a fortnight.
- Equal wages for men and women.
- Only works approved by gram sabhas (village governing councils) will be undertaken.
- Farm labour will be offered work at Rs 80 per day. The government has provided Rs 100 crore per district for the purpose. Water conservation, watershed management, drought- and flood-proofing, forestry, land development, rural connectivity and wasteland development will be carried out under the scheme.

It should be noted that the existing National Food for Work Programme has been merged with NREG Scheme, from 2006-07 financial year onwards.

3.8 PERFORMANCE OF KHADI AND VILLAGE INDUSTRIES IN INDIA

3.8.1 Performance during the Pre-Globalisation Period

The production performance of khadi and village industries during the pre-globalisation period is illustrated in Table 3.3
Table 3.3: Production of Khadi and Village Industries Since 1961

<table>
<thead>
<tr>
<th>Year</th>
<th>Khadi</th>
<th>Village industries</th>
<th>Total (khadi and village industries)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1960-61</td>
<td>1423.29</td>
<td>3315.65</td>
<td>4738.14</td>
</tr>
<tr>
<td>1965-66</td>
<td>2630.86</td>
<td>5587.09</td>
<td>8217.95</td>
</tr>
<tr>
<td>1970-71</td>
<td>2584.61</td>
<td>8560.34</td>
<td>11144.95</td>
</tr>
<tr>
<td>1975-76</td>
<td>4673.27</td>
<td>14848.25</td>
<td>19521.52</td>
</tr>
<tr>
<td>1980-81</td>
<td>10685.00</td>
<td>45124.00</td>
<td>55809.00</td>
</tr>
<tr>
<td>1985-86</td>
<td>19501.00</td>
<td>92903.00</td>
<td>112404.00</td>
</tr>
<tr>
<td>1989-90</td>
<td>25787.65</td>
<td>170529.29</td>
<td>196316.24</td>
</tr>
</tbody>
</table>


The table (Table 3.3) shows that production of khadi and village industries reported a steady growth during the pre-globalised period (1960-61 to 1989-90). Production of khadi has increased from Rs. 1423.29 lakhs to 25787.65 lakhs between 1960-61 and 1989-90. On the other hand, production of village industries has increased from 3315.65 lakhs to 170529.29 lakhs during the same period. The figures represent that village industries registered a remarkable growth compared to the khadi industry.

3.8.2 Performance during the Post-globalisation Period (First Phase)

3.8.2.1 Introduction

With the liberalisation and globalisation of the economy and the removal of quantitative restrictions, the smaller units of the Khadi and Village Industry sector are facing stiff competition. A large portion of India’s population lives in villages where illiteracy still prevails and large industry is not in a position to absorb the work force from rural areas. In view of this, it is necessary to create more employment opportunities in villages by utilizing local resources and skills so that rural people
can get work in the villages itself. This would also reduce the migration of unemployment rural youths to urban areas in search of jobs.

### 3.8.2.2 Performance on Production, Sales and Earnings

To get an overview of the performance, production, sales and earnings of Khadi and Village Industries are presented in the following table (Table 3.4).

**Table 3.4: Production, Sales and Earnings of KVIs Products in India (Rs. Crore)**

<table>
<thead>
<tr>
<th>Year</th>
<th>Khadi industry</th>
<th>Village Industries</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Production</td>
<td>Sales</td>
</tr>
<tr>
<td>1992-93</td>
<td>353</td>
<td>387</td>
</tr>
<tr>
<td>1993-94</td>
<td>357</td>
<td>409</td>
</tr>
<tr>
<td>1994-95</td>
<td>390</td>
<td>491</td>
</tr>
<tr>
<td>1995-96</td>
<td>522</td>
<td>567</td>
</tr>
<tr>
<td>1996-97</td>
<td>626</td>
<td>581</td>
</tr>
</tbody>
</table>

It is apparent from the table (3.4) that there is no relationship between production, sales and earnings, as sales of a given year is for the accumulated production stocks over the years. It is also clear that sales have increased from Rs. 387 to 581 crore for Khadi and from Rs. 2810 to Rs. 4232 crore for Village Industries. Correspondingly, earnings have also grown by 55% for Khadi and 50% for Village Industries sector during the initial periods of globalisation (1992 to 1997). However, the evaluation study of the Planning Commission has observed production shortfalls, marketing and sales problems regarding the khadi and village industries products, during the same period. Therefore it may be suitable to analyse the performance of Khadi and Village Industries further, along with the findings of the Planning Commission.
3.8.2.3 Growth of Employment.

It is estimated that only 8.01 lakh additional employment opportunities were created during the 8th Plan period as against the target of 20 lakh. Of this the share of the khadi sector was only 0.59 lakh and that of village industries sector is 7.42 lakh. These figures include both part-time and full-time employment opportunities. The growth of full time employment in both sectors is given in Table 3.5

Table 3.5: Full-time Employment in Khadi and Village Industries Sector (in lakh)

<table>
<thead>
<tr>
<th></th>
<th>Khadi Sector</th>
<th>Village Industries Sector</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1991-92</td>
<td>5.09</td>
<td>24.02</td>
<td>29.11</td>
</tr>
<tr>
<td>1996-97</td>
<td>5.39</td>
<td>29.42</td>
<td>34.81</td>
</tr>
</tbody>
</table>


It is evident that employment growth in the khadi sector was negligible during the 8th Plan i.e. it has increased by only 6% between 19991-92 and 1996-97. On the other hand, in the village industries sector employment grew at the rate of 4% per annum or by 20% over the period. About 95% of the additional employment generated during the period was in the village industries sector. Therefore, the additional budgetary resources (grants and loans) allocated to the khadi sector seem to be getting absorbed year after year without any corresponding increase in employment, output and sales realization. In the village industries sector, on the other hand, there has been positive growth in employment (from 24.02 lakhs to 29.42 lakhs), as depicted in table 3.5.
3.8.3 Second Phase of Globalisation

3.8.3.1 Physical Performance Since 1997-98

The physical performance of Khadi and Village Industries in India based on production and sales since 1997-98 is given in Table 3.6.

Table 3.6: Performance Indicators-Production and Sales of Khadi and Village Industries (from 1997-98 to 2003-04)

<table>
<thead>
<tr>
<th>Year</th>
<th>Production (Rs. in crore)</th>
<th>Sales (Rs. in crore)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1997-1998</td>
<td>4519.31</td>
<td>5065.28</td>
</tr>
<tr>
<td>1998-1999</td>
<td>5112.37</td>
<td>5601.01</td>
</tr>
<tr>
<td>1999-2000</td>
<td>6185.35</td>
<td>6769.20</td>
</tr>
<tr>
<td>2000-2001</td>
<td>6923.26</td>
<td>7955.10</td>
</tr>
<tr>
<td>2001-2002</td>
<td>7557.21</td>
<td>8911.35</td>
</tr>
<tr>
<td>2002-2003</td>
<td>8569.37</td>
<td>10193.34</td>
</tr>
<tr>
<td>2003-2004</td>
<td>9715.91</td>
<td>11589.96</td>
</tr>
</tbody>
</table>


The above table (table 3.6) represents that production and sales of Khadi and Village Industries have increased since 1997-98. Production has increased from 4519.31 crore to 9715.19 and sales has increased from 5065.28 crore to 11589.96 during the second phase of globalisation (1997-98 to 2003-04). Therefore, sales have been increased by a rate of 13.7% and production has been increased by a rate of 13.3% compared to the previous years.
Table 3.7: Khadi and Village Industries-Employment (since 1997-98)

<table>
<thead>
<tr>
<th>Year</th>
<th>Employment (Numbers in lakh)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1997-1998</td>
<td>56.50</td>
</tr>
<tr>
<td>1998 1999</td>
<td>58.29</td>
</tr>
<tr>
<td>1999-2000</td>
<td>59.23</td>
</tr>
<tr>
<td>2000-2001</td>
<td>60.07</td>
</tr>
<tr>
<td>2001-2002</td>
<td>62.64</td>
</tr>
<tr>
<td>2002-2003</td>
<td>66.45</td>
</tr>
<tr>
<td>2003-2004</td>
<td>71.18</td>
</tr>
</tbody>
</table>


3.8.3.2 Employment Generation

Employment generation in both Khadi and Village Industry sectors, since 1997-98 is given in Table 3.7.

