

Industrial & Commercial Policy 2011

(Draft)



Government of Kerala

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1. INTRODUCTION

- 1.1 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 gradual 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., it has not been commensurate with social development indicators.
- 1.2 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 many developed Countries.
 - Ranked best in India in terms of Physical Quality of life Index.
 - Best Public Health Care System in India.
- 1.3 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 is yet to be widely acknowledged in the State.
- 1.4 In order to generate higher economic growth, Resources are required for creating high quality infrastructure, skilled human capital, technology upgradation and enterprise promotion. The Micro and Small Enterprises play an important role in the balanced and holistic industrial development of the State. They generate employment and value to products and services by utilizing available resources in the State.
- 1.5 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.
- 1.6 Kerala is in the seventh position in the Country in terms of per capita income and the Policy aims 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 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) where demand for employment to locals would have a long term impact on migration of workers from Kerala. Hence, there is a need to focus on internal growth and development of the State by creating conducive environment through appropriately designed policy interventions.
- 1.7 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.

2. VISION

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

3. OBJECTIVES

3.1 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 will entail total socio-economic development of the State.

3.2 To promote Kerala as a prime destination for industrial investments with environmental protection.

3.3 To transform Kerala into an entrepreneurial State by encouraging private investment in all sectors including new and emerging sectors.

3.4 To promote and encourage establishment of Micro and Small Enterprises particularly in rural areas to achieve employment generation and utilization of local resources.

3.5 To create a policy framework to encourage enterprises as against wage employees.

3.6 To create cordial environment for ensuring the utmost value addition of the locally available resources.

3.7 To showcase 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.

3.8 To improve infrastructure through PPP mode for industrial infrastructure.

3.9 To accelerate industrial clusters in the State.

3.10 To augment Services & Commerce sector to create in-house employment to the skilled and semi skilled manpower in the State.

3.11 To introduce globally accepted standards in Technology, Quality and Management and to rejuvenate the Public Sector Enterprises in the State.

3.12 To encourage responsible business practices, especially environment friendly practices in Enterprise development.

4. STRATEGY

4.1 To launch Mass Media Campaign to highlight the benefits of entrepreneurship.

- 4.2 To set up sector specific industrial parks with incubation centres in all sectors in distributed location for overall development of the Society.
- 4.3 To develop quality industrial infrastructure in the State through State Agencies in PPP mode with the participation of NRIs, NRKs, Foreign and Domestic Investors.
- 4.4 To develop demand based and market driven Skill Training and Entrepreneurship Development Programme in a Mission Mode.
- 4.5 To implement Services & Commerce led growth strategy for the development Kerala economy.
- 4.6 To establish Common Facility Centres for Industrial Cluster Development Programme with the support from Government of India.
- 4.7 To upgrade the present industrial infrastructure facilities in Development Areas, Development Plots etc. to global standards.
- 4.8 To thrive skill development and technology up gradation to increase productivity in the Traditional Sector.
- 4.9 To introduce new technology, professional marketing and integrated quality management techniques in Traditional Sectors like Khadi & Handlooms for the upgradation of the present Units to enhance productivity.
- 4.10 To provide Marketing support to Traditional Sector to broaden its reach globally.
- 4.11 To adopt and introduce latest technology for the extraction and value addition of minerals with the help of Central Agencies.
- 4.12 To develop a system to enable industry institution linkage for technology development and management.
- 4.13 To create an effective Single Window Clearance mechanism for speedy approval and statutory clearances to new Enterprises.

5. LARGE INDUSTRIES

- 5.1 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 setting up of large industries.
- 5.2 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.

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

6. MICRO, SMALL AND MEDIUM ENTERPRISES

6.1 The importance and contribution of the Micro Small and Medium Enterprises (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 drive the State economy by increasing exports through quality production techniques and products.

6.2 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.

- a. 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.
- b. Promotion of new DAs / DPs through PPP mode.
- c. Protection from power tariff hikes to new Micro and Small Industrial Units for a period of three years from commencement of commercial production.
- d. Scheme for providing equity assistance to new Units in place of State Investment Subsidy and margin money loan scheme, will be introduced.
- e. Exemption from payment of EMD and security deposit and price preference to MSMEs will be continued for a period of 5 years.
- f. All Licenses to MSMEs will be given for 5 years. Renewal of licenses to existing Units will be for 5 years.
- g. Scheme for the rehabilitation / revival of sick MSMEs.
- h. An easy Exit Scheme for MSMEs in line with National Manufacturing Policy will be introduced.
- i. Negative list of MSMEs will be reviewed and revised.
- j. Creation of a web based portal to assist entrepreneurs and facilitate speedy and time bound processing of all applications of MSMEs.
- k. Common branding and promotion of MSME Products will be encouraged.

