

INDUSTRIAL & COMMERCIAL POLICY 2011

Introduction

Kerala has been an enigma to the Economists and Social Scientists. While the Economy has moved from the almost stagnant situation in the 1960s and 70's to the slow growth in Nineties, the State has been in the fore front of Social development indicators in India. Though, post liberalisation phase has seen significant growth in secondary and tertiary sectors like IT, Tourism, entertainment, internet and mobile services, airlines, banking, insurance etc. the growth has not been commensurate with social development indicators.

Located between the Arabian Sea on the West and Western Ghats on the East, Kerala has the following to its credit:

- Highest literacy rate in India.
- Highly skilled human resources with low operating cost.
- Human Development Index at par with the West.
- Ranked best in India in terms of Physical Quality of life Index.
- An efficient public transport system.
- Information Technology becoming a key area of economic excellence.
- Best Public Health care system in India.
- Tourism has grown to be a front line industry with Government support and private management.

However the fact that Higher Economic Growth is necessary not only to generate higher tax revenue but also to sustain the advances made in social sector and in order to allocate more resources by the State to the welfare activities for the poor and needy has yet to be widely acknowledged in the State.

In order to generate higher economic growth, Investments are required for creating High quality infrastructure, skilled human capital, technology up-gradation and Enterprise promotion. The Micro and Small Enterprises plays an important role in the balanced and holistic industrial

development of the State. It generates employment and value to products and services through utilizing available resources in the State.

Government will bestow highest priority to attract investments from domestic as well as foreign investors in various sectors of the State to accelerate inclusive economic growth, development and employment opportunities in a sustainable manner.

Kerala is in the seventh position in the Country in terms of per capita income and the Policy envisages the State to achieve the position in the top three States in the Country. Compared to other States in the Country, poverty in Kerala is comparatively low, thanks to high NRI remittances in the State. It is making a substantial contribution in creating demand in trade, commerce and services in the State. However, the recent developments in the West Asian Regions and North Africa (WANA) demand for employment to locals in those Countries would have a long term impact on migration of workers from Kerala. Hence, need to focus on internal growth and development of the State by creating conducive environment through appropriately designed policy interventions focusing on Economic growth and development of the State.

The Industrial and Commercial Policy 2011 will strive to convert Kerala State into an entrepreneurial society from a wage earning society. Creating and nurturing SMEs would be the path to make Kerala a growth oriented enterprising society.

Vision

Endeavour to transform Kerala into a vibrant entrepreneurial society with faster, inclusive and sustainable economic growth in order to achieve global standards in every domain.

Objectives

Kerala economy is transforming into a service economy with high inward remittance and skilled technical human resources. Development of more enterprises by fortifying the skilled human capital and promoting investments including domestic as well as foreign in all the sectors to entail in the total economic development of the State through employment generation and export oriented business is the major objective:

- To promote Kerala as a prime destination for industrial investments with environmental protection.
- Revamp Kerala into an entrepreneurial State by encouraging private investment in all sectors particularly in Agro Processing, Services & Commerce and new emerging Sectors.
- Mobilize establishment of Micro and Small Enterprises particularly in rural areas to achieve employment generation and utilization of local resources.
- Create a policy framework to encourage enterprises as against wage employees.
- Create cordial environment for ensuring the utmost value addition of the locally available resources.
- Market Kerala as a competitive investment destination for Foreign & Domestic Investments in Services, emerging industrial sectors (Biotechnology & Nanotechnology) and employment for skilled Human resources within the State.
- Improve infrastructure through PPP mode for industrial infrastructure.
- Accelerate industrial clusters in the State.
- Augment Services & Commerce sector to create in house employment to the skilled and semi skilled manpower in the State.
- Introduce globally accepted standards in Technology, Quality and Management to rejuvenate the Public Sector Enterprises in the State.
- Encourage environment friendly practices in enterprise development.

Strategy

- To launch Mass Media Campaign to highlight the benefits of entrepreneurship.
- To set up sector specific industrial parks with incubation centres in all sectors in distributed location to reach overall development of the Society.
- To develop quality industrial infrastructure in the State through State Agencies in PPP mode with the participation of NRIs, NRKs, Foreign and Domestic Investors.
- To develop Demand based and Market Driven Skill Training and Entrepreneurship Development Programme in a Mission Mode.
- To implement Services & Commerce led growth strategy for the development Kerala economy.

