

A Case Study On Tamil Nadu Government's Welfare Schemes To Motivate SMEs Manufacturing Wet Grinders In Coimbatore

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ABSTRACT

The present case study is a review of SMEs manufacturing wet grinders in Coimbatore region. This study describes and analyzes how the Tamil Nadu Government's welfare scheme of providing table top wet grinders to women beneficiaries (free of cost) impacts SMEs manufacturing wet grinders in the next five years. The study was conducted during the period from 2011-2012. The first phase distributed 2.5 million units of table top wet grinders to the Tamil women. Introducing such welfare schemes by the government is a huge opportunity for the SMEs in Coimbatore region in terms of grabbing business opportunities, increasing their business network, generating employment opportunities and bringing about socio-economic prosperity in the region. However, the small scale industry would not be able to undertake such a huge production of wet grinders in the absence of financial and governmental support. Hence, in addition to resolving the power shortage issue, availability of raw material and labour also needs to be increased, and the SME sector has to take every possible step to cash on this golden opportunity.

Keywords: SME, Entrepreneurs, Wet Grinder Manufacturers, Tamil Nadu Government

JEL Classification: L26

INTRODUCTION

Durable goods are essential commodities for the functioning of our day to day life. Consumer durable household goods play a huge role in the smooth running of our homes. The durable household goods are wet grinders, mixies, fans, computers, televisions etc. Without these commodities, the functioning of a household becomes inefficient. These commodities are manufactured by Small and Medium Enterprises (SMEs), and Government & financial institutions supports these SME industries. This paper particularly deals with the SMEs manufacturing wet grinders in Coimbatore district, Tamil Nadu and also analyzes the Tamil Nadu Government's welfare policies which are encouraging this industry. A wet grinder is an important household appliance for the South Indian people. The wet grinders are used for making semi- liquid mixture of one or more flours combined with liquid (water, milk) which is called as batter. *Idlis* and *dosas* are the regular food items consumed by the South Indian people. Rice and *dal* (pulses) are the essential raw materials for making *idlis* and *dosas*. These raw materials are converted into batter by wet grinders.

The government of Tamil Nadu takes serious care of the welfare and development activities of the state. The Government has created a new department namely, 'Special Programme Implementation' under the dynamic, visionary and revolutionary leadership of the Hon'ble Chief Minister, Selvi J. Jayalalithaa. With a view to achieve inclusive and integrated development of various sections of the society, the Government is implementing a legion of pioneering social security schemes. To ensure that this goal set by Government is attained, several special schemes such as supply of home appliances like fans, mixies and wet grinders to women beneficiaries are being implemented (<http://www.tn.gov.in/policynotes/pdf/spi.pdf> accessed in January 2013). These commodities are basically focusing on women beneficiaries of the State. The concept of providing free household durable items does not imply that the government is giving away low-priced items for welfare purposes. The worth of each wet grinder is more than INR 2000. The Government is also monitoring and checking the quality and reliability of the products.

Coimbatore district is an entrepreneurial city. Here, a number of micro, small, medium and large industries are running successfully. Industry clusters are Textile, Motor, Pump-sets, Foundry, Power Loom, Hosiery, Agricultural Implements, Jewellery, Textile Machinery, etc. A majority of the Wet Grinder manufactures are in Coimbatore due to the availability of natural stone. This paper focuses on SMEs that are the manufacturers of wet grinders in Coimbatore region, Tamil Nadu and explores the policies of the Tamil Nadu Government with respect to SMEs manufacturing wet

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grinders in Coimbatore. This study was conducted during 2011-2012.

SCOPE OF THE STUDY

The significance of this paper is to understand how the Tamil Nadu government's welfare schemes will motivate SMEs manufacturing wet grinders for the next five years. In addition, the paper also intended to analyze how these welfare schemes impact the small scale industries in Coimbatore region. This paper will act as a source of information for the small and medium enterprises to enhance their business operations.

RESEARCH QUESTION/OBJECTIVES OF THE STUDY

The specific objectives of the study are as follows :

- 1) To understand how Tamil Nadu government's welfare schemes encourage and impact the SMEs manufacturing wet grinders.
- 2) To explore the issues encountered by the wet grinder manufacturing industry.

RESEARCH METHODOLOGY

Based on the research questions, the case study method was considered to be the most appropriate for this paper because a case study is a robust research strategy in conducting social science research, especially when a “how” or “why” question is to be answered. Secondary data was used for the research work. Secondary data were collected from various newspapers, journals, magazines and text books.