The table (table 3.7) represents that employment in khadi and village industries sector collectively has increased from 56.50 lakh in 1997-98 to 71.18 lakh in 2003-04. That is, employment in both sectors has increased at a rate of 25.9% over the period. However, employment opportunities in the khadi sector are declining since 1997-98. This fact is evident form table 3.8.
Table 3.8: Employment Generation-Khadi and Village Industries (separated)

<table>
<thead>
<tr>
<th>Year</th>
<th>Employment (Numbers in lakh)</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Khadi</td>
<td>Village Industries</td>
</tr>
<tr>
<td>1997-1998</td>
<td>14.01</td>
<td>42.49</td>
</tr>
<tr>
<td>1998-1999</td>
<td>13.85</td>
<td>44.44</td>
</tr>
<tr>
<td>1999-2000</td>
<td>12.35</td>
<td>46.98</td>
</tr>
<tr>
<td>2000-2001</td>
<td>9.56</td>
<td>50.51</td>
</tr>
<tr>
<td>2001-2002</td>
<td>8.48</td>
<td>54.16</td>
</tr>
<tr>
<td>2002-2003</td>
<td>8.58</td>
<td>57.87</td>
</tr>
<tr>
<td>2003-2004</td>
<td>8.61</td>
<td>62.57</td>
</tr>
</tbody>
</table>


Table 3.8 represents that employment in the Khadi sector has declined from 14.01 lakh in 1997-98 to 8.61 lakh in 2003-04. On the other hand, employment in the village industries sector has considerably increased from 42.49 lakh to 62.57 lakh during the same period. Therefore it is estimated that, while employment in the Khadi sector has declined by 38.5% it has increased in the Village Industry sector by 47.2% over the period. Hence it is concluded that village industries in India has a better scope to provide employment opportunities in rural areas. However, the Khadi sector has a poor performance and little scope in the area of employment generation.

3.8.3.3 Exports

Table 3.9: Export of Small Enterprises from India (Rs. in Crores)

<table>
<thead>
<tr>
<th>Year</th>
<th>95-96</th>
<th>96-97</th>
<th>97-98</th>
<th>98-99</th>
<th>99-00</th>
<th>00-01</th>
<th>01-02</th>
<th>02-03</th>
<th>03-04</th>
<th>04-05</th>
</tr>
</thead>
<tbody>
<tr>
<td>Export</td>
<td>36470</td>
<td>39248</td>
<td>44442</td>
<td>48979</td>
<td>54200</td>
<td>69797</td>
<td>71244</td>
<td>86013</td>
<td>97644</td>
<td>—</td>
</tr>
<tr>
<td>Growthrate</td>
<td>25.46</td>
<td>7.61</td>
<td>13.23</td>
<td>10.21</td>
<td>10.66</td>
<td>28.78</td>
<td>2.1</td>
<td>20.7</td>
<td>13.5</td>
<td>—</td>
</tr>
</tbody>
</table>

Source: Economic Survey (various issues), Government of India.
Export data of small enterprises including the village products for the last ten years (1995-96 to 2004-05) are given in table 3.9. The table represents a steady growth in exports, i.e. a remarkable 167% growth in exports over the period. Though the growth rates of exports compared to the previous years are unstable, the rising trend of export performance ensures better scope for the small enterprise sector during the liberalised era.

### 3.9 VILLAGE INDUSTRIES IN KERALA

#### 3.9.1 Industrial Scenario of Kerala

Kerala is a land that has surprised the masters of development and sociology with its amazing social advancement and astonishing economic progress. The UN as a global role model has pointed out these social development indices of Kerala. Kerala has enviable human resources. Its literacy levels are over 90%, significantly above the country average, especially for women. The State scores highest among all Indian states on the UNDP Human Development Index. Kerala’s long scenic coast line has provided complex opportunities for sectors such as tourism and marine products. The State is now one of the highest earners of tourism revenues in the country and one of the world’s premier tourist destinations. In addition, Kerala has begun to leverage its strength in Ayurveda, Unani, Naturopathy and other traditional health care systems that are growing in popularity throughout the world. The State is also the leading producer of natural rubber, coconut, pepper and cardamom and the second largest producer of tapioca, cashew nut and coffee and earns a significant proportion of the national export revenue from marine and spice based products.

Another area where Kerala has made enormous strides is in information technology. The recently published National Association of software and service companies (NASSCOM) report on ITES rated Kochi as the second most competitive ITES destination in the country with high scores on manpower, real estate, telecom,
infrastructure and policy initiatives. The advantages include the most advanced telephone network, highest rural telephone industry, and highest telephone density, 70% of India’s data traffic flows through Kochi.\footnote{State Level Report on Third All India Census of Small Scale Industries 2001-2002, Kerala.}

Kerala offers numerous advantages to investors. A study conducted by the Confederation of Indian Industry (CII) across 18 states in India, on the attractiveness of the states in attracting investments, rated Kerala as the third best in the country in the overall ranking. Currently the manufacturing sector contributes about 21% of the Net State Domestic Product (NSDP). Of this, the small industry sector has performed exceedingly well and enabled Kerala to achieve a wide measure of industrial growth and diversification. The traditional sector of the State is world renowned with handlooms, handicrafts and coir products carving a distinctive niche in global markets. The sector also contributes to the State economy in terms of large-scale employment generation.

Kerala has also invested heavily in developing infrastructure. 1.38 lakh kilometers of roads, 1148 kilometers of railways, 1687 kilometers of inland waterways, 111 statute miles of airways, 17 ports, 3 international air ports - all this in a State with land area comprising 1.18% of India’s total land area.\footnote{Ibid}

\subsection*{3.9.2 Industrial Promotion}

Government of Kerala assists industrial units by providing financial assistance, infrastructure and training/consultancy services. The infrastructure facilities offered in the State include Industrial Parks, Industrial Estates, Development Areas/Plots, Special Economic Zones etc. Important agencies/departments engaged in the industrial promotion in the State include:
A brief description of the functions of above promotional institutions is given below:

1. **Kerala State Industrial Development Corporation (KSIDC)**

   KSIDC, as facilitator and financier for industries in Kerala offers wide assistance in building a dynamic economy. In a nutshell, KSIDC is a single point contact for all investors of the state and acts as a brand ambassador of the state spreading its industrial ethos.

   The key areas of its focus include:

   - Identification of Investment Ideas
   - Translating Ideas into Concrete Proposals
   - Feasibility Study, Technology Sourcing, Project Evaluation
   - Financial Structuring, Loan Syndication
   - Ensuring Central and State Government Clearances
   - Tying up Requirements in Infrastructure
   - Total Project Management Support
   - Development and Administration of Growth Centres
In addition to the primary support provided to entrepreneurs, KSIDC extends a whole range of pro-investor services, which include Single Window Clearance System, Venture Capital Financing, Capital Subsidy Processing, issue of Sales Tax Exemption Certificate etc.

2. Kerala Financial Corporation

Kerala Financial Corporation (KFC) incorporated under the State Financial Corporations Act of 1931, plays a major role in the development and industrialisation of Kerala by extending financial assistance to suit the requirements of the entrepreneurs. KFC has 16 branches in the State with its Head Office at Thiruvananthapuram.

KFC gives Long term loans for the investors. It also covers schemes like Working Capital finance and Short-term finance. Equity-type assistance (National Equity Fund), Modified revolving Fund, Modernisation schemes for SSIs, Tourist Homes & Hospitals, and credit for TV Serial Production are innovative schemes introduced to suit changing customer requirements. The Corporation is engaged in developmental activities. Client meets are being organized regularly in the major towns and cities of the State. A series of sector specific seminars are being held in the State and these are organized by KFC.