- To establish Common Facility Centres for Industrial Cluster Development Programme with the support from Government of India.
- To upgrade the present industrial infrastructure facilities in Development Areas, Development Plots etc. to global standards.
- To thrive skill development and technology up gradation to increase productivity in the Traditional sector.
- To introduce new technology, professional marketing and integrated quality management techniques in Traditional Sectors like Khadi & Handloom for the up gradation of the present Units to enhance productivity.
- To provide Marketing support to Traditional Sector to broaden its reach globally.
- To adopt and introduce latest technology for the extraction and value addition of minerals with the help of Central Agencies.
- To develop a system to enable industry institution linkage for technology development and management.
- To create an effective Single Window Clearance mechanism for speedy approval and statutory clearances to new Enterprises.

1. Large Industries

Large industries in the State have significant potential because of good infrastructure facilities available in the State like power, transport system, airports, ports and availability of rare minerals. However, availability of land and its high price are the major hurdles faced by the State in the implementation and execution of large industries.

Government will encourage suitable Industries that are non-polluting, environmental / eco friendly and employment oriented that have the potential to pay wages at par with the living standards of Kerala.

- Government will ensure environmental protection with the support of State Pollution Control Board and other related Government Agencies.
- Government will encourage polluting industries to be relocated to other places from inside city limit / municipal limit / metropolitan areas as done in National capital.

2. Micro Small and Medium Enterprises

The importance and contribution of the MSME sector to the economic growth and prosperity is well established. Their role in terms of employment creation, upholding the entrepreneurial spirit and innovation has been crucial in fostering competitiveness in the economy. It can lead the State economy by acquiring exports through quality production techniques and products.

Government will promote new industrial parks with quality infrastructure like roads, power, water, waste management etc. and to upgrade the infrastructure facilities in existing Parks. New DA / DPs through PPP mode will be encouraged.

- Promote new industrial parks with quality infrastructure like roads, power, water, waste management etc. and to upgrade the infrastructure facilities in existing Development Areas / Development Plots.
- Promotion of new DA / DPs through PPP mode.
- Multi storied industrial estates in all Districts with priority allotment for MSEs.
- Protection from power tariff hikes for new Micro and Small industrial units for a period of three years from commencement of commercial production.
- New Scheme for providing equity assistance to new Units in place of State Investment Subsidy and margin money loan scheme.
- Exemption for payment of EMD and security deposit and price preference to MSME may be continued for a period of 5 years.
- Price preference for SMEs in the State for PSU / LSG procurement will be institutionalised.
- Scheme for the rehabilitation / revival of sick MSMEs.
- An easy exit Scheme for MSMEs will be introduced.
- Negative list of MSMEs will be reviewed and revised.
- Creation of a web based portal to assist entrepreneurs and facilitate speedy and time bound processing of all applications related to MSMEs.
- Common branding and promotion of MSME products will be encouraged.

- Industrial Adalats will be organised regularly at District / State level with a view to understand the problems of MSMEs and to settle pending issues.
- Skilled workers data bank to ensure adequate supply of workers to industrial units.
- Women industry will be treated as thrust industry category.
- Capacity building programmes for the Departmental Officers to equip them in the emerging scenario.
- E-governance and E-commerce will be strengthened to provide better services to entrepreneurs and to increase the efficiency and effectiveness of MSMEs.
- Institutional support to MSMEs will be Strengthened.
- Multi storied industrial estates will be promoted in all Districts with priority allotment for MSEs.
- Government will create an online system to assist and facilitate entrepreneurs in speedy and time bound processing of applications and to address their grievances.

3. **Services & Commerce**

Services & Commerce Sector dominates Kerala economy. Though Services and Commerce sector in the State is showing a steady growth, the high potential of the sector has not been effectively utilized, despite the fact that its contribution to SGDP is much higher than the manufacturing sector. This can be effectively utilized for enterprises development and job creations. Thus, in order to shape Kerala to a new model of development for faster economic growth, the Government will give equal importance to the Services & Commerce Sector.

- Government will design and develop Services led growth strategy for Kerala focusing on Health, Education, IT, Tourism, Ayurveda, Logistics, Transport, Financial services, Communication, Retail, knowledge based & Non Polluting Industries.
- Government will strive to introduce demand and market driven curriculum in professional institutions for developing skilled and efficient manpower for Service and Commerce sectors and will strive to set up Institute of Retail management.
- Government will initiatives sector specific training centres in Mission mode through PPP. Government will promote Incubation Centres in each sector / location for promoting enterprises in innovative business models in the State.