LITERATURE REVIEW

❖ **Overview of Small and Medium Enterprises (SMEs)** : In order to be successful, Small and Medium Enterprises (SMEs) require various types of resources including financial, technological, human and knowledge resources (Brush et al., 2001; Lichtenstein and Brush, 2001; Greene and Brown, 1997). The authors conducted a study on the competitiveness of SMEs in a globalized economy-India and China. They addressed the role of government policies and strategy development for competitiveness of the SMEs . They found that the government has introduced various promotional schemes for developing SMEs. Particularly, the Indian SMEs pay more attention to supplier development, total productive maintenance and the organization's culture (Rajesh et al.,2010).

Chen (2006) argued that the primary role of the market in allocating resources and the self-operation status of SMEs should be respected. The author explained that it is crucial to encourage SMEs to make a perfect industrial structure, and that it is important to well handle the government-enterprise relation, and bring the role of the government -of macro control- into full play so as to create a fair competitive environment for the SMEs.

❖ **Overview of The Small and Medium Enterprises (SMEs) In Coimbatore Region** : Of late, In India, particularly in Tamil Nadu, the micro, small and medium enterprises sector has registered a substantial growth rate as compared to other industrial sectors (Government of Tamilnadu MSME (B), 2008, pp.1-2). Coimbatore is an entrepreneurial city. This city is also called as the “Manchester of South India” (Wet Grinder Cluster, p.19). The high growth of industrial development in the city is well known. The most familiar industrial clusters in Coimbatore are Textile units, Pump sets, Power looms, Engineering units, Agricultural implements, Jewellery and Textile machinery etc. The capital income of Tamil Nadu is mainly dependent upon the industrial output. A large number of small and medium scale companies are successfully running their businesses in Coimbatore. This city has good infrastructure facilities like road, rail and air links well collected with all major industrial cities. This is one of the causes for substantial growth of industrial development in Coimbatore. Many engineering units are functioning in Coimbatore.

These engineering units have started to manufacture their own products. Wet grinder manufacturing units are one among them. After the mechanical wet grinders became available in the market, the preparation of batter for *idlis* and *dosas* became easy (DCMSME, p. 20) and the wet grinder became one of the required household durable goods in South Indian kitchens. The Table 1 shows the four types of wet grinders that are manufactured by SMEs in Coimbatore.

Table 1: Wet Grinder Product Types and Market Share	
Product Types	Market Share %
1. Conventional Type	60
2. Tilting Type	10
3. Table Top	20
4. Commercial Type	10
Source: DCMSME, p.1	

OVERVIEW OF WET GRINDER MANUFACTURERS IN COIMBATORE REGION

Wet Grinders are one of the most important and frequently used home appliances in South India. A wet grinder is used for making a semi-liquid mixture of one or more flours combined with liquid (water, milk) which is called as batter for preparing South Indian dishes such as *idlis* and *dosas*. Earlier, people used hand operated grinding stone for making batter out of flour. In 1955, Mr. Sabapathy & Co. invented the mechanical wet grinder in Coimbatore (DCMSME, p.5). Different types of wet grinders were introduced in the market in the last 10 years. The total turnover of the industry is estimated to be ₹ 300 Cr/annum (DCMSME, p.6). There are 700 units involved in the manufacturing of wet grinders and components in Coimbatore region. About 80 % of the manufactured wet grinders are sold in Tamil Nadu, Karnataka, Kerala and Andhra Pradesh, and the remaining 20% are being sold in other parts of India and are also exported to other countries. The wet grinder industry provides employment to about 20,000 skilled labour directly and to 50,000 workers indirectly in Coimbatore (DCMSME, p.6). Many of the raw materials are received from North India excluding natural grinding stone. The finished products are distributed among various parts of India through dealers and agents. In 1995, the manufacturers of wet grinders formed an association for taking up various activities for the growth of the clusters. This association is called as “COWMA” (Coimbatore Wet Grinders and Accessories Manufacturers Association). Currently, there are 400 members in this association. The Association has been considering the Government in matters related to Sales Tax, Central Excise, etc. (DCMSME, p. 15).

Different raw materials are used for manufacturing wet grinders. The list of raw materials required are Grinding stone, Stamping Sheets (SS Sheets), Copper wire, Stator, Rotor, Mild steel (MS) angle, and ABS, which are the raw materials required for making the wet grinder's body. Grinding stone is available locally from the quarries in and around Coimbatore. SS sheets are used for making the Rotor of the motor, and the Stator is supplied from Mumbai and New Delhi to the dealers in Coimbatore, who further supply it to the units. Copper wire and the remaining raw materials are sourced from suppliers in New Delhi and Mumbai. The suppliers then source it further to the dealers and traders. SS sheets are used for making the Drums and are purchased from various dealers in Mumbai and other cities. The MS angle is supplied by two rolling mills situated in Coimbatore. The Table 2 presents the list and availability locations of the raw materials for manufacturing wet grinders.

