CHAPTER - II

INDUSTRIAL DEVELOPMENT OF TAMIL NADU
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The Government of Tamil Nadu has formulated the industrial policy of 2003 with the following objectives:

- Targeting a growth rate of the order of 8 per cent over the Tenth plan period.

- Reorienting its strategy to facilitate new manufacturing capacity – building based on improved competitiveness. The State will promote foreign direct investment into new manufacturing capacity.

- Assisting the existing industrial base to consolidate its gains and promote its efficient growth in the highly competitive domestic and export markets.

- Engendering private public partnerships and create an environment which enables the flow of substantial domestic and foreign capital for infrastructure building.
POLICY ON INDUSTRIAL PARKS

- Upgradation of infrastructure and improvement of services in the Industrial Parks of the State will be facilitated with the participation of user industries by appropriate notifications. Implementing a system of sharing of property tax linked revenue streams with the concerned local bodies.

- Private Industrial Parks conforming to specifications prescribed by Government will be treated on par with Industrial Parks promoted by Government agencies in respect of stamp duty and registration for transfer (by sale or lease) of the land on units developed by them.

2.1 HISTORICAL BACKGROUND OF INDUSTRIAL ESTATES

The concept of Industrial Estate was first started in the United Kingdom (U.K.) and the United States of America (U.S.A.) about 118 years ago. The Trafford Park Estates Limited established in 1986 at Manchester in the U.K. is popularly known as the 'Mother of Industrial Estates'. Initially the idea spread slowly, but a phenomenal increase in the use of Industrial Estates has occurred in these and certain other countries during the past fifty years. The remification of the Industrial Estates have now become rampant in many countries.
2.2 MEANING OF INDUSTRIAL ESTATES

According to William Bredo, "An Industrial Estate is a tract of land which is sub-divided and developed according to a comprehensive plan for the use of community of industrial enterprises. The plan must make detailed provision for streets and roads, transportation facilities and installation of utilities. The plan may provide for the erection of factory buildings in advance of sale or lease to occupants".

In the view of P.C. Alexander, an Industrial Estate is "A group of factories constructed on an economic scale in suitable sites with facilities of water, transport, electricity, steam, bank, post office, canteen, watch and ward and first-aid besides provision with special arrangements for technical guidance and common service facilities."

The United Nations has defined an Industrial Estate as "A planned clustering of industrial enterprises offering standard factory building erected in advance of demand and variety of services and facilities to the occupants".

In Industrial Estates, tracts of land are sub-divided and improved and frequently factory buildings are erected on them in advance, for the prospective industrial occupants. Secondly, infrastructure facilities and amenities required by industrial enterprises are developed in the Industrial
Estates and provided along with factory plots or sheds. Planned clustering and group character of industrial enterprises are important attributes of the programme of Industrial Estates.

The Industrial Estate is a generic term. The terminology is different in different countries. They have originated from different languages in different situations and times. They are simply the variants of the central idea behind the Industrial Estate. The general features mentioned in the foregoing definitions are common to the ‘Industrial Estates’ or ‘Trading Estates’ (U.K.), ‘Industrial Parks or Districts or Tracts” (U.S.A) “Industrial Zones or Nuclei (Italy) “Industrial Plaza” (Canada) “Industrial Regions” (Soviet Union) “Industrial City” (Mexico) and “Industrial Estate” in other places – Afghanistan, Algeria, Belgium, Brazil, Burma, Denmark, Finland, France, Germany, Hong Kong, Iceland, India, Indonesia, Ireland, Israel, Japan, Nepal, Netherlands, Nigeria, Pakistan, Singapore, Spain, Switzerland, Sweden, Taiwan and Thailand.

2.3 OBJECTIVES OF INDUSTRIAL ESTATES

The objectives of Industrial Estates differ from place to place and have been changing from time to time, according to the need and necessity of the country.

