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AN APPRAISAL OF INDUSTRIAL GROWTH OF TAMIL NADU WITH SPECIAL REFERENCE TO MSME: A SECONDARY DATA ANALYSIS

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ABSTRACT

The State of Tamil Nadu has always been in the forefront of economic growth in the country. The State has made impressive strides over the years to carve out a niche for itself in the fields of engineering, automobiles, textiles, leather, Information Technology, electronic hardware and hi-technology industries and the Gross State Domestic Product (GSDP) stood at Rs.4,51,313 crores at constant prices in 2012-13. The industrial GSDP of Tamil Nadu grew at an impressive rate of 9.60% from the year 2005-06 to 2012-13 at constant prices. This paper discusses the performance of MSME of Tamil Nadu during the period 2011-15.

KEYWORDS: MSME, GSDP, ITES.

INTRODUCTION

The Vision 2023 Tamil Nadu document envisages Tamil Nadu to be the most prosperous and progressive State with no poverty by the year 2023. Towards achieving this major goal, manufacturing sector is assigned the key role of energizing the economy and creating a virtuous circle of enhanced competitiveness, efficiency and vibrancy in all sectors and galvanize the citizen and other stake holders towards reaching the targets in unison. Under this strategy, one of the 10 thrust areas identified in the document is acceleration in the economy and achievement of long term goals by increasing the share of manufacturing in the State economy at the annual rate of 14% ultimately reaching the target of 22% by 2023.

Tamil Nadu offers an abundance of relevant skills, robust IT infrastructure and easily available real estate. Chennai is the choice of international finance majors as well - Stanchart, World Bank, Citibank and ABN-AMRO Bank have set up their back office operations in the city. BPOs and off-shore operations have also preferred to operate from Chennai. With more than 1,780 IT / IT Enabled Services (ITES) companies, over 3,75,000 professionals and annual IT exports of Rs.50,000 crore, Chennai, with its IT Bay Area, towers over other major cities as an IT and ITES powerhouse.

Tamil Nadu has an enrolment of over 1,82,000 graduate engineers from 553 engineering colleges, 1,20,000 diploma holders from 501 polytechnic institutes, 9,05,000 science and arts graduates, and over 35,000 software engineers. The State is blessed with a talent pool of keen minds, well-honed expertise and specialized educational institutions like Anna University (the World's largest engineering university), Indian Institute of Technology, Madras, the National Institute of Technology, Trichy and the Madras Institute of Technology and many other private institutions that serve as *alma mater* to some of the sharpest brains in the country, from where a legion of top notch engineers gear up to take on the world. The Government has

set up the Indian Institute of Information Technology at Srirangam near Tiruchirapalli recently to take higher technical education to the next level for the coming decades.

The State also complements its skilled manpower with salubrious working conditions, a peaceful industrial climate, committed workforce and extremely competitive wage rates that offer substantial cost savings. In short, when it comes to human resources, Tamil Nadu is the "Number 1" in skilled manpower availability.

OBJECTIVE:

The objective of the study is to find out the performance of Micro Small and Medium Enterprises of Tamil Nadu, classification of MSMEs, growth of MSMEs and its contribution to employment.

METHODOLOGY:

This paper is descriptive in nature. The year of the study is from 2011-15. The secondary data is collected from government publications and research articles in various journals and website.

MICRO, SMALL AND MEDIUM ENTERPRISES (MSME):

The Micro, Small and Medium Enterprises MSMEs constitute a very important segment of the Indian economy. Today, it accounts for nearly 45% of the gross value of output in the Manufacturing Sector and over 40% of the total exports from the country. In terms of value added this sector accounts for about 40% of the value addition in the Manufacturing Sector.

The Small Industries Department was carved out of the Industries department with effect from 14.07.93. Consequent to the enactment of the Micro Small & Medium Enterprises Development Act 2006 on 02.10.2006, the department was renamed as Micro Small and Medium Enterprises Department (MSME Department) in consonance with the Government of India Policy from 22.02.2008.

As per the MSME Act 2006, the enterprises are classified into Manufacturing enterprises and Service enterprises based on their investment in plant and machinery/ equipment (excluding land and buildings).