3. Small Industries Development Bank of India (SIDBI)

Small Industries Development Bank of India (SIDBI) was established in April 1990 under an Act of Indian Parliament as the principal financial institution for:

- Promotion,
- Financing and
Development of industry in the small scale sector
Co-ordinating the functions of other institutions engaged in similar activities

Since its inception, SIDBI has been assisting the entire spectrum of SSI Sector including the tiny, village and cottage industries through suitable schemes tailored to meet the requirement of setting up of new projects, expansion, diversification, modernisation and rehabilitation of existing units. The Bank also finances industrial infrastructure projects for the development of SSI sector.

SIDBI’s financial assistance to small-scale sector has three major dimensions which are explained below:

1. **Indirect Assistance to Primary Lending Institutions (PLIs);**
   
   SIDBI’s Schemes of indirect assistance envisages credit to SSIs through a large network of PLIs spread across the country. The assistance is provided by way of refinance, bills rediscounting, and resource support in the form of short-term loans/Line of Credit (LoC) in lieu of refinance, etc.

2. **Direct Assistance to Small Units**

   The objective behind SIDBI’s direct assistance schemes has been to supplement the efforts of PLIs by identifying the gaps in the existing credit delivery mechanism for Small Scale Industries. Direct assistance is provided under several tailor made schemes through SIDBI’s 41 Regional/Branch offices spread across the country.

3. **Development and Support Services**

   The Bank extends development and support services in the form of loans and grants to different agencies working for the promotion and development of SSIs and tiny industries. Over the years, the initiatives of SIDBI under
promotional and developmental activities cover Enterprise Promotion with emphasis on Rural Industrialisation, Human Resource Development to suit the SSI sector needs, Technology Upgradation, Quality and Environment Management, Marketing and Promotion and information dissemination.

4. **Kerala Industrial Infrastructure Development Corporation (Kinfra)**

Kerala Industrial Infrastructure Development Corporation, KINFRA aims at bringing together all the suitable resources available in the state and developing infrastructure to woo the industrial growth of the state. KINFRA is dedicated to catalyse industrial growth in Kerala by providing the best industry-specific-infrastructure.

KINFRA has identified over 20 core competency areas. The corporation has been setting up Industrial Parks, Townships, Zones etc., which provide all facilities required by entrepreneurs for starting an industry. It has 12 well-defined industrial parks of which many are functional and some are in the launching phase. Each of these Parks offers comprehensive infrastructure and support services to the clients. The most fascinating feature of KINFRA is that it offers single window clearance facilities. Attractive incentives and excellent opportunities for expansion and diversification are the specialities of KINFRA. The head office of KINFRA is located in Thiruvananthapuram. The Parks of KINFRA are scattered in different parts of the state, such as Ernakulam, Wynadu, Aroor, Malappuram, Koratty, Mazhuvunnur, Kalpatta, etc.

5. **Directorate of Industry and Commerce**

Directorate of Industries and Commerce is the implementing agency of all policy decisions of the Industries Department of Government of Kerala. Directorate of Industries and Commerce is the controlling office of the 14 District Industries Centres and Common Facility Service Centres at Changanacherry and Manjeri.
The mission of the Directorate of Industries and Commerce is to act as a facilitator for industrial promotion and sustainability of small scale and traditional industrial sector in the State. The Directorate undertakes innumerable functions to promote the industrial sector in the State. These functions are summarized as follows:

- Promotion of industries with special emphasis on SSIs and Self Employment
- Function as facilitator for sustained industrial development.
- Creating and extending infrastructural requirements for the development of industries in the State.
- Inculcating Industrial Culture in the State.
- Joining hands with educational institutions for the development of Entrepreneurship at school/colleges.
- Identifying and developing entrepreneurial potential in the State.
- Providing investment assistances through Single Window Clearance, loans, subsidies, technical assistance, training etc.
- Strengthen entrepreneurial efforts through consultancy services, marketing assistance, human resources development and for nursing of sick units in the State.
- Identifying the clusters for industrial development and to form product specific clusters of Industrial units
- Promoting women’s entrepreneurship through special Women Industrial Programmes.
- To setup proficiency interface cell in the Department with qualified and trained personnel to interact with experts / consultants for promoting viable projects.
- Promote SC/ST development through special Industrial programmes.
6. **Small Industries Development Corporation (SIDCO)**

Kerala SIDCO, a Public Sector Undertaking of the Government of Kerala has four decades of servicing to its credit as a Promotional Agency for Small Scale Industries. This Corporation is rendering assistance to SSIs in the State, like providing Infrastructure facilities, distribution of essential raw materials, marketing of the SSI products, undertaking Civil and Electrical works etc. Moreover Kerala SIDCO is supplying Bitumen to Local Bodies as Nodal Agency and Paraffin Wax to small-scale industries. The major activities of SIDCO is categorized as below:

(i) **Raw Material Division**

SIDCO’s Raw Material Division is engaged in the distribution of various industrial raw materials to the small-scale industries sector in Kerala. It also distributes iron and steel materials to Public Sector Undertakings in Kerala according to their requirements.

(ii) **Production Division**

Now 8 Production units are functioning under Kerala SIDCO in various districts of the State. Government Departments, Public Sector Undertakings and Autonomous Bodies are free to purchase all types of furniture and other equipments produced in these units, without observing usual tender formalities.

(iii) **Marketing Division**

The marketing division of SIDCO provides assistance to SSI units for marketing their products. There are opportunities for export of the products of Kerala’s SSI sector, Village Industries Sector etc. The Marketing Division is now having 7 Sales Emporia and 7 Marketing Centres at various districts.
of Kerala. The SSI units registered with SIDCO exhibit their products in the emporia for which SIDCO is not charging any fee.

(iv) **Construction Division**

The main functions of this Division is to undertake construction and maintenance work of sheds in Industrial Estates, Industrial Development Plots, providing infrastructure facilities for Industrial Growth Centres, setting up of Industrial Parks etc.

(v) **Real Estate Division**

Kerala SIDCO owns 17 Conventional Industrial Estates and 36 Mini Industrial Estates, which are functioning in different Districts of Kerala. There are 920 factory sheds in which more than 750 SSI units are functioning. The above said factory sheds were allotted on Lease basis, Hire Purchase basis and Outright Purchase basis.

7. **Small Industries Service Institute (SISI)**

SISI is a Central Government Institute, committed to the overall development of SSIs in the State. The Institute offers multi-disciplinary consultancy services to the SSI sector. The Institute has technical experts in various fields like chemical, mechanical, leather, electrical, electronics, food etc. to provide training to the small-scale entrepreneurs.

The jurisdiction of the SISI covers all the districts of Kerala and the Union Territory of Lakshadweep. It provides technical, managerial consultancy services besides attending to revival of small scale sick units. SISI, undertakes promotional and developmental activities starting from creation of awareness, motivation, identification of products and entrepreneurs to setting up of industrial establishments and follow-up measures in the context of new era of
liberalisation and globalisation through its Extension Centres at Allapuzha, Shoranur, Kozhikode, Footwear Service Centre and Central Workshop situated at the Headquarters - Trichur. The Nucleus Cell of the Institute is also functioning at Cochin for the promotion and development of small scale units in Lakshadweep Islands. Fruit and Vegetable Preservation Training Centre imparts training to the prospective entrepreneurs and also aims at upgrading the skill of the entrepreneurs in this line.

8. **Kerala Industrial and Technical Consultancy Organisation (KITCO)**

KITCO was set up in Kerala, in the year 1972, with IDBI, IFCI, Govt. of Kerala, KSIDC, KFC, Indian Bank, Indian Overseas Bank, Canara Bank, Syndicate Bank and Union Bank of India as the promoters.