In U.K., the early Industrial Estates operated on a commercial basis without any kind of Government aid or participation with the sole object
of making profit by earning rents for the building and services provided by these Industrial Estates.

In U.S.A., the Industrial Estates were established for area planning and for providing factory accommodation to industries, in order to reduce overcrowding and congestion in cities. The other objectives are as follows:

i. ensuring compatibility between the industrial operations of the district where the Industrial Parks are situated and the existing activities and character of the community.

ii. decentralizing in the interest of national defence,

iii. creating a strong incentive to locate, rapidly expanding branch plant and sub-plants on the Industrial Park,

iv. achieving the benefit of cheap taxes and other concessions in development cost in the suburbs as well as to have the advantage of superior working and living conditions therein and

v. providing research and development facilities.

In Italy, the emphasis has been an area and regional development of backward Southern Italy and raising the economic standards of the people.
In Japan, the objectives in promoting Industrial Estates are to help small business to improve its productivity and operations by encouraging it, to move in groups to certain sites fit for factories, and located far from the established city areas. Small industry is thus spared the locational difficulties mentioned above.

In Pakistan, the main objectives are the economic development of comparatively backward areas by encouraging the establishment of new industries by small investors and employment and training opportunities for the labour force in a healthy environment.

Attraction of industries from abroad is the main objective of Jamaica, Ireland and Taiwan; as against general economic development is that of Srilanka, Thailand and Singapore; while promotion of small and medium industries is that of Nigeria, Indonesia and Iran.

In India, the major objectives are the industrialization of economically backward and rural areas and the promotion and rapid development of small scale industries.

2.4 ORIGIN OF INDUSTRIAL PARKS

The ‘Industrial Park Concept’ was originated from ‘Industrial Estate Concept’. The Industrial Estates consist of ready built sheds which cater to the needs of small scale industries. The sheds in the Industrial Estates
were not suitable for medium scale industries and large scale industries. Further, the requirement of space is very large for the medium and large scale units which the Industrial Estates could not provide. Therefore, there arose a need for Industrial Parks which allot developed plots in various sizes to small, medium and large scale industries. In many States in India, separate Corporations were created for setting up of Industrial Parks. The Government of Tamil Nadu has set up ‘Tamil Nadu Small Industries Development Corporation Ltd. (SIDCO)’ to set up Industrial Estates and State Industries Promotion Corporation of Tamil Nadu Ltd. (SIPCOT) to set up Industrial Parks in the State.

2.5 INDUSTRIAL ESTATES vs INDUSTRIAL PARKS

The differences between an Industrial Estate and an Industrial Park are

1. Factory accommodation / sheds are not provided in the Industrial Parks

2. Industrial Estates are intended primarily for small scale industries whereas Industrial Parks are intended for all categories ie., small, medium and major ones.

3. The size of the Industrial Parks are very large when compared with the Industrial Estates. In some locations, Industrial Estates are located inside the Industrial Parks itself.
2.6 ADVANTAGES OF INDUSTRIAL PARKS

The objectives of the Industrial Parks are

i. Promoting rapid industrialization of the country;

ii. Increasing national and local employment;

iii. Achieving a more balanced regional distribution of employment; and production and consequently more balanced regional growth;

iv. Attracting private investment, both national and foreign;

v. Bringing industries and industrial employment to rural areas;

vi. Improving product quality and increasing productivity;

vii. Achieving economies in investment in public infrastructure;

viii. Reducing cost of capital investment to the industrialists;

ix. To eliminate the delay for the industrialists in obtaining suitable site.

2.7 CRITERIA FOR SELECTION OF INDUSTRIAL PARKS

The main criteria for selection of Industrial Parks are the following:

1. Proximity to National Highways / State Highways / Railway Station / Airport / Sea Port

2. Proximity to a city / town.

3. Proximity to adequate and dependable source of water.
4. Proximity to source of power.

5. Entrepreneurial qualities and resources of the people in and around the location.

6. Availability of skilled labour.

7. Access to telecommunication facilities.

8. Availability of reasonable social infrastructure like, Schools, Colleges, Polytechnics, Hospitals, Hostels and the like.

