

Dynamics of Kerala's industrial development: Emerging spheres and practices

¹ P Noufal, ² Dr. KV Ramachandran

¹ Assistant Professor, Department of Economics, Sree Neelakanta Government Sanskrit College, Pattambi, Kerala, India

² Professor, Department of Economics, University of Calicut, Dr. John Matthai Centre, Trissur, Kerala, India

Abstract

Kerala presents sufficient potential for much faster economic development through rapid industrialisation in the context of the globalised world and knowledge society; provided there is a change in the mindset of the people, Government, political parties, civil society and the media. The prospects for Kerala's industrial development depend largely upon the willingness on the part of the policymakers to accept realism with a pragmatic approach. It can be observed that some sort of customised and industry-specific policy measures that could endeavour in reaching its objectives through state-of-the-art industrial infrastructure, encouraging eco-friendly enterprises, strengthening the MSMEs, inculcating entrepreneurship development, enhancing skills, simplification of rules and procedures, etc. must be initiated with a clear cut vision, objectives, and strategy so as to transform the State into a vibrant industrial and entrepreneurial society with faster, inclusive, and sustainable economic growth. It is in the context the paper attempts to explore the dynamics of Kerala's industrial development in terms of certain emerging spheres and practices.

Keywords: Kerala industry, industrial clusters, industrial parks, industrial estates, industrial townships, industrial corridors, IDZs, IGCs, SEZs, KINFRA

1. Introduction

Having been recognised the importance of industrial development; the Government has evolved various strategies to initiate an element of dynamism in the growth process so as to make the State a leading industrial destination in India. The industrial and commercial policy of the State attempts to convert Kerala into an entrepreneurial society from a wage earning society. It aims at the rapid industrialisation of the economy with big leap in commercial activities so as to achieve high and sustainable economic growth, with specific thrust to social objectives and without affecting its ecology and environment. It attempts to energise the industrial sector of Kerala through reviving the traditional industries, restructuring public sector undertakings, and providing an impetus to the MSME sector through sufficing investments, technology upgradation, diversification, and modernisation so as to transform Kerala into a vibrant entrepreneurial society through inclusive, eco-friendly, and sustainable economic growth ^[1].

2. Emerging Spheres and Practices

Decisive steps are being taken by the Government to strengthen the various implementing agencies to ensure that the schemes are effectively executed in a time bound manner. The Industrial and Commercial Policy of the State strives to make Kerala a growth-oriented enterprising economy. It aims at revamping Kerala into an entrepreneurial State by encouraging the focused development of certain sectors and has identified some thrust areas which need specific attention in promoting the overall and rapid industrial development of

the State. The thrust areas or the emerging spheres for Kerala's focused industrial development are:

1. Industrial Clusters.
2. Industrial Parks.
3. Industrial Estates.
4. Industrial Cooperatives.
5. Industrial Townships.
6. Industrial Corridors.
7. Industrial Development Zones.
8. Industrial Growth Centres.
9. Special Economic Zones.

The Government provides adequate infrastructure, world class technology, and market support for the promotion of certain emerging and new industries such as food processing, forest-based industries, biotechnology and nanotechnology based industries, and knowledge-based industries by recognising their immense potential of development in the industrial economy of the State. It promotes the non-resource depleting and environment-friendly industrial development in Kerala. Biotechnology and nanotechnology have tremendous potential in the new and high tech arena of the State and hence the Government promotes the development of specialised parks and technology incubation facilities to attract investments and innovation in the emerging areas of biotechnology, nanotechnology, pharmaceuticals, and medical devices, especially in its core activities like research and development, manufacturing, and technical development. The cutting edge technologies in arenas like agriculture, power, construction, medicine, information technology, environment, etc. can revolutionise the high-tech industrial base and economy of Kerala. The importance and contribution of the MSME sector to the economic growth and prosperity of the State is also well established in terms of their role in employment generation, fostering of

¹ Government of Kerala (2015). *Kerala Industrial and Commercial Policy (Amended) 2015*. Thiruvananthapuram: Department of Industries and Commerce.

competitiveness, and upholding of the entrepreneurial spirit and innovation in the economy.

