



ORIGINAL RESEARCH PAPER

Commerce

AN ANALYSIS OF SCHEME OF FUND FOR REGENERATION OF TRADITIONAL INDUSTRIES (SFURTI) IN RELATION TO COIR CLUSTERS OF KERALA

KEY WORDS: MSMEs, Coir clusters, MSMEs Schemes, SFURTI, Second phase

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ABSTRACT

Traditional industries are part and parcel of Indian culture and history. The Government of India has introduced various schemes that promote revival and regeneration of traditional industries. One of the strategies used is clustering of industrial units and artisans which has gained popularity because of its many folded advantages. One such scheme is 'Scheme of Fund for Regeneration of Traditional Industries (SFURTI)', which was introduced by the Ministry of MSME, GOI, for providing financial assistance and support to traditional industries such as Khadi, Village and Coir industries in order to make them more competitive, profitable and sustainable through clustering. This study intends to give an overview of the scheme's role in relation to coir clusters and its effectiveness. The study analyses the strength, weakness, opportunities and threats of SFURTI in the second phase of coir clusters in Kerala. The result of this study is encouraging as regards to the competitiveness, profitability and sustainability of coir clusters in the second phase.

1. INTRODUCTION:

Traditional industries are those industries that are known for their labour intensiveness and high requirement of skills. Some of these enterprises are handloom, handicraft, coir, tile and block, cashew and so on. These enterprises function mainly in the rural parts of the country. The Traditional industries fall under the Micro Small and Medium Enterprises, in India. The Micro Small and Medium Enterprises (MSME) are under Ministry of Micro Small and Medium Enterprise, the Government of India. The ministry looks forward to make the traditional industries of the country profitable and competitive thereby encouraging the growth and optimal development.

The coir industry emerged in Kerala and spread across the coconut producing states of the country. It is an export-oriented industry which employs around seven to eight lakh people from rural areas and majority of whom are women. While the industry is adapting modernisation process, it has still a great deal of restrictions and limitations. Shortage of required raw material, difficulty in keeping up with the required quality, fluctuating costs, low profitability, lack of mechanisation etc. are survival issues. The government has initiated the Scheme of Fund for Regeneration of Traditional Industries (SFURTI) for the purpose of revitalizing and rejuvenating khadi, village and coir industry by clustering these industrial units along with the workers involved in them. Clustering has been the age-old phenomenon in India because of its many folded advantages. "Clusters encompass an array of linked industries and other entities important to competition including governmental and other institutions – such as universities, standard setting agencies, think tanks, vocational training providers and trade associations" (Porter, 1998). "Clustering of firms operating in similar industries creates externalities in the form of economies of labour and supply of specialized input materials" (Marshall, 1920). SFURTI cluster approach addresses the financial upliftment process by improving the standard of living of craftsmen under these clusters and at the same time helps the countries overall economic growth through foreign exchange.

The theoretical implication of the study is that schemes play a vital role in sustaining the traditional industries. Also, clustering helps in strengthening the labour-intensive industries. Strategic implementation of funds through the SFURTI can make the clusters the engines of economic activity and thereby long-term prosperity.

The practical implication of the study is that assistance of schemes like SFURTI in funding the clusters results in a

collective growth of the clusters, get infrastructural benefit, reduce transportation cost, attain economic stability, efficient design and development of products, and economic transformation. This will attract new generation entrepreneurs into the industry resulting in planning new course of action and revamping positive trends in marketing. This research aims at assessing how far SFURTI has been successful and what progress it has made since its implementation in the coir clusters in Kerala. A Study of the scheme and its implementation helps to have a better understanding of the clusters and their potential for further developments in Kerala. The secondary data was reviewed and a SWOT analysis was done. The analysis highlights the need of planning, implementing and evaluating schemes such as SFURTI for promoting and developing traditional industrial clusters.

2. REVIEW:

Mariselvam. P (2018) in his study explains how various schemes lead to development of coir industry and can pave the way for substantial progress in the economic conditions of rural people, which ultimately will lead to their welfare and development.

Rawat. D, Mittal. R.K and Aggarwal. V.S (2017) in their study noted how firms/units having clusters of industrial units and artisans benefit in terms of formation of new business, network formation, women empowerment, marked development, product development, easy availability of finance, increased trust and collaboration among members, increase in sales, skills up gradation of workers and employment opportunities.

Mukhija. S, Munjal. D and Sant. R.K (2017) concluded in their study that Government schemes played a vital role in creating vibrant MSMEs. Such schemes support technological upgradation, modernisation and welfare of artisans and workers. They also allow to improve performance and credit rating thereby providing employment and creating awareness.