Manufacturing Enterprises comprises of Micro Manufacturing Enterprises (Upto Rs.25 Lakh), Small Manufacturing Enterprises (Rs.25 Lakh-Rs. 5 Crores) and Medium Manufacturing Enterprises (Rs.5 Crores - Rs. 10 Crores)

Service Enterprises comprises Micro Service Enterprises (Upto Rs. 10 Lakh), Small Service Enterprises (Above Rs.10 Lakh and upto Rs.2 Cr) and Medium Service Enterprises (Above Rs.2 Crores and upto Rs.5 Crores)

CONTRIBUTION OF MSME TO EMPLOYMENT OF TAMIL NADU:

The sector's contribution to employment is second highest next to agriculture. It has been estimated that every-one lakh rupees of investment in fixed assets in the MSMEs sector generates employment for about 0.21 persons as per IV All India Census of MSMEs. The capability of Indian MSME products to compete in international markets is reflected in its share of about 40% in national exports. In case of items like readymade garments, leather goods, processed foods, engineering items, the performance has been commendable both in terms of value and their share within the MSME sector while in some cases like sports goods etc., they account for 100% share to the total exports of the sector. Further as per the Fourth All India Census of MSMEs (2006-07), Tamil Nadu accounts for 14.95 per cent of the total number of operational MSMEs in India. Also, 15.24 per cent of India's micro enterprises are located in the state (the highest among all states).

GROWTH OF MSME:

The MSME sector has a major contribution to the economy of Tamil Nadu. The state accounts for 11.10 lakhs registered MSMEs, with a total investment of more than Rs.91, 480 /- crores. The Growth of MSME in the state from period 2011-15 is seen in the following table

Year	Number of units	Investment (Rs. In crores)	Production (Rs. In Crores)	Employment (in Numbers)
2011-12	70758	7429.59	15496.00	502381
2012-13	90974	8751.54	17503.08	583436
2013-14	116393	18939.87	16832.25	494990
2014-15	143104	24349.65	45328.19	651180

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To boost the sector, the state government has drawn up the Tamil Nadu Vision 2023, whose focus areas will be access to finance, technology and markets; a conducive regulatory and policy environment; and infrastructure availability. The vision document has suggested a strategy for effectively addressing the above issues through a combination of policy measures, skill development and infrastructure facilities. Measures such as cluster development will also be adopted in implementing focused initiatives to make MSME's competitive. The cluster development initiative will include both ancillary clusters, based on large mother industries, and stand-alone clusters.

It has also been planned to generate direct and indirect employment opportunities to 15 Lakh persons. During the first 2 years (2012-13 & 2013-14) of XII Five Year Plan, employment opportunities have been created for 6.82 lakh persons in the state as detailed below:

Year	Employment generated
2012-13	3,38,435
2013-14	3,43,665
Total	6,82,100

CLASSIFICATION OF MSMES IN TAMIL NADU (2012-13):

MSMEs in Tamil Nadu produce over 6000 varieties of products including engineering products, electrical, electronics, chemicals, plastics, steel, cement, paper, matches, textiles, hosiery, readymade garments etc. Food products Beverages, Tobacco Products Cotton Textiles, Wood, Silk, Synthetic, Fibre Textiles, Silk Products Hosiery & Readymade Garments products, Leather & fur products, Wood & Wood Products Paper & Paper products, Chemical & chemical Products, Rubber & plastic products, Non-metallic mineral products, Basic mineral Products, Metal products and Machinery parts except electrical products, Electrical machinery & apparatus, Transport equipment and parts and other servicing industries.

These industries accounts to a number of 851124 units. Out of it, service industries (Chennai-218272 units) ranks first followed by readymade garments (Coimbatore-173501 units) and the third is food products sector (Erode-67158 units)

NUMBER OF MSMEs REGISTERED DURING 2011-2015:

The number of MSMEs has grown from 2011-2015. It has increased from 70758 in 2011-2012 to 421229 in 2014-2015. The below table shows that there is an increasing trend of MSMEs. Higher order of activity is seen in five districts namely Chennai (34284), Tiruvallur (16137), Kanchipuram (16529), Coimbatore (13325) and Tirupur (13065) in 2014-15 to a total of 143104 in number.

NUMBER OF REGISTERED MSMEs(2011-2015)

Year	Number Of Registered MSMEs
2011-12	70758
2012-13	90974
2013-14	116393
2014-15	143104
Total	421229

Source: Secondary Data

GROWTH OF MSMEs IN TAMIL NADU

Tamil Nadu has witnessed a steady increase in number of EM-II Filed by MSMEs with Directorate of Industries and Commerce from 2007-08 as seen from the table given below:-

Year	No. of EM.II filed
2007-2008	27309
2008- 2009	32049
2009-2010	41799
2010-2011	57902
2011-2012	70639
2012-2013	90974
2013-2014	116393
2014-2015	143104

Source: Secondary Data

Growth Rate of Registered MSMEs/ EM-II - Filed With Directorate Of Industries And Commerce:

The percentage of growth rate was highest in the period of 2010-11 and after that there was an uneven growth in the number of industries in MSMEs in Tamil Nadu.