2.1 Industrial Clusters

Industrial clusters are recognised as an important instrument for promoting rapid industrial development, innovation, competitiveness and economic growth of the regional economy of Kerala. They are defined as groups of interlinked companies, suppliers, and associated institutions providing a related group of products and services in a specific geographic region. The Government has adopted 'cluster development' as a strategy for enhancing the productivity and competitiveness as well as capacity building of the micro and small enterprises in the economy. There are many explicit advantages associated with industrial clusters. They are increasingly recognised as effective means of industrial development and promotion of small and medium enterprises as they play an important role in their inclusiveness, technology absorption, efficiency improvement, and availability of common resources.

Most clusters are developed as 'production hubs' that they have the entire value chains augmented within the cluster. Each firm is specialised and is connected with other firms through production networks which increases efficiency and survival rate through strong forward and backward linkages in the value chains and enable them to acquire new competences and access to international markets. The Government has adopted the cluster development approach for industrialisation to reap the benefits of agglomerations through transformation of the traditional systems of activities to new networks ready for competition and innovation. It promotes cluster formation as they enable the enterprise to enjoy the benefits of economies of scale in production and distribution. In a globalised economy in which global value chains link companies across borders, industrial clusters have become an important element of regional innovation systems in the industrial economy of Kerala, along with the MSME networks, intermediary and research institutions, and the Government.

2.2 Industrial Parks

Industrial parks play a pivotal role in the overall industrial development of Kerala. Having been recognised its economic imperative; the Government promotes the concept of 'Theme Parks' which are primarily the sector-specific industrial parks on an identified core sector of the industrial economy of the State. Core industrial sectors have been identified and customised parks have been built by the Government so as to unleash the potential of the industrial sector in its overall economic development. The Kerala Industrial Infrastructure Development Corporation (KINFRA) is the nodal agency of the Government for the setting up of industrial parks in strategic locations of the State on the identified themes as stipulated by the Industrial and Commercial Policy of the State. The Government bestows highest priority to attract investments from both domestic as well as foreign sources in these identified crucial industrial sectors to accelerate inclusive economic growth and development in a sustainable manner.

The Government encourages employment-oriented, environment-friendly, and non-polluting industries that have the potential to compete with global players. The food

processing, electronics, and information technology sectors have been identified as the sunrise sectors of the economy due to its enormous potential for development. KINFRA has set up specialised parks for these sectors and all of them have accorded the 'Product Specific Special Economic Zone' status by the Central Government on account of its exemplary ambience and economic imperative in the industrial scenario of the State. For the accelerated industrial development and balance regional development of the State, the Government encourages the creation of 'Mega Industrial Parks' in select thrust sectors of the economy with the financial assistance of the Central Government. Mega Industrial Parks are built on the 'cluster approach' based on a hub and spoke model. The Government provides all the requisite clearances, necessary infrastructure, flexible and conducive labour environment, various exemptions and incentives, and fast track single window facility in addition to the assistance in the procurement of suitable land for the setting up and smooth functioning of Mega Industrial Parks in the State and to promote Kerala as a destination choice for both domestic and global investors.

2.3 Industrial Estates

Industrial estates are the specific areas of land set aside for small scale industrial development of the State. They are the cradle zoned for industrial activities in which basic infrastructure and other utility services are provided to facilitate the growth of industries and to minimise impacts on the environment. Setting up of industrial estates enables cost savings, socio-economic exposures and advancements, and environmental improvements through: (i) Effective dissemination of instruments and management methods between companies located inside the estates, (ii) Close cooperation of companies with respect to economic, environmental, and social issues, (iii) Better and improved communication between stakeholders and customers, and (iv) Synergy effects through joint use of infrastructure, joint procurement of production resources and raw materials, and by-products exchange^[2].