Sardana G.D and S.W.S.B Dasanayaka (2015) conclude in their study that small, medium enterprises can be developed through clustering and networking, provided they have locational advantage, expansion possibilities, technological availability, government support and subsidies along with proper data related to the working of clusters.

Navickas. V and malakauskaitė. A (2009) explain that clusterization can be said to be a tool for productivity and

innovativeness for SMEs. Participation in clusters benefited SME by cost economy, interdependency, strategic choice, knowledge and learning, increased rivalry, increased information transfer speed and accessibility of external resources.

3.OBJECTIVES:

- To gain an insight into the scheme of fund for regeneration of traditional industries (SFURTI)
- To know the progress of Kerala coir cluster under SFURTI
- To understand the Second phase of implementation of SFURTI in Kerala with respect to coir clusters

4.PURPOSE OF THE STUDY:

SFURTI is a cluster-based scheme for the development and promotion of coir industry along with other traditional industries of India. The government of India through MSME has introduced this scheme focusing on clustering traditional industries and artisans. The cluster level promotion of traditional industries is emphasized in the budget 2019.

The scheme provides adequate training and necessary equipment to the artisans. There will be common facility centres and services for business development. Also, it will aim at improving competency and further planning. In addition, it will open avenues for marketing.

However, even though implementation process seems successful, there exist several mismatches between realizing the objectives and implementing progressive plans and strategies for better performance on the part of implementing agencies and entrepreneurs.

This paper addresses the SFURTI scheme in general and progress of coir cluster in the second phase in particular in Kerala. It also highlights the process of implementation at the cluster level.

5.RESEARCH QUESTIONS:

- What is the rationale behind the scheme?
- How is the scheme implemented in forming coir clusters?
- How far the scheme has progressed in the coir clusters of Kerala?
- What are the benefits acquired through the scheme by the coir clusters?

6.METHODOLOGY:

The study is exploratory in nature and it uses secondary data. The methodology used for this paper is review of published materials. The published material includes annual reports of coir boards, detailed project reports prepared by technical agency, annual reports of MSME. The annual reports of the coir board for a period of 5 years along with reports submitted by each cluster were studied to know the implementation, working and progress of coir clusters under the second phase of the scheme in Kerala.

7.SCHEME OF FUND FOR REGENERATION OF TRADITIONAL INDUSTRIES (SFURTI)

The Scheme of Fund for Regeneration of Traditional Industries (SFURTI) was introduced by the Ministry of Micro Small and Medium enterprise as a funding scheme for cluster development within the traditional industries which include Khadi, Village and Coir in the year 2005-06. The tenure of the scheme was five years. Through SFURTI, the traditional industries and its artisans were brought together in order to make them sustainable and competitive thereby attaining the goal of cluster development.

The scheme (SFURTI) supports clusters by promoting and marketing their products. It equips the clusters to face the hurdles and guides to respond to available opportunities. Creating employment opportunities, devising out strategies to create a strong market base for the products, infrastructural

development, training of artisans, awareness programmes for the artisans also are being covered by the scheme.

Towards the end of the five-year period of the scheme, evaluation studies emphasised the advantage of continuing the scheme in the following years. The continuation was suggested with more attention towards improving sustainability and competitiveness of the clusters. In the year 2015-16, the second phase of the scheme was introduced which was the result of revised industrial proposals and guidelines under which the scheme introduced 3 type of intervention, namely, soft interventions, hard interventions and thematic interventions.

The Soft interventions include activities like building general awareness, counselling, exposure visits, market development initiatives, design and product development, skill development, capacity building and so on. The hard interventions include building of common facility centres, warehousing facility, technological upgradation, raw material banks, upgradation of production infrastructure etc. Thematic interventions include activities like brand building, web-based business activities, innovative work, renewed media promotion, development and so on. This came to be known as the revamped SFURTI. The tenure of the scheme was for three years.

7.1.The First and Second Phase Coir clusters under SFURTI in Kerala

The first phase of coir clusters under the scheme of fund for regeneration of traditional industries (SFURTI) was implemented in Kerala in the year 2005-2006 under the 11th five-year plan. In the initial stage, there were 5 clusters which included Chiranyinkeezhu, Beypore, Mangad, Vaikom, and Palakkad in Kerala. The coir board was the nodal agency for the scheme. The ministry of Small and Medium Enterprises (MSME) gave an initial fund allocation of 20 crores for the coir clusters under the scheme. Each cluster was given an amount of 76.92 lakhs. The amount was used for construction of common facility centres, in increasing the capacity, product development, product design, and market promotion.