4. Traditional Industries

To redress the misalignment between output and employment, it is necessary to ensure that Traditional Sector becomes an economically viable activity with improved income prospects. At the same time dependence on Traditional Sector will have to be reduced by a shift to alternate employment opportunities especially in rural areas. Many Nations in the world have been able to improve the income and living standards of their people by ensuring shift in their labour force from Traditional areas to more productive sectors through appropriately designed policy interventions.

Traditional Industries such as Cashew, Coir, Handloom, Handicrafts and Khadi play a substantial role in generating employment in rural areas. Social considerations will guide the Government policy for development of these sectors.

- Thrust will be given to industries using eco friendly, local resources and generating higher employment opportunities.
- Adequate support like wages / retirement benefits to be advocated for needy workers in these sectors.
- Promote usage of Khadi and Handloom Products.
- Wide marketing campaigns for traditional products.

Khadi & Handlooms

Khadi and Handlooms have become a part of our culture, tradition and symbol of freedom movement. In spite of years of support in several areas, it is noticed that the capacity is decreasing in these sectors. It is also noticed that the young generation is not showing interest in continuing with the profession of their parents in these sectors as it is seen generally as less remunerative and less fashionable. In spite of the heavy subsidies and rebates, the prices of Khadi and Handloom products are high compared to cheap mill made polyester fabrics which has become the common dress material for the poor.

We need to reestablish the pride in wearing Khadi and Handloom products. We also need to create awareness about the need to pay more for this organic healthy fabric and make

them to be fashionable. Government will introduce innovative programmes to support the niche products in Khadi and Handlooms. It will be targeted to the up market clientele.

- Extension / exposure programmes towards betterment of skills, knowledge and technology in order to ensure quality of product, improved efficiencies and enhanced productivity levels.
- The existing handlooms will be modernized so as to enhance the loom productivity.
- Mechanisation in pre-loom activity will be promoted.
- The concept of 'Integrated handloom village township development' will be promoted in handloom industry where the area of concentration of weavers is large.
- Encourage weavers to produce innovative as well as value added products in global standards so as to enable the products to compete in National & International markets.
- The weavers will be oriented through grass root level extension / exposure programmes towards betterment of their skills, knowledge and technology in order to ensure quality of products.

Handicrafts

- Scheme for creation of new designs for innovative products in Handicrafts sector.
- Professional marketing facilitating injection of private investments.
- Innovative approach for marketing support to ethnic handicrafts of the State.
- Skill Development Training to improve the workmanship of artisans / craftsmen.

Bamboo

- Government will facilitate incorporation of new technologies for innovative handicrafts products and skill development.
- Government will encourage R&D in this sector to promote utilization of bamboo in industrial applications.

Cashew

Cashew Industry contributes significantly towards foreign exchange earnings and sustaining employment for women workers in certain geographical areas. Government

will support the industry and will strive for full employment and reasonable wages to these workers.

Beedi

As a result of greater awareness of health hazards of smoking, use of Beedi is coming down. Government will provide special assistance for Beedi workers to find alternate employment options and to generate income.

5. Public Sector Undertakings

Kerala has largest number of Public Sector Undertakings (PSUs) than in any State in India. Most PSUs in Kerala are still relevant for economic / social objectives and as nucleus for spin-off of downstream & upstream industries. Government will support the PSUs for better Public-Private balance and social responsibility. No PSU will be privatized.

- Government will strengthen PSUs through Comprehensive enterprise specific modernization / diversification / expansion packages and re-structuring. Participation of reputed State and Central Government organizations will be continued.
- Government will initiate steps to fruitfully utilize Excess or unused land & other resources of the PSUs for industrial purpose through Govt. Agencies.
- Productivity and profit linked incentive schemes will be implemented.
- Transparency will be improved in the functioning of PSUs by monitoring of PSUs in an effective manner without interfering in their day to day management.
- Kerala Public Enterprise Selection Board will be constituted to select CEOs and Directors in the State PSUs in order to ensure transparency, professionalism and fairness in selection.
- The role of RIAB will be strengthened so that it functions as an effective watch dog to ensure proper functioning, monitoring and evaluation and feedback on the performance of PSUs.
- Boards / Management of PSUs will be professionalized.
- Cordial relations with Trade Unions and stakeholders will be ensured.
- Social responsibility schemes in the manner adopted by the Government of India will be implemented.

- Better wage structure will be ensured to attract professionals in PSUs.
- Linkage with National PSUs will be encouraged.