Industrial estates attract industrial facilities by offering an attractive package of services that can be supplied continuously, reliably, and at a cost that the entrepreneurs could not achieve on their own. The package of services is often complemented with various forms of preferential investment incentives such as exemptions from import or export duties, income tax exemptions, and various other subsidies. There are two types of industrial estates in Kerala, namely: (i) Mini industrial estates, and (ii) Major industrial estates which are under the supervision and surveillance of the District Industries Centres (DIC) as well as the Kerala Small Industries Development Corporation (Kerala SIDCO). The Government envisages the setting up of industrial estates in all the Legislative Constituency with the active cooperation of local bodies for the balanced industrial growth of the State, especially the development of small and medium sectors of the economy. It also proposes common branding and promotion of MSME products. Economies of scale, economies of agglomeration, benefits of interrelatedness, low investment, availability of better infrastructure and support services, mutual cooperation and focused business, increased

² <http://www.keralasidco.com>. Retrieved on 1st January, 2017.

employment opportunities, and the development of backward areas are the major advantages of industrial estates that the Government is trying to reap in its march towards faster and balanced industrial development of the State.

2.4 Industrial Cooperatives

Industrial cooperatives are promoted as an important instrument of industrialisation in the State. An industrial cooperative is an association of workers who come together to provide necessary assistance and supporting services to the members by undertaking their activities collectively. They are organised, controlled, and managed by the workers for maximising their benefit or welfare. The ultimate objective of industrial cooperatives is to develop self respect and self-reliance among the members on the foundation of the spirit of cooperation. The Government attempts to reorient the industrial cooperatives operating in the State so as to improve their efficiency and professional competence to meet the requirements of their clients. They play their pivotal role for bringing socio-economic development for inclusive growth in the State, especially in the rural economy of Kerala. Having been recognised the immense potential and leading role of industrial cooperatives, they must be treated as effective economic instruments for ensuring growth with equity and inclusiveness in our country.

2.5 Industrial Townships

The National Manufacturing Policy, 2011 envisages the setting up of 'National Investment and Manufacturing Zones (NIMZ)' throughout the country so as to give a strong impetus to the growth of manufacturing industries in the country. The policy is based on the principle of industrial growth in active partnership with the States. The Central Government will create the enabling policy framework and provide the required incentives for infrastructure development on a Public Private Partnership (PPP) basis through appropriate financing instruments, and the State Governments will be encouraged to adopt the instrumentalities of the policy. In line with the policy and to encourage the growth of its manufacturing sector, Government of Kerala encourages the setting up of certain 'industrial townships' which are the compact industrial areas providing necessary support to industrial entrepreneurs with state-of-the-art infrastructure, land zoning, clean and efficient technology, skill development facilities, and other necessary social infrastructure to provide a conducive environment for rapid and growth of potential industries in the State. The Palakkad Industrial Township Area Project and the development of 'knowledge cities' in select districts of the State are being envisaged by the Government to give a strong impetus to its process of industrialisation.

2.6 Industrial Corridors

Industrial corridors are being increasingly promoted as effective instruments for achieving accelerated industrial growth by effecting the integration between industry and infrastructure. It entails the creation of globally comparable infrastructure in a designated pathway so as to provide a more conducive and competitive environment for setting up businesses. Industrial corridors enable optimal utilisation of a region's potential for growth by facilitating economic

agglomeration and industrial clustering. It is a package of infrastructure spending allocated to a specific geographic area with the aim of stimulating rapid industrial development. The concept is conceived as an integral part of the infrastructure-supported industrial policy in Kerala. Industrial corridors help in flourishing industrial development by ensuring seamless connectivity of roads, rail, air, or sea for the manufacturing clusters and ancillary industries. They are normally conceived along major transport arteries as they provide vital connectivity to the area and facilitate the efficient movement of freight and people with reduced freight and transportation costs. At present, the Government proposes three zones in the State as industrial corridors which would also qualify as 'commercial districts' namely:

1. The IT and ITES corridor from Kazhakuttom to Kovalam and from Kazhakuttom to Kollam along the National Highway Bypass.
2. The biotechnology and hi-tech electronics corridor along the seaport-airport road at Kochi.
3. The food processing and textile corridor from Kanjikode to Walayar along the National Highway at Palakkad.