Table-1 showing the first phase clusters in Kerala under SFURTI

Sl.no.	Name of cluster in Kerala	Starting year	Amount allotted (in lakhs)
1	Chiranyinkeezhu	2005-06	76.92
2	Beypore	2005-06	76.92
3	Mangad	2005-06	76.92
4	Vaikom	2005-06	76.92
5	Palakkad	2005-06	76.92

Towards the end of the scheme's five-year tenure, evaluations suggested the continuation of the scheme with more involvement from nodal agency and increased project outlay. As a result, the scheme was continued into the 12th five-year plan. In the year 2012-2013, 11 clusters were fully implemented and 21 clusters got in-principal approval. Out of the 21 clusters, 16 cluster were sent for final approval from scheme steering committee in 2013-14. 36 clusters had in-principal approval in the year 2014-2015. Among them, 28 were selected for obtaining final approval. But the approval was kept in waiting by the scheme steering committee in order for the clusters to comply with the guideline of the revamped SFURTI.

As per this guideline, the clusters were divided into three, based on the government grant applicable to them. The first is the heritage cluster with a budget limit of ₹ 8 crore, the major cluster with a cluster budget limit of ₹ 3 crore and finally, the mini cluster with a cluster budget limit of ₹ 1.5 crore. Out of the 28 clusters, 22 were given final approval, but 3 clusters got cancelled. Finally, 19 cluster in the coir sector got final approval from the scheme steering committee. In Kerala the

clusters that got final approval in the second phase included Neyyatinkara, Haripad and Balusserry.

Table-2 showing cluster under the Revamped SFURTI (second phase) in Kerala

Sl.no	District	Cluster name	Type of cluster	No. of artisans	Project cost of clusters (in lakhs)
1	Thiruvananthapuram	Neyyatinkara	Mini	2000	173.92
2	Kozhikode	Balusserry	Mini	500	130.28
3	Alappuzha	Haripad	Major	10588	357.92

7.2.The procedure for cluster approval

The steps followed for getting approval for clusters are mentioned below.

Step 1

The implementing agency, which could be a non-government associations or foundations of the Central, state or semi-Government establishments or field functionaries of State and Central Govt. or Panchayati Raj organizations, with reasonable ability to embrace cluster improvement, fills up the proposal form.

Step 2

Then the proposal is initiated at the nodal agency level, which are national or regional level institutions with expertise in traditional industries. If the nodal agency finds it unsatisfactory, then the proposal is rejected or sent for clarification to implementing agency who after updating resubmits it to the nodal agency.

Step 3

If accepted, the proposal is moved to the MSME level where yet again if found unsatisfactory by the MSME the proposal could be rejected.

Step 4

If found satisfactory, the proposal is then sent for document review. If the documents are found to be incorrect, a clarification is demanded by the nodal agency from the implementing agency. The implementing agency should further update the proposal with the correct documents and resubmit it to the nodal agency, approval of which it is forwarded to msme level once again and then moves on yet again for document review.

Step 5

After the document review is found to be satisfactory and approved, the cluster gets either in-principal or final approval.

8.COIR CLUSTERS IN KERALA UNDER THE SECOND PHASE OF THE SCHEME:

In the coir industries of India, the second stage implementation had a total of 20 clusters, of which, 2 were heritage clusters, 8 were major clusters and 10 mini clusters. Of these 9 were in Tamil Nadu 3 in Kerala and 3 in Karnataka 2 each in Maharashtra and Andhra Pradesh and 1 in Gujrat. The Ministry had discharged a measure of Rs.39.67 Cr. to the Board under SFURTI- II stage. As on 31st March 2017, the Coir Board discharged Rs.20.40 Cr. to these 20 clusters as first and second portions and subsequent releases are being considered.

The three clusters in Kerala include: Neyyattinkara from Thiruvananthapuram district, Balussery from Kozhikode district, Haripad from Alleppey district. The progress of these clusters under the SFURTI is as follows:

8.1. NEYYATINKARA CLUSTER:

The cluster is situated in Thiruvananthapuram district and is a mini cluster. The cluster location covers the following blocks,

Athiyannur, Neyyatinkara, Perumkadavila and Parassala. The cluster's implementing agency is Gram Seva Bhawan. The project cost of the cluster was found to be 173.92 lakhs. The soft and hard intervention cost included 25 and 89.53 lakhs respectively.