The main objectives and functions of KITCO are explained below:

(i) To provide quality advice and consultancy service at an affordable price mainly to small and Medium Enterprises (SMEs) for identifying, planning and formulating their projects and to the FIs and banks for a systematic appraisal of industrial finance proposals. Therefore, the basic thrust in the initial years was in Project Consultancy, namely preparation of project reports, appraisal reports, techno-economic feasibility studies, market surveys, etc.

(ii) KITCO also built up its strengths in conducting special studies like Industrial Potential Surveys sponsored by the State Government, IDBI, etc.

(iii) The company, in addition, offered management consultancy services for improving organisational efficiency and productivity. Subsequently, the Company diversified its activities into various related fields like detailed engineering & project execution, asset valuation, skill certification, etc.
3.9.3 Industrial Structure of Kerala

The industrial sector of Kerala consists: (i) Large and medium industries, (ii) Small-Scale industries (SSI), (iii) Traditional industries and (iv) Khadi and village industries.

3.9.3.1 Large and Medium Scale Industries

Table 3.10 depicts the structure of large and medium scale industries in Kerala.

Table 3.10: Large and Medium Scale Industries in Kerala (2002-2003)

<table>
<thead>
<tr>
<th>Sectors</th>
<th>Numbers</th>
</tr>
</thead>
<tbody>
<tr>
<td>Central sector</td>
<td>23</td>
</tr>
<tr>
<td>State sector</td>
<td>63</td>
</tr>
<tr>
<td>Co-operative sector</td>
<td>16</td>
</tr>
<tr>
<td>Joint sector</td>
<td>29</td>
</tr>
<tr>
<td>Private sector</td>
<td>524</td>
</tr>
<tr>
<td>Total</td>
<td>655</td>
</tr>
</tbody>
</table>

Source: State Level Report on Third All-India Census of Small-Scale Industries 2001-2002, Kerala

The table (3.10) shows that large and medium scale industries in Kerala have been dominated by the private sector. The table (3.11) depicts the number of factories and employment in Kerala, which also represents the predominance of private sector.
Table 3.11: Growth of Working Factories and Average Daily Employment-Kerala

<table>
<thead>
<tr>
<th>Year</th>
<th>Number of working factories</th>
<th>Employment</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Private</td>
<td>Public</td>
</tr>
<tr>
<td>1999</td>
<td>17955</td>
<td>549</td>
</tr>
<tr>
<td>2000</td>
<td>17986</td>
<td>558</td>
</tr>
<tr>
<td>2001</td>
<td>17823</td>
<td>536</td>
</tr>
<tr>
<td>2002</td>
<td>17727</td>
<td>535</td>
</tr>
<tr>
<td>2003</td>
<td>17838</td>
<td>538</td>
</tr>
</tbody>
</table>


The table 3.11 reveals a declining trend in the number of factories (both public and private) up to the year 2002. The average daily employment was also declining during the same period. However, investment in the factory sector (comparatively in the private sector) and employment has revived in the year 2003 (refer table 3.11)

3.9.3.2 Small-Scale Industries (SSI)

The number and structure of SSI units (registered and unregistered) are given in Table 3.12.
Table 3.12: SSI Sector in Kerala

<table>
<thead>
<tr>
<th>Characteristics</th>
<th>Reg. SSI sector</th>
<th>Unreg.SSI sector</th>
<th>Total SSI sector</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Size of the sector (Working units)</td>
<td>146988</td>
<td>305838</td>
<td>452826</td>
</tr>
<tr>
<td>2. Rural units</td>
<td>98186</td>
<td>235231</td>
<td>333417</td>
</tr>
<tr>
<td>3. SSI s</td>
<td>85857</td>
<td>119727</td>
<td>205584</td>
</tr>
<tr>
<td>4. SSSBEs</td>
<td>61131</td>
<td>186111</td>
<td>247242</td>
</tr>
<tr>
<td>5. Ancillary among SSIs</td>
<td>5057</td>
<td>5585</td>
<td>10642</td>
</tr>
<tr>
<td>6. Tiny units among SSIs</td>
<td>85231</td>
<td>119727</td>
<td>204958</td>
</tr>
<tr>
<td>7. Women Enterprises</td>
<td>32989</td>
<td>106236</td>
<td>139225</td>
</tr>
</tbody>
</table>

Source: State Level Report on Third All-India Census of Small-Scale Industries 2001-2002, Kerala

From the table 3.12 we can analyse the structure of SSI sector in Kerala. It is clear that the size of unregistered SSI sector is larger than the registered sector. The unregistered sector covers 67.5% of the total SSI sector in Kerala, while the registered sector covers only 32.5%.

The working status of SSI units in Kerala is given in table 3.13.

Table 3.13: Working Status of SSI Units

<table>
<thead>
<tr>
<th>Years</th>
<th>Total Number of Units</th>
</tr>
</thead>
<tbody>
<tr>
<td>2000-01</td>
<td>239906</td>
</tr>
<tr>
<td>2001-02</td>
<td>258020</td>
</tr>
<tr>
<td>2002-03</td>
<td>270344</td>
</tr>
<tr>
<td>2003-04</td>
<td>275649</td>
</tr>
</tbody>
</table>


The small-scale industrial activities are steadily increasing in Kerala, as evident from table 3.13. The total number of SSI units registered in Kerala has increased from 2.39 lakhs in 2000-01 to 2.75 lakhs in 2003-04. Therefore, the number of units have increased by 14.8% over the period.
3.9.3.2.1 Cluster Development Approach

A cluster can be defined as a sectoral and geographical concentration of enterprises, especially Small & Medium enterprises (SMEs), which have common opportunities and face similar threats. The key problems faced by the SMEs is more of isolation than of size, and they are unable to achieve economies of scale, lack negotiating power, find it difficult to specialise and have limited access to credit, strategic information, technology and markets.

Besides the firms that make up the cluster, related enterprises, private and public service providers, Research establishments/ Universities, Entrepreneur groups, large enterprises, financial institutions and banks, NGOs, Central / State / Local government and related bodies make up the composition of typical players in a cluster. A Cluster Development Agent (CDA) is a person who conceptualizes the overall developmental strategy for a cluster and initiates implementation. He is also the liaison between the various cluster players and the target cluster.

Since 1993, United Nations Industrial Development Organisation (UNIDO), through its Private Sector Development Branch, has developed an approach to help government and the private sector to co-operate in the design and implementation of programmes to promote the organisation and development of clusters and networks of SMEs. The programme draws lessons from the experience of successful clusters and it implements them through technical cooperation projects in various developing countries. Some of the countries where this approach has been introduced are India, Indonesia, Malaysia, Mexico, Nicaragua, Honduras, Jamaica, Bolivia, Madagascar, Morocco and Tunisia.

In India, the cluster development activities were started initially during the 9th Five Year Plan period with the help of United Nations Industrial Development Organisation (UNIDO). Government of Kerala formulated an Industrial Policy 2003 that gives stress on industrial cluster development. The motive was to bring
entrepreneurs who are engaged in manufacturing similar products and belonging to the same locality together and to provide them common facilities. This would reduce the relative isolation of the SMEs and strengthen the linkages among all the actors of the assisted Cluster thereby coordinating their actions and pooling their resources for a common development goal.

To implement the cluster development approach, several ‘consortia’ have been created by the State, in Handloom, Rubber, Food, Cane, Leather, Garments etc. which focuses on establishment on raw material bank, marketing linkages or outlets, participation in fairs abroad and brand creation. In Kerala, the District Industries Centres have a greater role in promoting industrial clusters.

The role of District Industries Centres (DICs) would be to act as the Key Resource Group for the initiative. DICs shall:

- Offer critical intervention services at all stages of the programme,
- Act as a mentor or adviser to the Cluster Development Agents (CDAs),
- Coordinate the cluster development efforts,
- Suggest mid-course corrections,
- Organise refresher and interaction programmes for the CDAs,
- Liaison with the major players in the programme, including national and international level agencies

3.9.3.3 Traditional Industries

Unlike the neighbouring states, Kerala persists with a concentrated and lop-sided industrial structure marked by the disproportionately higher shares of a few local resource-based traditional industries and lower shares of capital goods and modern industries. In the development of local economic activity, local entrepreneurship tended to ensure higher local labour absorption as also a greater cognisance of rural demand conditions in investment decision-making, in Kerala.
In this sense, perhaps it can be identified as having the strongest development linkage with the rural sector.