2.7 Industrial Development Zones (IDZs)

In order to better promote the competitiveness of enterprises by leveraging investment in large scale manufacturing industries and promoting the economy through value-added export oriented manufacturing products, the Kerala Industrial Infrastructure Development Corporation (KINFRA) has introduced a novel initiative called the Industrial Development Zone (IDZ) Project^[3]. As part of the project, KINFRA will acquire land, develop the land parcels, and provide the basic and necessary infrastructure facilities. The same will be leased out to interested parties identified based on the targeted industries with development potential on long-term lease. The major objectives of the IDZ project are:

1. To establish Kerala as one of the most attractive locations for business investments in Asia through creating large-scale integrated industrial clusters.
2. To formalise the industrial and land pooling policy to promote integrated development formats.
3. To encourage the private sector participation for the accelerated industrial development.
4. To provide world class physical and social infrastructure to woo the sustainable growth and development of the industrial economy of the State.

The target industries currently identified for the project based are: (i) Food and agro-based industry, (ii) Engineering industry, (iii) Gems and jewellery industry, (iv) IT, ITES, and the electronic hardware segments industry, and (v) Textile segments industry. The details regarding the Industrial Development Zones (IDZ) are given in Table-1.

³ <http://www.kinfra.org/industrial-development-zone>. Retrieved on 1st January, 2017.

Table 1: Industrial Development Zones in Kerala

Name of the IDZ	Place	Thrust Area(s)
IDZ-1	Kannur	Food Processing,
		Textiles/Garments.
IDZ-2	Kozhikode	Food Processing,
		IT/ITES,
		Manufacturing.
IDZ-3	Ernakulam	Food Processing,
		IT/ITES,
		Textiles/Garments,
		Gems & Jewellery.
IDZ-4	Thiruvananthapuram	Food and Agro Industries,
		IT/ITES,
		Manufacturing,
		Textiles/Garments.

Source: Formulated on the information from <http://www.kinfra.org/industrial-development-zone>. Retrieved on 1st January, 2017.

2.8 Industrial Development Zones (IDZs)

Industrial Growth Centre (IGC) is a joint industrial infrastructure project of the Government of Kerala with the Government of India. It aims at the development of industrially backward regions of the State in select districts. As per the scheme announced by the Central Government, the Government of Kerala has entrusted the Kerala State Industrial Development Corporation (KSIDC) for developing and managing Industrial Growth Centres in various locations. Accordingly, the KSIDC has acquired land at four industrially backward locations of the State spread in Kannur, Kozhikode, Malappuram, and Alappuzha districts. Basic infrastructural facilities are put in place in all the centres and industrial plots and built-up areas are available setting up specialised industrial units for the prospective entrepreneurs on long lease for a period of thirty years. The details regarding the Industrial Growth Centres (IGC) are given in Table-2.

Table 2: Industrial Growth Centres in Kerala

District	Place	Area (Acres)	Thrust Area(s)
Kannur	Kuthuparamba	251	Light Engineering
			Food Processing
			Rubber-based Industries
Kozhikode	Kinalur	308	Food Processing
			Sports
			Health Care Projects
Malappuram	Panakkad	258	Food Processing
			Furniture
			Rubber-based Industries
Alappuzha	Cherthala	258	Coir Clusters
			Marine Products
			Cement-based Industries

Source: Formulated on the information from <http://www.emerging.kerala.gov.in/industrial.php>. Retrieved on 1st January, 2017.

2.9 Special Economic Zones (SEZs)

In line with the Special Economic Zone Act passed by the Government of India in the year 2005, the State Government of Kerala is also envisaged the development of an internationally competitive and hassle-free industrial

environment in designated zones so as to speed up its process of industrial development. It aims at to overcome the shortcomings experienced on account of multiplicity of controls and clearances; absence of world-class infrastructure; the unstable fiscal regime; and with a view to attract larger domestic as well as foreign investments. SEZs are the specifically delineated duty free enclaves for the purpose of trade, operations, and duty and tariffs. They are the self-contained and integrated geographical regions having their own well built infrastructure and support services.