EMPIRICAL FINDINGS AND ANALYSIS

In this section, the researcher collected secondary data from web sources and conducted an analysis. Currently, there are around 200 units producing wet grinders in Coimbatore region and around 1, 00, 000 units were being produced

Table 2: List of Raw Materials & Availability Locations Required For Manufacturing Wet Grinders	
Raw Material	Sources
1. Grinding Stone	Coimbatore
2. Stamping Sheets	Mumbai & New Delhi
3. Copper Wire	New Delhi & Mumbai
4. MS Angle	Rolling mill in Coimbatore
5. ABS	Distributors in Coimbatore
Source: DCMSME, 2011, p.33	

per month (Venkatachari, 2011). Only one raw material is available in Coimbatore - which is the grinding stone and other components and raw materials come from in and around Coimbatore and different parts of India. These supplying components can be segregated into four forms. The four forms are :

- (a) Medium Scale Units (1 No. ELGI),
- (b) SSI Large Composite Units (50 Units),
- (c) SSI Medium- Assemblers (150 Units), and
- (d) Components (Motors, Drums, Castings, Stones, Armsets etc.) Suppliers (500 units).

The total turnover of Coimbatore's cluster is around ₹ 225 Cr/ annum (DCMSME, p.1). There are four types of mechanical wet grinders, with different capacities that are available in the market. The capacity of wet grinders ranges from 2 litres to 40 litres. The wet grinder with a capacity of two litres capacity is used for household purposes and from 3 litres onwards is used for commercial purposes like restaurants, marriage halls, commercial batter manufactures, etc. (DCMSME, p.26).

In May 2011, AIADMK took charge of Tamil Nadu politics. During the election period, the party promised to offer free home appliances - like wet grinders, mixies, fans - for women voters . To make women more effective participants in the economy, it is imperative to provide them some relief and comfort from the strenuous domestic activities. To achieve this objective and to alleviate the women from their daily grind of work and to provide them relief and a sense of freedom from the strenuous domestic activities, this Government decided to distribute a package of electric fan, mixie and wet grinder free of cost as a 'well thought out welfare scheme'. Nearly 1.85 crore women beneficiaries from the households holding family cards which were eligible for drawing rice as on 30.06.2011 benefitted from this scheme. This scheme is aimed at improving the standard of living of the poor women (<http://www.tn.gov.in/policynotes/pdf/spi.pdf> accessed in January 2013). The Government of Tamil Nadu approached the SMEs manufacturing wet grinders (COWMA) in Coimbatore. The Government demanded table top wet grinders with 2 liters capacity. The market price of a table top wet grinder is around 2200/-INR. The Government and SME manufacturers of wet grinders entered into an agreement to produce the table top wet grinders. The total population in Tamil Nadu in 2011 was 72,138,958 (Tamil Nadu Information, 2011). The Tamil Nadu Government has categorized the family card holders into four colors, and the same is represented in the Table 3.

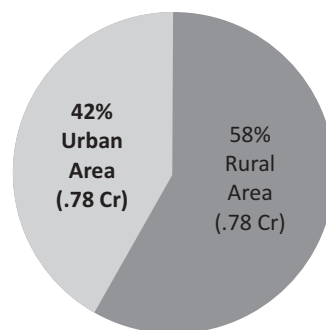
Table 3: Categorization of Tamil Nadu Ration/Family Cardholders				
Sl. No	Categories	Re-issue Cards	Left out Families	Total
1	Green Cards (Rice Cards)	1,41,57,737	36,62,385	1,78,20,122
2	White Cards (Sugar Cards)	7,83,439	2,43,727	10,27,166
3	Kakhi Cards (Police Cards Kerosene only)	29,280	10,343	39,623
4	Non-cards (Drawing no articles)	52,253	0	52,253
	Total	1,50,22,709	39,16,455	1,89,39,164
Source: Tamil Nadu Public Distribution System				

❖ **The Distribution System :** The Tamil Nadu Government has implemented a scheme of free distribution of home appliances to Green card holders (Rice Cards). This government planned to give the freebies over the next five years. There are 1.83 crore families that are holding Green cards, and who are drawing rice from the public distribution system. In the first phase, the government gave away 25, 00,000 units of table top wet grinders to the people of Tamil Nadu during the financial period from 2011-12. The rest will be covered in phase wise manner. The total cost of the first phase of distribution was ₹ 1250 Crore (Sampath, 2011, p.2). The Tamil Nadu Civil Supplies Corporation (TNSC) has been entrusted with the task of procuring electric fans, mixies and grinders under the free distribution scheme. The monthly production in Coimbatore is 1,00,000 units and the units manufacturing wet grinders will have to step up production by least five times to meet the demand. However, an issue of serious concern is that the government might take over the distribution of free grinders, and this could make them irrelevant. According to the industry members, the SMEs would benefit greatly if the tender of manufacturing wet grinders for public distribution- is given to the units that are a part of the cluster. The respondents also mentioned that the cluster members can form a

cooperative and get orders from the Government, and the volume of units (of the ordered quantity of wet grinders) could be divided amongst the member units. Moreover, he added that the industry can invest in modernization and increasing the workforce if backed by good orders (Venkatachari, 2011).