9. Nearness to market.


11. Availability of fallow lands not suitable for agricultural activities.

2.8 INCENTIVES / FACILITIES OFFERED IN INDUSTRIAL PARKS

The following incentives / facilities are offered in the Industrial Parks in Tamil Nadu:

1. Capital subsidy of 15 per cent to 20 per cent on the fixed capital investment subject to a ceiling of Rs. 15 to 20 lakhs.

2. Liberal concessions in respect of sales tax waiver / deferral facilities.

3. Exemption from the payment of stamp duty in respect of sale / lease.

4. Uninterrupted power supply.

5. Housing facilities, wherever there is a demand.
2.9 INDUSTRIAL ESTATES / PARKS SPONSORING ORGANIZATIONS IN TAMIL NADU

2.9.1 Directorate of Industries and Commerce

Directorate of Industries and commerce is a Government body which promotes Industrial Estates in various places of the State. It also promotes Industrial Estates in co-operative sector. The Directorate of Industries and Commerce has so far developed 21-Industrial Estates in various parts of the State. Out of the above 21 – Industrial Estates, 13-Industrial Estates belong to the co-operative sector.

2.9.2 Ministry of Commerce, Government of India

The Ministry of Commerce, Government of India has set up an Export Processing Zone at Tambaram, near Chennai. The units located in the zone must export atleast 75 per cent of their production.

2.9.3 Small Industries Development Corporation Ltd. (SIDCO)

SIDCO was set up by the Government of Tamil Nadu, interalia, to promote Industrial Estates in Tamil Nadu. SIDCO has so far developed 73-Industrial Estates in various parts of the State. SIDCO further in coordination with Small Scale Industries (SSI) Associations and group of private entrepreneurs has established private Industrial Estates at Tirupur, Madurai and other places.
2.9.4 Chennai Metropolitan Development Authority (CMDA)

Chennai Metropolitan Development Authority (CMDA) has developed an Industrial Park in an area of 600 acres at Maraimalai Nagar, located at 43 kms from Chennai on G.S.T. Road in Kancheepuram District in the year 1976. CMDA has spent about 20 crores for the development of the Industrial Park. About 250 developed plots have been allotted to industrial units. Small Industries Development Corporation Limited (SIDCO) has an Industrial Estate in the Industrial Park which has 108 sheds. Necessary infrastructural facilities such as school, bank, fire-station, hospital, shopping complex, community centre, housing facilities have been created in it.

2.9.5 Tamil Nadu Industrial Development Corporation Ltd. (TIDCO)

TIDCO besides promoting joint ventures, develops Industrial Parks. The Industrial Parks developed by TIDCO are functional in nature. TIDCO has already implemented TIDEL park for computer software industries at a cost of about Rs. 400 crores in Taramani, Chennai. TIDCO is implementing the following projects:

a. Petrochem Industrial Park in Ennore near Chennai, in an area of 3809 acres at a cost of Rs.260 crores.

b. Auto Ancillary Park near Singaperumal Koil, Kancheepuram district in associate sector, in an area of 1420 acres at a cost of Rs. 232.95 crores.
c. Floriculture Infrastructural Park at Hosur in Dharmapuri district, in an area of 80 Hectares at a cost of Rs. 24.85 crores.

d. Hi-tech Industrial Park in Nanguneri at a cost of Rs. 700 crores.

e. Rubber Park near Nagercoil in Kanyakumari district, in an area of 136 acres at a cost of Rs. 1415 crores.

f. TIDEL Park II for computer software industries in Kanagam village, in an area of 40.19 acres.