The major traditional industries of Kerala are Coir, Handlooms, Handicrafts and Cashew. Coir Industry in Kerala is generating employment to more than 3.75 lakh workers of which 76% are women. In spite of concentrated efforts the State and Central Governments, the Coir Industry still remains as a backward one.

The Handloom sector in Kerala directly employs about 1.75 lakh of people and this industry stands second to the coir industry in providing employment among traditional industries of the State. The industry is dominated by the co-operative sector with 94% of looms. There are 48000 looms in the State.

There are number of craftsmen engaged in handicrafts activities. The various agencies engaged for the production of handicrafts industry are the Kerala State Apex Co-operative Society Limited (SURABHI) and Artisans Development Corporation. The Kerala State Cashew Development Corporation (KSCDC) and Cashew Workers Apex Co-operative Society (CAPEX) are the two state agencies engaged in the cashew-processing sector in Kerala.

### 3.10 PROFILE OF VILLAGE INDUSTRIES IN KERALA

The Kerala Khadi and Village Industries Board (KVIB) has defined village industries as “those units which provide employment to a person for every 50,000 Rupees of investment and those that are established in villages. However, service industries like laundry, roadside shops, barber shops etc. can be based in the urban areas”.

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14 *Ibid*.
15 Kerala Village Industries Board, Google Search.
About 120 village industries have been identified and recognized by the Khadi and Village Industries Commission (KVIC) under seven major groups such as Mineral Based Industry, Forest Based Industry, Agro and Rural Based Industry, Polymer and Chemical Based Industry, Rural Engineering and Bio-Technology, Textile Industry (Excluding Khadi) and Service Industry.

The Kerala Khadi and Village Industries Board have recognized the following village industries:-

I  **Mineral Based Industry**
   1. Cottage Pottery
   2. Lime manufacturing

II  **Forest Based Industry**
   3. Agarbathi
   4. Cottage Match Industry
   5. Handmade Paper
   6. Shellac Industry
   7. Bamboo and Cane
   8. Fibre Industry
   9. Manufacture of Gums and Resin

III **Agro Based and Food Industry**
   10. Bee keeping Industry
   11. Village Oil Industry
   12. Manufacture of Cane Gur and Khandasari
   13. Palmgur making and other palm products Industry
   14. Processing Packing and Making of Cereals and Pulses Industry
   15. Forest Plant and Fruits
   16. Fruits and Vegetable Processing
IV Polymer and Chemical Based Industry
17. Cottage Soap Industry
18. Cottage Leather Industry
19. Manufacturing of Rubber Goods

V Engineering and Non-conventional Energy Industry
20. Bio-gas Industry
21. Carpentry and Black Smithy
22. Aluminium
23. Electronics
24. Brass Copper Bell Metal

VI Textile Industry (Other than khadi)
25. Poly Vastra
26. Other Textiles

VII Service Industry
27. Services such as Laundry, Barber Shops, Plumbing, Electrical Wiring and Electronics domestic appliances and equipments Repair etc.

3.11 KERALA KHADI AND VILLAGE INDUSTRIES BOARD (KVIB)

Kerala Khadi and Village Industries Board is a statutory body constituted by the Act IX of 1957 of Kerala Legislative Assembly. The board is vested with the responsibility of organizing, promoting and developing khadi and village industries in the State. It is the duty of the Board.

i) to start, encourage, assist and run Khadi and Village Industries,

ii) to conduct training centres to arrange for training, arrange for publicity and popularising of goods
iii) to arrange for the supply of raw materials to Khadi and village Industries and for the sale of their finished products

iv) to carry on trading activities.

v) to grant loans and other assistances for the development of Khadi and Village Industries.

In order to perform the above duties, the Board receives funds from the State Government as grant under plan and from the KVIC as loan and grant. Financial assistance is also being recommended through other financial institutions

3.11.1 Schemes of the Board

The schemes of the Board are being implemented through Co-operative Societies, registered institutions, individuals and departmental units. The Board implements the following schemes:

1. Consortium Bank Credit Scheme of KVIC.
2. Rural Employment Generation Programme (Margin Money Scheme)
3. State Plan Schemes

1. Consortium Bank Credit Scheme

The scheme was introduced by the KVIC during 1995 – 96, as per the recommendations of the High Power Committee appointed by the Government of India with Chairman as the Hon’ble Prime Minister to study the problems on Khadi and Village Industries Sector.

Funds for assistance are being extended to the Board as loan from the 1000 crores of consortium fund of the Nationalised banks on guarantee of the State
Government. The Board, in turn disburses the funds as loan directly to the beneficiaries based on the projects submitted by them.

As per the scheme, individuals can submit projects up to Rs. 10 lakhs and institutions up to Rs. 25 lakhs. At least 10% of the project cost should be the beneficiary’s contribution. For SC/ST, OBC Ex-service etc. own contribution may be 5% of the Project cost.

2. Margin Money Scheme

This Scheme was launched by the KVIC during 1996-97 with a view to generate two million jobs among unemployed rural people under the K & VI Sector. Margin Money is a grant or subsidy for the loans availed of from various financial institutions and banks, for establishing village industries units as approved by Khadi and Village Industries Commission.

Under this programme, the beneficiaries are entitled to get Margin Money assistance as grant for the loans availed of from various financial institutions and banks, for establishing V.I. units in rural areas as approved by the KVIC. The beneficiaries have to submit project proposals recommended by the concerned project officer of the board to the banks for getting finance. On receipt of the orders of the bank sanctioning loan and release of first instalment of loan, the board will release the Margin Money grant to the joint account of the beneficiary and the project officer concerned.

Margin Money is sanctioned by the board at the following rates.

1. For projects up to Rs. 10 lakhs – Margin Money is 25% of the Project cost
2. For projects above Rs. 10 lakhs and up to Rs. 25 lakhs – 25% of the first 10 lakhs and 10% of the balance amount.
For beneficiaries belonging to SC/ST, women, minority community and their institutions, Ex-service men, physically handicapped, Margin Money will be 30%.

3. **State Plan Schemes**

The Board is implementing departmental schemes mainly under the State Plan Schemes. One major scheme for employment generation under the plan scheme is the Interest Subsidy Scheme. Under this scheme, interest subsidy at 8.5% is extended to the beneficiaries for their loans availed from various financial institutions for establishing V.I. Units.

3.12 **PERFORMANCE OF KHADI AND VILLAGE INDUSTRIES IN KERALA**

3.12.1 **First Phase of Economic Liberalisation.**

The performance of khadi and village industries are analysed on the basis of production, sales, earnings and employment. Production of khadi and village industries during the first phase of economic liberalisation (1992-93 to 1998-99) is presented in Table 3.14.

**Table 3.14 : Khadi and Village Industries (Kerala) - Production**  
(Rs. in lakhs)

<table>
<thead>
<tr>
<th></th>
<th></th>
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<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Khadi Total</td>
<td>787.20</td>
<td>739.77</td>
<td>666.42</td>
<td>675.35</td>
<td>863.69</td>
<td>1042.84</td>
<td>974.15</td>
</tr>
<tr>
<td>Village Industry</td>
<td>9138.90</td>
<td>9325.91</td>
<td>12300.58</td>
<td>13151.66</td>
<td>14154.0</td>
<td>15184.9</td>
<td>14861.27</td>
</tr>
<tr>
<td>Grand Total</td>
<td>9926.10</td>
<td>10065.68</td>
<td>12967.0</td>
<td>13827.01</td>
<td>15017.7</td>
<td>16227.7</td>
<td>15835.42</td>
</tr>
</tbody>
</table>

Source: Statistics for Planning 2001, Department of Economics & Statistics, Govt. of Kerala
The table (3.14) shows that production of khadi was unstable but production of village industries in total has increased during the first phase of economic liberalisation. It has increased from 9138.90 lakhs in 1992-93 to 14861.27 lakhs in 1998-99. Though the Khadi production has increased at a rate of 23.7% over the period (92-93 to 98-99), the growth rate is –6.5% compared to the previous year. Further, it is estimated that the production of village industries has increased by 62.6% during the same period. Therefore, in the area of production, village industries have performed well during the first phase of liberalisation.