This cluster has 2000 artisans. The Government of India assistance toward this cluster was 144.08 lakhs and SPV/IA contribution included 29.84 lakhs. The activities carried out in the cluster include setting up of needle felt manufacturing unit, Garden Articles/Coir Handicrafts, Coir Pith Compost. The cluster has completed its Common Facility Centre (CFC) building construction. Steps were taken in the cluster for obtaining clearance and NOC's from government departments like factories & boilers departments, health, fire and rescue etc. The cluster has enrolled its artisans in welfare programme of Pradhan Mantri Suraksha Bima Yojana (PMSBY). Around 253 artisans were enrolled and the remaining is under process.

8.2. BALUSSERY COIR CLUSTER:

It is in Kozhikode district and is a mini cluster. The cluster locations cover the following villages, Atholi, Balussery, Koorachundu, Kottur, Naduvannur, Panangad, Uliyeri and Unnikulum. The implementing agency of this cluster is the technology business incubator/NIT Calicut. The Project cost of the cluster was 130.28 lakhs with soft and hard intervention cost of 25 and 57.43 lakhs respectively. It has a total of 500 artisans. The cluster received 109.02 lakhs worth of assistance from government of India and 21.26 lakh as SPV/IA contribution. The types of activities in the cluster include DF Machine, Pith making, Spinning machines.

The cluster has completed construction works of its CFCs. Six soft intervention were implemented as a part of the revamped guideline in the cluster. The cluster has enrolled its artisans in welfare programmes like the Pradhan Mantri Suraksha Bima Yojana (PMSBY). Around 400 artisan's data were collected and the process is going on.

8.3.HARIPAD CLUSTER:

Haripad cluster is in Alappuzha district and is a major cluster in Kerala. The cluster covers Muthukulam and Haripad blocks which includes 18 villages. The implementing agency of Haripad coir cluster is the directorate of coir development, Thiruvananthapuram. The cluster's project cost as of Feb 2019 was found to be 357.92 lakhs. The cost for soft intervention was 25 lakhs and hard intervention was 221.73 lakhs. The cluster has a total of 10588 artisans. The Government of India's assistance to the cluster was found to be 284.03 lakhs. Also, the cluster received 73.92 lakh as contribution from Special purpose vehicles. The type of activities in the cluster include Common Facility Centre, Warehouse, Retting and Chemical Treatment tank, Training Centre, Automatic Spinning with auto feeder and conveyor Ginning machine, Raw Material Distribution Vehicle, Spooling Machines, Tool Kit.

The cluster has 3 CFCs in different sites, the construction works of one have completed and two are in progress. Also, the cluster has enrolled its artisans in welfare programmes like the Pradhan Mantri Suraksha Bima Yojana (PMSBY). Around 3022 artisans were enrolled and the enrolment procedure is going on. Procurement of machineries, finalisation on the suppliers, and registration of special purpose vehicle have been completed.

9.DISCUSSION AND ANALYSIS:

To understand the impact of the SFURTI programmes on the coir clusters in Kerala, a swot analysis was done. Through this analysis the strength, weakness, opportunities and threat of the scheme for coir clusters were identified. These aspects of the analysis are described below:

9.1.STRENGTH

Scheme of fund for regeneration of traditional industries

plays a vital role by providing fund for coir cluster development. Not only does the scheme encourages cluster development of existing coir clusters but also initiates the formation of new coir clusters. Funding from the scheme in recent years through the scheme's hard interventions for the formation of common facility centres, raw material banks, installation of automated spinning machines etc., has given these coir clusters infrastructural advantages. Most of the coir clusters in Kerala has the advantage of transportation facilities since they are nearer to the road system. Coir industry employs a large portion of the rural population of the state, especially women in various production stages. Since the coir industry originated in Kerala, the state has the advantage of skilled artisans. With proper training and awareness programmes through the soft intervention programmes of SFURTI the productivity of the artisans can be increased which would directly result in increasing the productivity of the particular coir cluster. Proper technology upgradation sided by skilled artisans helps the coir cluster in creating value-added products. Support in marketing as a part of soft intervention also result in capturing the markets for the coir products. An advantage of industrial clusters is that, there is the benefit of cooperation among clusters of similar nature. Therefore, procurement of raw materials at reasonable prices and common marketing strategies are possible and easy.

9.2.WEAKNESS

Even though Kerala is a coconut producing state, there is an under-utilisation of the husk in the state. Most of the husk are transported to the neighbouring states for a better price. This affects the coir clusters of Kerala. Even though the Scheme of fund for Regeneration of Traditional Industries (SFURTI) provides fund for cluster formation and development, shortage of raw materials for production is a very crucial problem. Schemes such as SFURTI are of no use if the clusters are finding it difficult to obtain raw material for production. Also, sanction of the allotted funds to the coir clusters under SFURTI may take time. This results in problems of working capital availability in the coir clusters. Another weakness is non exposure to improved technology which can increase time and cost of production. Further, lack of diversified products and lack of innovative practices can result in lower performance of the clusters in Kerala.