2.9.6 State Industries Promotion Corporation of Tamil Nadu Ltd. (SIPCOT)

SIPCOT has so far developed 17-Industrial Parks at 16 locations covering 12 districts in the State. They are as follows:
### Table 2.1. The Location of Industrial Parks and Percentage of Factories in the Respective Districts

<table>
<thead>
<tr>
<th>Name of the Park</th>
<th>District</th>
<th>Percentage of Factories in the District</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ranipet</td>
<td>Vellore</td>
<td>4.75</td>
</tr>
<tr>
<td>Hosur</td>
<td>Dharmapuri</td>
<td>1.75</td>
</tr>
<tr>
<td>Burgur</td>
<td>Dharmapuri</td>
<td>1.75</td>
</tr>
<tr>
<td>Pudukottai</td>
<td>Pudukottai</td>
<td>0.95</td>
</tr>
<tr>
<td>Gummidipoondi</td>
<td>Thiruvallur</td>
<td>3.79</td>
</tr>
<tr>
<td>EPIP-Gummidipoondi</td>
<td>Thiruvallur</td>
<td>3.79</td>
</tr>
<tr>
<td>Tuticorin</td>
<td>Tuticorin</td>
<td>3.84</td>
</tr>
<tr>
<td>Manamadurai</td>
<td>Sivagangai</td>
<td>0.88</td>
</tr>
<tr>
<td>Cuddalore</td>
<td>Cuddalore</td>
<td>0.76</td>
</tr>
<tr>
<td>Perundurai</td>
<td>Erode</td>
<td>5.69</td>
</tr>
<tr>
<td>Gangaikondan</td>
<td>Tirunelveli</td>
<td>3.19</td>
</tr>
<tr>
<td>Nilakottai</td>
<td>Dindigul</td>
<td>2.50</td>
</tr>
<tr>
<td>Cheyyar</td>
<td>Tiruvannamalai</td>
<td>0.78</td>
</tr>
<tr>
<td>Irungattukottai</td>
<td>Kancheepuram</td>
<td></td>
</tr>
<tr>
<td>Sriperumpudur</td>
<td>Kancheepuram</td>
<td>9.62</td>
</tr>
<tr>
<td>Oragadam</td>
<td>Kancheepuram</td>
<td></td>
</tr>
<tr>
<td>Siruseri</td>
<td>Kancheepuram</td>
<td></td>
</tr>
</tbody>
</table>

**Source:**
(i) SIPCOT's Annual Report 2001 - 2002

It may be noticed that Industrial Parks have been developed in the industrially most backward districts and in the backward regions of the other districts.

Table 2.2. Distribution of Factories in the Districts where the Industrial Parks are Located

<table>
<thead>
<tr>
<th>S. No.</th>
<th>Name of the District</th>
<th>No. of factories</th>
<th>Percentage of total No. of factories among 12 districts</th>
<th>Rank</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Kancheerpuram</td>
<td>1971</td>
<td>25.00</td>
<td>1</td>
</tr>
<tr>
<td>2.</td>
<td>Tiruvallur</td>
<td>777</td>
<td>9.85</td>
<td>5</td>
</tr>
<tr>
<td>3.</td>
<td>Vellore</td>
<td>972</td>
<td>12.32</td>
<td>3</td>
</tr>
<tr>
<td>4.</td>
<td>Tiruvannamalai</td>
<td>160</td>
<td>2.02</td>
<td>11</td>
</tr>
<tr>
<td>5.</td>
<td>Cuddalore</td>
<td>156</td>
<td>1.97</td>
<td>12</td>
</tr>
<tr>
<td>6.</td>
<td>Dharmapuri</td>
<td>359</td>
<td>4.55</td>
<td>8</td>
</tr>
<tr>
<td>7.</td>
<td>Erode</td>
<td>1166</td>
<td>14.78</td>
<td>2</td>
</tr>
<tr>
<td>8.</td>
<td>Dindigul</td>
<td>511</td>
<td>6.48</td>
<td>7</td>
</tr>
<tr>
<td>9.</td>
<td>Pudukottai</td>
<td>192</td>
<td>2.43</td>
<td>9</td>
</tr>
<tr>
<td>10.</td>
<td>Sivagangai</td>
<td>181</td>
<td>2.29</td>
<td>10</td>
</tr>
<tr>
<td>11.</td>
<td>Tirunelveli</td>
<td>653</td>
<td>8.28</td>
<td>6</td>
</tr>
<tr>
<td>12.</td>
<td>Tuticorin</td>
<td>786</td>
<td>9.97</td>
<td>4</td>
</tr>
</tbody>
</table>