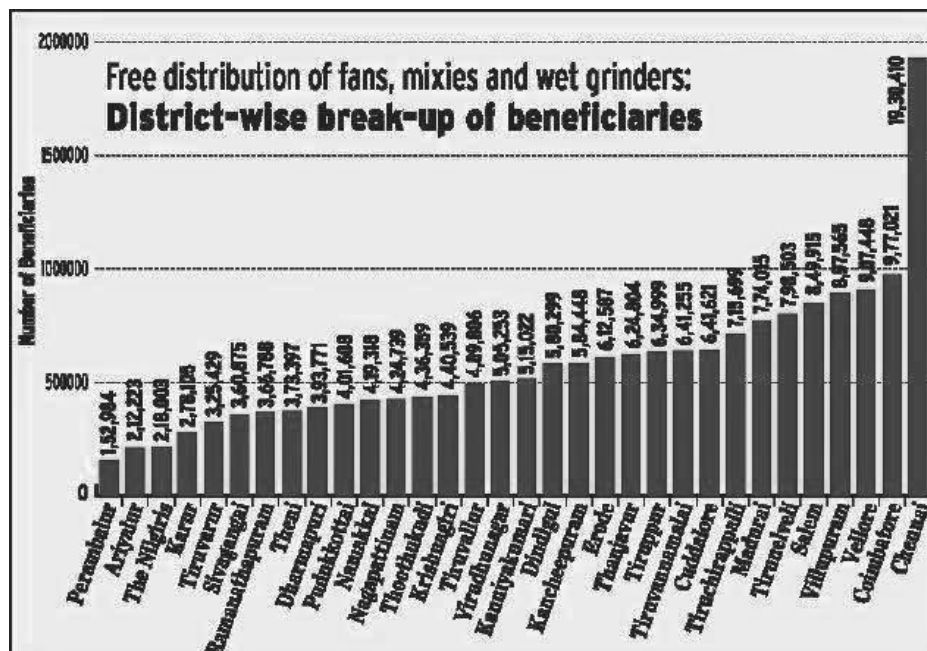
However, it is to be noted that a number of challenges are being faced by the wet grinder manufactures. The major challenges are power shortage and labour issues. The government has to resolve the power shortage issue, if they are serious about fulfilling the election promise of supplying free wet grinders as manufacturing cannot be stepped up without the acute power shortage issue being resolved. The researcher observed that currently, over 20,000 skilled workers are working with the industry and the industry needs at least 5000 more workers to meet the new challenges (Shaji, 2011). Furthermore, the quantity of raw materials also needs to be increased. The Figure 1 depicts the free distribution of wet grinders to the rural and urban areas of Tamil Nadu. The figure depicts that 42% (.78 Crore) women from urban areas and 58% (1.07 Crore) women from rural areas were the beneficiaries of free distribution of wet grinders, mixies and fans. The Figure 2 depicts the distribution of wet grinders, mixies and fans district wise, to the women beneficiaries in Tamil Nadu (The Hindu, 2011).

Figure1 : Distribution of Wet Grinders In Rural & Urban Areas of TN



Source: The Hindu, August 26, 2011

Figure 2 : Distribution of Fans, Mixies and Wet Grinders - District Wise



Source: The Hindu, August 26, 2011

CONCLUSION

This study looks at Tamil Nadu Government's policies to motivate the SMEs manufacturing wet grinders in Coimbatore. This paper discusses the Tamil Nadu Government's welfare scheme for Tamil people, especially women, to make the women more effective participants in the economy, to improve the standard of living of the poor women, apart from providing equal opportunities by making available sophisticated domestic appliances to them. This step has provided the SMEs manufacturing wet grinders a huge opportunity to produce table top wet grinders over the next 5 years. The government has to aid the SMEs in terms of providing subsidies, granting tenders to small cluster units manufacturing wet grinders, and above all, resolving the acute power shortage and labour shortage issues. It is imperative to note that the SMEs will not be able to benefit from this golden opportunity until the power shortage issue is resolved (as production cannot be stepped up without adequate power supply). Hence, the small scale industry would not be able to undertake such a huge production of wet grinders in the absence of financial and governmental support. In addition to resolving the power shortage issue, availability of raw material and labour also needs to be increased. Overall, introducing such welfare schemes by the government is a huge opportunity for the SMEs in Coimbatore region in terms of grabbing business opportunities, increasing their business network, generating employment opportunities and bringing about socio-economic prosperity in the region.

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