9.3.OPPORTUNITY

The opportunities include exposure of products to international and domestic markets. With the growing demand for eco-friendly products in the global market, coir products can attract a large number of customers and can remain advantageous. SFRUTI's soft interventions can play a crucial role in achieving this. Collaboration between similar clusters can result in taking over the global market by developing more value-added coir products. There is a wide export market for diversified coir products, interventions from SFURTI can help the coir clusters in capturing these markets. Government initiatives through different schemes such as SFURTI help to increase economic scale of the coir industrial units. Also, Clustering creates the opportunity for overcoming limitations by linking efforts and resources with other coir clusters within and outside the state.

9.4.THREATS

Increase in cost of production due to under-utilization of husk, increase in price, competition from substitute products, competition from other coir producing states, problems with power supply, quality maintenance, competition from international and domestic markets, problems with technology upgradation, lack of enough laboratories for product research and development and product testing facilities are some of the threats that coir clusters face in Kerala. Further, programmes like SFURTI provides financial assistance for developing coir clusters, other financial services like provision of lending, insurance etc., need to be considered. These problems are yet to be addressed by

government programmes like SFURTI.

10.FINDINGS AND SUGGESTIONS:

Some of the findings and suggestions are as under:

First, even though SFURTI through its hard interventions have facilitated the build of raw material banks for storing raw materials, it is evident that the coir clusters in Kerala faces shortage of raw material due to inter-state transport of husk (i.e. to Tamil Nadu).

Effort should be made to efficiently use the state produced raw material within the state. There should be an institution for this very purpose with the aim of collecting the coconuts produced within the state and distributing it for the states production centres under the schemes.

Second, there is the delay of fund allocations to the clusters under the scheme. This has resulted in difficulties for the clusters in terms of production process.

The nodal agencies for the scheme should ensure the timely allocation and ensure the due utilisation of the funds.

Third, increased cost of production resulting in increased prices of products.

This can be reduced by training artisans through skill upgradation and enhanced programmes. This will enable the productivity of artisans and workers to work efficiently thereby reducing the production time.

Fourth, it was also seen that there have been no value-added products in the clusters under the scheme. The scheme's hard interventions cover the value addition aspects.

In order to achieve this the scheme should also consider and support the Research and Development (R&D). Innovative and diversified eco-products will help in capturing the market at and international level.

Fifth, substitute products pose a threat to the coir product. This is mainly the plastic products being dumped into the market at cheaper rates.

This can be overcome since the non- biodegradable nature of plastics and its harmful effect on the environment has been widely known and therefore the past years have seen an increasing demand for eco-friendly products in the global markets. As a result, the coir products have more competition-free national and international market.

Sixth, though the scheme's primary goal is financial assistance for clusters and artisans through clustering, the cluster needs assistance from other sources of finance too.

Assistance from Micro Units Development and Refinance Agency (MUDRA), alternative provisions for lending, insurance assistance etc are some ways that can be a support to the clusters under the scheme.

Seventh, absence of production enhancing technological upgradation also is an obstacle that the scheme's recognised clusters face.

The Government and state should consider the import of enhanced technology so as to boost the production and maintain the high-quality production of coir products with ease.

Eighth, the thematic interventions under the scheme is still not full-fledged in the clusters.

A fully-fledged thematic intervention like brand building,

establishing e- commerce through media marketing etc will lead to the growth of dynamic clusters.

11.CONCLUSION:

The central and state governments have launched cluster development programmes in order to make traditional industries more productive and competitive. SFURTI programme is one such scheme that supports the cluster development mainly in Khadi, Village and Coir industries. In coir cluster, SFURTI implementation resulted in increased economic growth, employment generation, increased standard of living of the artisans and workers engaged in these clusters, the scheme also increased the scope of promotion and marketing of products, infrastructure development, updated technology, increased GDP by efficient use of available resources and advanced efficiency and profitability. Clustering through the scheme also helps in collaboration of industrial units, human resources and enhanced product quality which helps in tackling common problems in the clusters where the scheme is implemented. Ministry of MSMEs, Scheme of fund for regeneration of traditional industries (SFURTI) therefore, plays a pivotal role in creating dynamic, sustainable and competitive coir cluster units. SFURTI programme makes the coir clusters in being self-sufficient and sustainable by withstanding the economic imbalance and maintain a stable growth rate in a period of economic depression.

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