It can be seen from above, out of 12-districts where SIPCOT Industrial Parks are located, the highest concentration of factories (1971) is in
Kancheepuram district (25 per cent) followed by Erode (14.78 per cent) and Vellore districts (11 per cent) while the least concentration was in Cuddalore (1.97 per cent) and Tiruvannamalai (2.02 per cent).

2.10 FINANCING AGENCIES FOR THE DEVELOPMENT OF INDUSTRIES IN SIPCOT INDUSTRIAL PARKS

2.10.1 Tamil Nadu Industrial Investment Corporation Ltd. (TIIC)

TIIC provides financial assistance to small, medium and large scale industries in Tamil Nadu. It operates various schemes of the Government of Tamil Nadu, Small Industries Development Bank of India (SIDBI) and Industrial Development Bank of India (IDBI). TIIC acts as an agent of the Government of Tamil Nadu in respect of disbursement of incentives to industries.

2.10.2 Industrial Development Bank of India (IDBI)

IDBI was established by the Government of India to function as the principal financial institution. IDBI extends financial assistance to medium and major industries also located in Tamil Nadu, besides its refinance facility to TIIC and commercial banks.

2.10.3 Industrial Finance Corporation of India (IFCI)

IFCI was established by the Government of India to provide direct financial assistance to medium and large scale projects in the corporate
and co-operative sectors. IFCI also extends financial assistance to medium and large scale industries jointly with IDBI.

2.10.4 National Small Industries Corporation Limited (NSIC)

NSIC was established by the Government of India to supply plant and machinery (including imported machinery) on hire purchase to small scale industries.

2.10.5 Small Industries Service Institute (SISI)

SISI was established by the Government of India to provide small scale industries the following assistances:

a. Technical consultancy and advisory services
b. Common facility services
c. Training facilities including training of young engineers
d. Testing facilities
e. Marketing assistance
f. Economic information service.

2.10.6 Electronics Corporation of Tamil Nadu Ltd. (ELCOT)

ELCOT was set up by the Government of Tamil Nadu to promote and assist electronic industries in the State. ELCOT also promotes joint ventures in Tamil Nadu with private promoters.
2.10.7 Industrial and Technical Consultancy Organization of Tamil Nadu Ltd. (ITCOT)

ITCOT was promoted by both central and State level agencies viz, IDBI, IFCI, SIPCOT, TIIC and commercial banks. It offers consultancy services to industries located in Tamil Nadu.

2.10.8 Tamil Nadu Industrial Guidance and Export Promotion Bureau (GUIDANCE)

The primary function of GUIDANCE is to meet the information needs of the investors and assist them in implementing their projects smoothly. GUIDANCE also acts as a single window agency for large projects in Tamil Nadu.

2.10.9 Commercial Banks

Commercial banks provide financial assistance to set up industries in Tamil Nadu. They also conduct entrepreneurial development programmes and training programmes to set up industries in Tamil Nadu.

2.11 TYPES OF INDUSTRIAL PARKS

Industrial Parks can be classified into two types namely;

i. General purpose Industrial Parks and

ii. Functional Industrial Parks
General Purpose Industrial Parks

In this type of Industrial Parks, all types of industries are encouraged. Only hazardous and highly polluting industries are restricted. The bulk of Industrial Parks belong to this category.

Functional Industrial Parks

In this type of Industrial Parks, only homogenous type of industries is encouraged. For example, only computer software industries are allotted land in SIPCOT, Siruseri Information Technology Park.