Year	% of growth
Growth rate over 2008-09	17.36
Growth rate over 2009-10	30.42
Growth rate over 2010-11	38.52
Growth rate over 2011-12	22.00
Growth rate over 2012-13	28.78
Growth rate over 2013-14	27.94
Growth rate over 2014-15	22.94

Source: Secondary Data

The below table, infers that the number of micro industries has increased from 24530 in 2007-08 to 90487 in 2014-15. The same trend is seen in small industries too. It showed an increasing number from 2749 in 2007-08 to 45440 in 2014-15. There was an upward trend in medium scale industries from 40 in 2007-08

to 7177 in 2014-15. Thus, the number of MSMEs has increased from 27309 to 143104 by 2015. It is a welcoming sign seen in the MSMEs industries in Tamil Nadu.

NO. OF MSMEs WITH DISTRICT INDUSTRIES CENTRE

YEAR NO	NO. OF EM-II FILED BY MSMES WITH DISTRICT INDUSTRIES CENTRE			
	MICRO	SMALL	MEDIUM	TOTAL
2007-08	24520	2749	40	27309
2008-09	28232	3582	235	32049
2009-10	33613	7353	833	41799
2010-11	48730	8471	701	57902
2011-12	55932	12373	2334	70639
2012-13	55880	20336	4758	90974
2013-14	75660	34358	6375	116393
2014-15	90487	45440	7177	143104

SOURCE: Secondary Data.

From the table it is inferred that MSMEs registered with the District Industries Centre (DIC) has shown an upward trend. It is also note-worthy to find that medium scale industries has grown tremendously excepting 2010 - 2011. During 2012-2015 a sharp increase was seen in small scale industries growth. A steady growth was seen in micro industries. Thus MSMEs has shown an improving growth rate.

ACTIVITIES PROMINENTLY UNDERTAKEN BY THE MSMEs

Sl.No.	Year	No. of Enterprises filed EM Part II	Prominent Activity
1	2011-12	28869	Fabricated metal products, Wearing Apparel Textiles, Food products
2	2012-13	32913	Wearing apparel, Fabricated metals, Food products, Textiles, Machinery Equipment
3	2013-14	40832	Fabricated metals, Wearing apparel, Textiles, Food products, Machinery Equipment
4	2014-15	46626	Wearing Apparel, Textiles, Food & Beverages Fabricated metals

Source: Secondary Data

The prominent activities undertaken by the MSMEs during the period 2011-2015 are fabricated metal products, apparels, textiles, beverages, food products, machinery equipments etc. During 2014-2015, 65% of the share of total MSMEs registered during 2014-15 has been made in five districts- Chennai, Kanchipuram, Coimbatore, Tiruvallur and Tiruppur. These are the inferences made from the above table.

CONCLUSION:

Thus, Tamil Nadu is one of the well-developed states in terms of industrial development. Logistical advantages of three major seaports, an international airport and several domestic airports, quality of human resources, a peaceful industrial climate and a positive work culture have added value to Tamil Nadu's standing in the industrial world. The State's business friendly policies and proactive initiatives have played a key role in this direction towards balanced development of both traditional and modern industries.

The State has established itself on the industrial map of India as a hub for Automobile and Auto components, Textile, Leather, Cement, Sugar and Engineering industries which contribute significantly to the

State's output. The State has witnessed a significant growth not only in the automobile sector but also in new knowledge-based industries such as Information Technology (IT), Information Technology Enabled Services (ITES) and Biotechnology.

The State has emerged as one of the frontrunners in attracting a large amount of domestic and foreign investments in all these areas. The State Government is determined to ensure the revival of the traditional industrial sectors with a declared vision to make Tamil Nadu a regional gateway to Asia and a top-ranking exporter of manufactured goods. The focus of the State policy has been to facilitate and incentivize large mother industries to locate within Tamil Nadu is emphasized in the new industrial policy.

The State occupies number one slot in terms of a number of industrial parameters. The manufacturing sector has become a broad-based one. In addition to this, Tamil Nadu has been a rich pasture for Foreign Direct Investment because of its inherent advantages. The recently moulded bold and ambitious measures such as Tamil Nadu Vision 2023 phase I and II, Tamil Nadu Industrial Policy 2014, Tamil Nadu Automobile and Auto Components Policy 2014 and Tamil Nadu Bio-Technology Policy 2014 will go towards taking the industrial growth process into self-sustained and self-propelled one in the immediate future.

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