6. **Emerging Industries**

Kerala has been entering into new and emerging industries specially the Food Processing, Forest Based Industries, Biotechnology and Nanotechnology based industries etc. which are generating more employment avenues and quality products. Government will encourage investment in these sectors for employment generation, environment friendly nature, economic growth & development.

Food Processing

Kerala produces cardamom, pepper, coffee, tea, coconut, marine products, fresh water fish, Milk etc. Government will promote processing and marketing of these products in the State.

- Government will develop adequate Infrastructure and specialized storage facilities for food based products, provide world class technology and market support for promotion of organic food products.
- Cluster Development Programme in Food Processing Sector will be encouraged.

Forest based Industries

- Environmental friendly industrial development is the new Global trend. Government will not encourage enterprises which use forest wood as raw materials. Redeemable wood / plantation based wood (bamboo, softwood, plywood etc.) industries should be seen as a green alternative and will be promoted.

High Tech Industries

- The cutting-edge technologies in the arenas like medicine, industry, environment, agriculture, power, construction etc. can revolutionize High Tech Industries sectors. The major hurdle for development in these sectors in India is commercialization of innovations based on these technologies. Bio Technology and Nano Technology have

tremendous potential in the new and emerging high tech arena and Government will promote investment in development of specialized parks and technology incubation facility for the development and commercialization of new products.

7. Mining & Geology

Mining is generally seen as a destructive activity. Hence, steps will be taken towards conservation, preservation and selective utilization of mining resources. Safety and security of people / workers will get high priority.

- Effective utilization of scarce mineral resources in the State through value addition will be given high priority. A Natural Mineral Research Institute will be set up for Research and Development in mineral sector in the State.
- Mining of Rare Earth will be allowed only in the Public Sector and strictly for value added products.

8. Industrial Infrastructure

Kerala is rapidly urbanizing and urbanization leads to better and higher economic growth. As a step towards industrial development, the State will focus on industrial infrastructure at par with the Global Standards. The quality infrastructure is the major determinant for improving the quality of life and attracting investments in the State.

- Government will promote private investments including FDIs for world class infrastructure development in the State.
- Government will encourage setting up industrial Units in dedicated industrial parks where necessary infrastructure facilities like power, water, roads, ETP, etc. are readily available.
- Government will encourage SPVs / Joint ventures between KSIDC / KINFRA and private partners to develop the required industrial infrastructure.
- Government will develop appropriate mechanism to facilitate speedy supply of water, power and other utilities in Industrial parks and Growth Centres.
- The role of INKEL will be expanded to promote industries & infrastructure projects within Kerala by attracting investments from the public especially from NRKs.
- Government encourages SEZs. A new SEZ Policy will be formulated in line with the existing policy of Government of India.

9. Investment Promotion

Kerala will create a strategy to integrate its economy with four major players in the region. a) Rest of India b) Middle East c) South East Asia d) Sri Lanka (North, West, East, South). It will develop a planned strategy to create long term business relationships with these players. The State needs to connect with the rest of the Country to attract investments, tourists, shoppers, professionals, patients and students. This will make the State into a preferred destination for travel, shopping, health, education and recreation and will return Services and professionals. Necessary growth oriented policies, governance models, systems etc. will be adopted.

- Kerala State traditionally been a wage earning society. The great challenge before the Government is to convert Kerala into an Entrepreneurial Society. Government will promote entrepreneurial culture among the people of the State in a Mission mode.
- In order to facilitate Investment in Mega projects, a High level Council will be formed to arrive at consensus among the political parties and civil society leaders.
- Single Window Clearance system will be revamped and made more effective by including all Enterprises in this. An online system will be introduced to expedite clearances in a time bound manner.
- Government will encourage investments in environment friendly, employment generating, and growth oriented sectors.
- Massive Awareness Campaigns will be launched to educate the public about the positive aspects of industrial development economic growth and entrepreneurship and its relevance in large societal welfare.

Conclusion

To conclude, Kerala Industrial and Commercial Policy 2011 will help develop and promote industrial development in the State for income generation, employment promotion and economic development with environment friendly ventures and investor friendly guidelines. The Policy strives to give equal importance to development of Commerce and Services for higher GDP growth. There is appropriate thrust on the promotion and development of Traditional Sector industries to achieve equitable social development and to move towards an inclusive society. Wherever there is no separate Policy by the State, appropriate Government of India Policy will be followed.

Your valuable suggestions / comments, if any, may please be forwarded to:
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