Kerala was the first State in India to set up a Special Economic Zone. The Government attempts to make SEZs an engine of growth that can boost manufacturing, augment exports, and generate employment. The policy is expected to trigger a large flow of foreign and domestic investments in the designated Special Economic Zones in infrastructure and productive capacity, thus leading to generation of additional economic activity and creation of employment opportunities which will ultimately paves the way for faster and sustainable industrial growth in the economy. Considering all the benefits and its impact on the industrial economy, Government of Kerala is encouraging the development of Special Economic Zones. They are an acknowledgment of the potential export-led development strategy in accelerating competitiveness and regional economic growth. As per the estimates of the Ministry of Commerce and Industry, Government of India, there are 16 operational SEZs in Kerala as on 1st September, 2016.

3. Development Initiatives under the Kerala Perspective Plan 2030

The Kerala Perspective Plan (KPP) 2030 is a strategic articulation of the development vision, mission, goals and objectives of the State, prepared by the Kerala State Planning Board in 2015. It provides a strategic framework of resources, competencies, and capacities for sustainable and inclusive growth and sets the benchmarks for Kerala to achieve in line with the best regional and international practices. It explicitly spells out certain action plan for the industrial development of the State. The mission outlined is to evolve Kerala into a knowledge-driven competitive economy with the spirit of entrepreneurship, innovation, social inclusion, tolerance, and diversity. The major measures or schemes initiated in the integration with the Kerala Perspective Plan ^[4] include:

1. Improving infrastructure in the existing Development Areas/Plots.
2. Construction of multi-storied Industrial Estates.
3. Assistance for promoting Industrial Areas/ Plots in the private sector.
4. Infrastructure investments in PPP mode.
5. Promoting mutual trust between Government and entrepreneurs through partnerships.
6. Involve real world entrepreneurs.
7. Promote private investments.
8. Develop eco-friendly Industrial Parks.
9. Encourage technology upgradation and productive innovation.
10. Promotion of Microfinance.

⁴ Government of Kerala (2015). *Kerala Perspective Plan 2030*. Thiruvananthapuram: Kerala State Planning Board.

11. Promotion of better entrepreneurial learning in an informal learning environment.
12. Increase the visibility and emphasise the role of entrepreneurship in creating new jobs.

4. Conclusion

Bestowed with well structured policies and pioneering initiatives, world class infrastructure, extremely low operating costs, highly skilled manpower, well connected roads and rail networks, excellent communication networks, and easy accessibility; Kerala offers immense opportunities for industrial development creating an excellent investor-friendly environment. The Government has come forward with many structured and well-defined policies and pioneering initiatives to transform the State into a vibrant entrepreneurial society with faster, inclusive and sustainable economic growth. The policy initiatives are designed in the backdrop of increasing multifaceted globalisation of production systems, especially, in terms of technology transfers and development of physical infrastructure for higher economic as well as industrial growth. However, Kerala requires a much more focused approach towards spearheading innovation, entrepreneurship, and skill development in the economy. The State has to take adequate steps for nurturing entrepreneurial skills, helps in the acquisition of new capacities, and promotes research and development attuned to the industrial needs of the economy so as to raise its productivity and efficiency.

5. References

1. Government of Kerala. Economic Review 2016. Thiruvananthapuram: Kerala State Planning Board. 2017.
2. The Kerala Industrial and Commercial Policy 2015. Thiruvananthapuram: Department of Industries and Commerce. 2015.
3. Kerala Perspective Plan 2030. Thiruvananthapuram: Kerala State Planning Board. 2015.
4. Doing Business in Kerala. Thiruvananthapuram: Kerala State Industrial Development Corporation. 2012.
5. Ghosh BN, Padmaja Namboothiri D. The Economy of Kerala: Yesterday, Today and Tomorrow. New Delhi: Serials Publications. 2009.
6. Noufal P. 'Kerala's Industrial Development–Role and Efficacy of Promotional Agencies' in K.K. Jisha (Ed). The Development Experience of Kerala – A Panoramic View. Bangalore: Archers and Elevators Publishing House. 2015.
7. Padmanand V, Vinanchiarachi Jebamalai J. Intervene to Industrialise. Thiruvananthapuram: K-BIP, Government of Kerala. 2009.
8. Prakash BA, Prabhakaran Nair VR. (Ed). Kerala's Development Issues in the New Millennium. New Delhi: Serials Publications. 2008.