Sales of Khadi and Village Industry products are depicted in Table 3.15. It should be noted that there is no relationship between production, sales and earnings, as sales of a given year is for the accumulated production stocks over the years.

**Table 3.15 : Khadi and Village Industries (Kerala) - Sales**

<table>
<thead>
<tr>
<th></th>
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<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Khadi</td>
<td>1258.26</td>
<td>1227.15</td>
<td>1595.15</td>
<td>1927.60</td>
<td>1832.56</td>
<td>2033.03</td>
<td>1802.09</td>
</tr>
<tr>
<td>Total Village Industry</td>
<td>9353.37</td>
<td>10365.64</td>
<td>12514.34</td>
<td>13782.94</td>
<td>14657.23</td>
<td>16351.98</td>
<td>16292.15</td>
</tr>
<tr>
<td>Grand Total</td>
<td>10611.63</td>
<td>11592.79</td>
<td>14109.49</td>
<td>15710.54</td>
<td>16489.79</td>
<td>18385.01</td>
<td>18094.24</td>
</tr>
</tbody>
</table>

Source: Statistics for Planning 2001, Deptt. of Economics & Statistics, Govt. of Kerala

The table 3.15 represents a steady growth in the sales of village industry products whereas sales of khadi products depict an unstable trend. Sales of village industry products have increased from Rs. 9353.37 lakhs in 1992-93 to Rs. 16292.15 lakhs in 1998-99. Sales value of both khadi and village industries have increased from Rs.10611.63 lakhs to Rs. 18094.24 lakhs during the same period. From the above data, we can analyse that sales of village and Khadi industries have increased by 74% and
43% respectively, over the period. Based on the sales criteria also village industries represent a better performance than Khadi sector.

Table 3.16: Khadi and Village Industries (Kerala) - Earnings

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Khadi</td>
<td>594.36</td>
<td>591.65</td>
<td>518.46</td>
<td>562.42</td>
<td>459.29</td>
<td>576.49</td>
<td>798.10</td>
</tr>
<tr>
<td>Total Village Industry</td>
<td>2607.27</td>
<td>2847.34</td>
<td>3426.15</td>
<td>3665.96</td>
<td>4141.04</td>
<td>4619.62</td>
<td>4299.84</td>
</tr>
<tr>
<td>Grand Total</td>
<td>3201.63</td>
<td>3438.99</td>
<td>3944.61</td>
<td>4228.38</td>
<td>4600.33</td>
<td>5196.11</td>
<td>5097.94</td>
</tr>
</tbody>
</table>

Source: Statistics for Planning 2001, Deptt. of Economics & Statistics, Govt. of Kerala

Table 3.16 represents earnings of khadi and village industries. It shows that earnings of the Village Industries Sector have increased steadily between 1992-93 and 1998-99 i.e. from Rs. 2607.27 lakhs to Rs. 4299.84 lakhs. However, earnings of khadi industry were not stable during the same period. Therefore, it is estimated that while the earnings of village industries have risen by 64%, it has increased by only 34% in the Khadi sector, over the period.

Table 3.17: Khadi and Village Industries (Kerala) - Employment

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Khadi</td>
<td>0.21</td>
<td>0.19</td>
<td>0.15</td>
<td>0.15</td>
<td>0.14</td>
<td>0.14</td>
<td>0.15</td>
</tr>
<tr>
<td>Total Village Industry</td>
<td>1.77</td>
<td>1.69</td>
<td>1.84</td>
<td>1.94</td>
<td>1.98</td>
<td>2.18</td>
<td>1.93</td>
</tr>
<tr>
<td>Grand Total</td>
<td>1.98</td>
<td>1.88</td>
<td>1.99</td>
<td>2.09</td>
<td>2.12</td>
<td>2.32</td>
<td>2.08</td>
</tr>
</tbody>
</table>

Source: Statistics for Planning 2001, Department of Economics & Statistics, Govt. of Kerala
Table 3.17 reveals that employment has increased in the Village Industry Sector whereas, it has declined in the Khadi Sector, during the first phase of liberalisation. Employment in the Village Industry sector has increased from 1.77 lakhs in 1992-93 to 2.18 lakhs in 1997-98. However, it has slightly fallen to 1.93 lakhs in 1998-99. On the other hand employment in the Khadi Sector has declined from 0.21 lakhs to 0.15 lakhs during the same period. From the above data, it is estimated that employment opportunities in the village industry sector has increased by 9% over the period. However, employment in the Khadi sector has declined by 0.3% during the same period.

We can conclude the above discussion on the performance of Khadi and Village Industries during the first phase of liberalisation with the following findings:

(i) Based on all the criteria, i.e. production, sales, earnings and employment, village industries marked a better performance during the period.

(ii) Compared to the village industry sector, the poor performance of khadi industries limits its prospect in Kerala.

3.12.2 Second Phase of Economic Liberalisation

The performance of Khadi and Village Industries during the second phase of liberalisation or globalisation (1999-2000 to 2003-2004) in Kerala is analysed with the help of available data on production, sales, earnings and employment. Secondary data were available from ‘Statistics for Planning’ (Government of Kerala) and ‘Economic Review’ (State Planning Board, Kerala). We can analyse the performance one by one such as, 01 Production, 02 Sales, 03 Earnings, and 04 Employment.
01 Production

Table 3.18 : Khadi and Village Industries – Production Since 1999-2000
(Rs. In lakhs)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Cotton Khadi</td>
<td>603.5</td>
<td>576.67</td>
<td>654.72</td>
<td>685.72</td>
</tr>
<tr>
<td>Woollen Khadi</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Silk Khadi</td>
<td>7.91</td>
<td>20.66</td>
<td>20.32</td>
<td>38.14</td>
</tr>
<tr>
<td>Muslin Khadi</td>
<td>408.95</td>
<td>371.95</td>
<td>317.69</td>
<td>297.39</td>
</tr>
<tr>
<td>Total Khadi</td>
<td>1020.36</td>
<td>969.28</td>
<td>992.73</td>
<td>1021.25</td>
</tr>
<tr>
<td>Mineral Based Industry</td>
<td>3413.72</td>
<td>3741.27</td>
<td>4891.61</td>
<td>5733.14</td>
</tr>
<tr>
<td>Forest Based Industry</td>
<td>1897.13</td>
<td>2686.41</td>
<td>3384.32</td>
<td>3462.76</td>
</tr>
<tr>
<td>Agro-based and Food industry</td>
<td>4675.52</td>
<td>5822.13</td>
<td>6787.62</td>
<td>10059.05</td>
</tr>
<tr>
<td>Polymer and Chemical Based industry</td>
<td>3525.05</td>
<td>3566.28</td>
<td>3736.08</td>
<td>6313.43</td>
</tr>
<tr>
<td>Engg. And Non-conventional energy</td>
<td>3745.15</td>
<td>4106</td>
<td>5170.2</td>
<td>7286.85</td>
</tr>
<tr>
<td>Textile industry</td>
<td>1307.49</td>
<td>1051.93</td>
<td>1221.65</td>
<td>108.62</td>
</tr>
<tr>
<td>Service industry</td>
<td>313.21</td>
<td>301.89</td>
<td>2116.89</td>
<td>2369.6</td>
</tr>
<tr>
<td>HMP&amp;Fibre</td>
<td></td>
<td></td>
<td>1759.79</td>
<td></td>
</tr>
<tr>
<td>Total Village Industry</td>
<td>18877.27</td>
<td>21275.91</td>
<td>27308.37</td>
<td>37093.24</td>
</tr>
<tr>
<td>Grand total Khadi and Village Industry</td>
<td>19897.63</td>
<td>22245.19</td>
<td>28301.1</td>
<td>38114.49</td>
</tr>
</tbody>
</table>

Source: Statistics for Planning 2005, Deptt. of Economics & Statistics, Govt. of Kerala

Table 3.18 represents the remarkable growth of Village Industry in total. Production of village industry has increased from Rs. 18877.27 lakhs in 1999-2000 to Rs.37093.24 lakhs in 2002-2003. Among the village industries Mineral Based Industry, Forest Based Industry, Agro Based and Food Industry, Engineering and Non-conventional Energy and Service Industry were registered a steady growth and better performance during the second phase of liberalisation. On the other hand, Khadi Industry represented an unstable and negligible growth. Production of Khadi was only increased from Rs.1020.36 lakhs to Rs.1021.25 lakhs during the same period. While the production of village products have risen by 96%, the production
of khadi products have increased by only 0.08%. Therefore, in production, village industries represent a better performance during the second phase of liberalisation.

02 Sales

Table 3.19 : Khadi and Village Industry – Sales Since 1999-2000

(Rs. In lakhs)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Cotton Khadi</td>
<td>1534.95</td>
<td>1447.66</td>
<td>1541.67</td>
<td>1781.18</td>
</tr>
<tr>
<td>Woollen Khadi</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Silk Khadi</td>
<td>524.93</td>
<td>479.19</td>
<td>453.47</td>
<td>664.71</td>
</tr>
<tr>
<td>Muslin Khadi</td>
<td>92.6</td>
<td>156</td>
<td>95.58</td>
<td>173.65</td>
</tr>
<tr>
<td>Total Khadi</td>
<td>2152.48</td>
<td>2082.85</td>
<td>2090.72</td>
<td>2619.54</td>
</tr>
<tr>
<td>Mineral Based Industry</td>
<td>3780.3</td>
<td>3500.14</td>
<td>4584.33</td>
<td>5438.62</td>
</tr>
<tr>
<td>Forest Based Industry</td>
<td>2203.76</td>
<td>2345.88</td>
<td>3013.59</td>
<td>3294.56</td>
</tr>
<tr>
<td>Agro-based and Food industry</td>
<td>5135.79</td>
<td>10315.1</td>
<td>9536.73</td>
<td>9968.52</td>
</tr>
<tr>
<td>Polymer and Chemical Based industry</td>
<td>4415.86</td>
<td>3545.71</td>
<td>3359.1</td>
<td>7318.1</td>
</tr>
<tr>
<td>Eng. And Nonconventional energy</td>
<td>3155.3</td>
<td>1858.76</td>
<td>7271.2</td>
<td>5047.33</td>
</tr>
<tr>
<td>Textile industry</td>
<td>1365.35</td>
<td>528.25</td>
<td>876.44</td>
<td>-</td>
</tr>
<tr>
<td>Service industry</td>
<td>-</td>
<td>-</td>
<td>1858.76</td>
<td>2245.57</td>
</tr>
<tr>
<td>HMP&amp;Fibre</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>1736.05</td>
</tr>
<tr>
<td>Others</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Total Village Industry</td>
<td>20056.36</td>
<td>27747.25</td>
<td>30500.15</td>
<td>35048.75</td>
</tr>
<tr>
<td>Grand total Khadi &amp; Village Industry</td>
<td>22208.84</td>
<td>29830.1</td>
<td>32590.87</td>
<td>37668.29</td>
</tr>
</tbody>
</table>

Source: Statistics for Planning 2005, Deptt. of Economics & Statistics, Govt. of Kerala

Table 3.19 reveals a better performance of Village Industry in terms of sales, compared to the Khadi Industry. Sales of Village Industry have increased from Rs.20056.36 lakhs in 1999-2000 to Rs.35048.75 lakhs in 2002-2003. However, the Khadi Industry registered only a slow growth during the same period. Sales of khadi products have increased only form Rs. 2152.48 lakhs to Rs. 2619.54 lakhs within a period of four years. Among the village industries, Textile Industry
represented a declining trend in sales, during the same period. However, in total, sales of the village industries have increased by 74.8%. But, the sales of khadi industry have increased by only 21.7%. Thus, in sales also village industry registered a better performance than khadi industry.

03  Earnings

Table 3.20 : Khadi and Village Industries – Earnings Since 1999-2000

(Rs. Lakhs),

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Cotton Khadi</td>
<td>681.41</td>
<td>483.53</td>
<td>581.91</td>
<td>644.04</td>
</tr>
<tr>
<td>Woollen Khadi</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Silk Khadi</td>
<td>1.02</td>
<td>1.52</td>
<td>1.67</td>
<td>3.87</td>
</tr>
<tr>
<td>Muslin Khadi</td>
<td>264.37</td>
<td>234.57</td>
<td>224.4</td>
<td>268.51</td>
</tr>
<tr>
<td>Total Khadi</td>
<td>946.8</td>
<td>719.62</td>
<td>807.98</td>
<td>916.42</td>
</tr>
<tr>
<td>Mineral Based Industry</td>
<td>1486.8</td>
<td>1616.36</td>
<td>2509.26</td>
<td>2268.95</td>
</tr>
<tr>
<td>Forest Based Industry</td>
<td>714.69</td>
<td>710.13</td>
<td>1324.91</td>
<td>920.64</td>
</tr>
<tr>
<td>Agro-based and Food industry</td>
<td>1678.44</td>
<td>2347.03</td>
<td>3286.96</td>
<td>3585.4</td>
</tr>
<tr>
<td>Polymer and Chemical Based industry</td>
<td>337.00</td>
<td>505.41</td>
<td>871.21</td>
<td>2805.91</td>
</tr>
<tr>
<td>Eng. And Non-conventional energy</td>
<td>889.26</td>
<td>1072.43</td>
<td>1959.83</td>
<td>2092.09</td>
</tr>
<tr>
<td>Textile industry</td>
<td>380.35</td>
<td>151.74</td>
<td>325.38</td>
<td></td>
</tr>
<tr>
<td>Service industry</td>
<td>316.79</td>
<td>321.3</td>
<td>13336.05</td>
<td>1210.69</td>
</tr>
<tr>
<td>HMP&amp;Fibre</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>538.05</td>
</tr>
<tr>
<td>Others</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Total Village Industry</td>
<td>5803.33</td>
<td>6758.7</td>
<td>11613.6</td>
<td>13421.73</td>
</tr>
<tr>
<td>Grand total Khadi &amp; Village Industry</td>
<td>6750.13</td>
<td>7478.32</td>
<td>12421.58</td>
<td>14338.15</td>
</tr>
</tbody>
</table>

Source: Statistics for Planning 2005, Deptt. of Economics & Statistics, Govt. of Kerala

Table 3.20 represents that earnings of Village Industry have increased from Rs.5803.33 lakhs in 1999-2000 to Rs. 13421.73 lakhs in 2002-03. On the other hand earnings of Khadi Industry has decreased from Rs. 946.8 lakhs to
Rs. 916.42 lakhs during the same period. Therefore, it is estimated that while the earnings of village industry have increased by 131%, it has declined by 3.2% in the khadi sector. Thus, our analysis based on the criteria of earnings indicates a better performance of the village industry sector in Kerala, compared to the khadi sector.

04 Employment

Table 3.21 : Khadi and Village Industries-Employment Since 1999-2000

(No. in lakhs)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Cotton Khadi</td>
<td>0.08</td>
<td>0.07</td>
<td>0.08</td>
<td>0.1</td>
</tr>
<tr>
<td>Woollen Khadi</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Silk Khadi</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>-*</td>
</tr>
<tr>
<td>Muslin Khadi</td>
<td>0.06</td>
<td>0.05</td>
<td>0.05</td>
<td>0.05</td>
</tr>
<tr>
<td>Total Khadi</td>
<td>0.14</td>
<td>0.12</td>
<td>0.13</td>
<td>0.15</td>
</tr>
<tr>
<td>Mineral Based Industry</td>
<td>0.35</td>
<td>0.35</td>
<td>0.4</td>
<td>0.42</td>
</tr>
<tr>
<td>Forest Based Industry</td>
<td>0.14</td>
<td>0.14</td>
<td>0.15</td>
<td>0.16</td>
</tr>
<tr>
<td>Agro-based and Food industry</td>
<td>1.15</td>
<td>1.2</td>
<td>1.16</td>
<td>1.09</td>
</tr>
<tr>
<td>Polymer and Chemical Based industry</td>
<td>0.06</td>
<td>0.03</td>
<td>0.04</td>
<td>0.04</td>
</tr>
<tr>
<td>Engg. and Non-conventional energy</td>
<td>0.11</td>
<td>0.13</td>
<td>0.18</td>
<td>0.19</td>
</tr>
<tr>
<td>Textile industry</td>
<td>0.08</td>
<td>0.07</td>
<td>0.09</td>
<td>-</td>
</tr>
<tr>
<td>Service industry</td>
<td>0.01</td>
<td>0.01</td>
<td>0.05</td>
<td>0.14</td>
</tr>
<tr>
<td>HMP &amp; Fibre</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>0.17</td>
</tr>
<tr>
<td>Others</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Total Village Industry</td>
<td>1.90</td>
<td>1.93</td>
<td>2.06</td>
<td>2.21</td>
</tr>
<tr>
<td>Grand total Khadi &amp; Village Industry</td>
<td>2.04</td>
<td>2.05</td>
<td>2.19</td>
<td>2.36</td>
</tr>
</tbody>
</table>

*Less than 500 persons

Source: Statistics for Planning 2005, Deptt. of Economics & Statistics, Govt. of Kerala

Table 3.21 represents the employment data of khadi and village industries. The figures are not indicating good performance of both the industries.
Employment in the Khadi Sector has only marginally increased from 0.14 lakhs in 1999-2000 to 0.15 lakhs in 2002-03. (The same performance had observed in the Khadi sector during the first phase of economic liberalisation). Employment in the Village Industry Sector has increased from 1.90 lakhs in 1999-2000 to 2.21 lakhs in 2002-03. It is estimated that, while the employment opportunities in the village industry sector has increased by 16.3%, it has increased by only 7% in the khadi sector over the period. Therefore, village industry sector has performed well compared to the Khadi Sector. However, this performance on employment is not satisfactory.

3.13 PROSPECTS AND SCOPE OF VILLAGE INDUSTRIES IN KERALA

The Kerala Industrial Policy 2001 has stressed the importance of village industries in Kerala. Incentives in the form of ‘margin money’ are given to the industry. In addition, new village industries are promoted by offering prospective entrepreneur project profile on the basis of potential/demand surveys. The State Government assures modern techniques of marketing. The Government had already prepared to implement the ‘Kudumbashree’ model of development in rural areas to generate employment and enterprise. Government of Kerala formulated an Industrial Policy 2003 that gives stress on industrial cluster development, that we have discussed earlier. The cluster development strategy would encourage the development of the village and small enterprises during the period of liberalisation. These policies may provide a better scope for the village industries in Kerala.

The Central Government introduced the Khadi and Village Industries Commission (Amendment) Bill, 2005, in the Loksabha on August 22, 2005. The Bill seeks to alter the definition of “Village Industry” by raising its fixed income cut off level from Rs. 15000 to Rs.1 lakh. Besides, the Bill is likely to change the administrative structure of KVIC as also the opportunities available to village industries.
National Institute of Technology (NITC), Calicut, had already entered into a Memorandum of Understanding (MoU) with KVIC, for the establishment of a Technical Interface Centre (TIC) in Kerala, which will promote village industries and entrepreneurs in the State. The establishment of TICs in several states is part of the five-year project to rejuvenate the ailing Khadi and Village Industries Sector by utilizing the technical powers of top technical institutes of the country. Khadi and Village Industries Commission (KVIC), for establishing TIC and for implementing other activities, had already sanctioned a total of 60 lakhs.16

The scope of the Interface centre would be towards the development of new product lines suitable for production under village industries sector, product and process improvements through innovative changes, enhanced and stringent adaptation of quality norms, prescription of acceptable quality standards for products, training of unemployed youth in basic trade skills to cater to service industries, entrepreneurship development programmes for the promotion of new industries and development of computerized network, linking various agencies and entrepreneurs. Some of the industries that have large scope for improvements had been identified (by the NITC) as soaps and detergents, food processing (which include production of pickles, chips and bakery items), bio-manures and herbal products. These sectors require stringent quality standards, better processing technology to reduce wastage and improved marketing strategies.

**Proficiency Interface Cell (PIC)** is one of the new innovative schemes being implemented in the 10th Plan by the State Government for the strategic development of small-scale enterprises. A PIC is an economic/industrial development tool designed to accelerate the growth and success of entrepreneurial activity through an array of business support resources and services. To achieve the objectives of the PIC, exclusive Entrepreneur Guidance Cells (EGC) with separate

identity has setup during the year 2004-05 by the Department of Industry and Commerce. “Entrepreneur Guidance Cell is a “one – stop – shop” reference point to an investor in respect of all industry related information. EGC would provide support services to an entrepreneur from concept to commission through escort services”.17

EGCs had already established for different sectors named as (i) Food Processing Cell, (ii) Rubber and Plastics Cell, (iii) Light Engineering Cell, (iv) Ayurveda and Herbal Cell, (v) Electronics Cell, and (vi) Chemicals, Ceramics and Minerals Cell. The EGC provides supporting services such as project ideas, technical sourcing, information on infrastructure and market, machinery details/source, raw material details/source, business management guidance/advice etc. The extension of EGCs's services to the village industries in Kerala will provide a better scope and more opportunities.

The Kerala Khadi and Village Industries Board has received the licence for exporting khadi and other products to foreign countries. According to the Ministry for Rural Development, Kerala, the Board has initiated steps to export the products to West Asian countries.

3.14 CONCLUSION

On the basis of available data on production, sales, earnings and employment we can conclude our analysis by stating the following findings: -

I. Village Industries in Kerala have registered a better performance compared to the Khadi Sector during the post globalisation period.

II. Village Industries have a good prospect for providing employment among the rural community.

III. Khadi Industry in Kerala has a limited prospect compared to the Village Industry during the globalisation era.

However, Village Industry Sector in Kerala is still facing the problems of marketing, low technology, scarcity of capital, low skill and organizational inabilities. Public outlets are loosing their capabilities of providing opportunities due to globalisation policies. A scientific approach is needed to overcome the problems of village industries, which may require privatisation as well as public-private cooperation.
Chapter 4

Performance and Prospects of Handloom Industry in Kerala

4.1 History of Indian Handloom
   4.1.1 The Indian Heritage
   4.1.2 The Handloom Sector during the Post-Independence Period

4.2 Promotional Institutions
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   4.2.2 Weavers Service Centres
   4.2.3 The Indian Institute of Handloom Technology
   4.2.4 All India Handloom Fabrics Marketing Co-operative Society
   4.2.5 Handicrafts and Handlooms Export Corporation of India (HHEC)
   4.2.6 Handloom Export Promotion Council (HEPC)
   4.2.7 All India Handloom Board

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   4.3.2 Mill Gate Price Scheme
   4.3.3 Training to Handloom Personnel
   4.3.4 Weavers Service Centre
   4.3.5 Publicity and Exhibition
   4.3.6 Scheme for Handloom Export Development
   4.3.7 Project Package Scheme
   4.3.8 Handloom Development Centres/Quality Dyeing Units Scheme (HDC/QDU)
   4.3.9 Work Shed-Cum-Housing Scheme
   4.3.10 Welfare Package Scheme
   4.3.11 Research and Development / Market Surveys and Studies

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