- l. Industrial Adalats will be organised regularly at District / State level with a view to understand the problems of MSMEs and to settle pending issues.
- m. Skilled workers data bank to ensure adequate supply of workers to Industrial Units.
- n. Women entrepreneurs run Industry will be treated as thrust industry category.
- o. Capacity building programmes for the persons and institutions to equip them with the latest in the industry and business sectors.
- p. E-governance and E-commerce will be strengthened to provide better services to entrepreneurs and to increase the efficiency and effectiveness of MSMEs.
- q. Institutional support and linkages to MSMEs will be strengthened.
- r. Multi storied Industrial Estates will be set up in all Districts with priority for allotment to Small & Micro Enterprises.
- s. Government will encourage Skill Development and Capacity Building in MSME Sector.
- t. Government will introduce Deemed License System for new Small & Micro Enterprises (SMEs). Under the Scheme, based on self certification and after waiting for a month, a SME Unit can be started anywhere in the State. All required licenses / approvals shall be obtained within 3 years. Utility connection such as power, water, telephone etc. will be provided on production of proof of ownership or possession or legitimate occupation. If any violation is noticed, action will be initiated against the Unit only with the prior approval of District level Single Window Clearance Board.

7. SERVICES & COMMERCE

- 7.1 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. 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.
- a. Government will design and develop Services led growth strategy for Kerala focusing on Healthcare, Entertainment, Education, IT, Tourism, Ayurveda, Logistics, Transport, Financial Services, Communication, Retail, Knowledge based & Non Polluting Industries.
 - b. Government will strive to introduce demand based and market driven curriculum in professional institutions for developing skilled and efficient manpower for Service and Commerce sectors and will strive to set up an Institute of Retail Management.
 - c. Government will initiate 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.

- d. Incentives given to Manufacturing Sector except Investment Subsidy will be also applicable to Service Sector.
- e. Government will promote clusters in Services Sector.

8. TRADITIONAL INDUSTRIES

8.1 To correct the mismatch 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.

8.2 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.

- a. Thrust will be given to industries using eco friendly, local resources and generating higher employment opportunities.
- b. Adequate social security measures will be advocated for the workers in these sectors.
- c. Promote usage of Khadi, Handloom & Coir Products.
- d. Wide marketing campaigns for Traditional Products.

8.2.1 Khadi & Handlooms

- a. 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 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 fabric which has become the common dress material for the poor.
- b. It is necessary to reestablish the pride in wearing Khadi and Handloom products. There is a 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.
- c. Extension / Exposure Programmes towards betterment of skills, knowledge and technology in order to ensure quality of product, improved efficiencies and enhanced productivity levels.

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

8.2.2 Handicrafts

- a. Scheme for creation of new designs for innovative products in Handicrafts sector.
- b. Professional marketing strategies.
- c. Innovative approach for marketing support to ethnic handicrafts of the State.
- d. Skill Development Training to improve the workmanship of artisans / craftsmen.

8.2.3 Coir

- a. Modernization with increased productivity by providing modern automatic spinning machines, weaving machines etc. Spinning sector will be modernized by employing technologically superior machinery and by upgrading the skill level of the workers.
- b. A long term for R&D initiatives in Coir sector with focus on return on investment and with a view to bring about improvement in the value chains will be chalked out. The National Coir Research and Management Institute will be transformed to its activities in International level.
- c. A comprehensive geotextiles development programme aimed to improve the current export of Coir geotextiles and the current domestic market with a view for Coir geotextiles to become an acceptable standard engineering material of construction will be developed.
- d. Coconut tree and Coir are an integral part of the life of Malayalee and the culture of Kerala. Coir industry plays a significant role in the developmental process of Kerala. Coir which is environment friendly is an important product in the industrial, construction and household sectors. The Coir industry of Kerala has its own indigenous tradition and history. Among the workers in the Coir sector, the majority belongs to the socially and economically backward classes. Linkage of Coconut planting and Coir industry will be encouraged with the support of related institution.

- e. Marketing activities to be strengthened through Coir Marketing Consortium. The activities in the Coir sector will be diversified to suit the requirements of the customers both domestic and international. Special Events and activities like Coir Village, Coir Kerala etc. will be organised to promote marketing of Coir and Coir products.

8.2.4 Bamboo

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

8.2.5 Cashew

- a. 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.

8.2.6 Beedi

- a. 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.

9. PUBLIC SECTOR UNDERTAKINGS

9.1 Kerala has largest number of State Public Sector Undertakings (PSUs) 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 strengthen the PSUs for better Public-Private balance and social responsibility. No PSU will be privatized.

- a. Government will strengthen PSUs through Comprehensive enterprise specific modernization / diversification / expansion packages and re-structuring. Participation of reputed State and Central Government organisations will be continued.
- b. Government will initiate steps to fruitfully utilize excess or unused land & other resources of the PSUs for industrial purpose through Government Agencies.
- c. Productivity and profit linked incentive schemes will be implemented.
- d. Transparency will be improved in the functioning of PSUs by monitoring of PSUs in an effective manner with out interfering in their day to day management.
- e. 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.

- f. The role of RIAB will be strengthened to ensure proper functioning, monitoring and evaluation and feedback on the performance of PSUs.
- g. Boards / Management of PSUs will be professionalized.
- h. Cordial relations with Trade Unions and stakeholders will be ensured.
- i. Better wage structure will be ensured to attract professionals in PSUs.
- j. Partnership and Alliance with National PSUs will be encouraged.
- k. Appropriate MoU System will be adapted in State PSUs for better performance management.
- l. Thrust will be given for strengthening Research & Development in State PSUs.

10. EMERGING INDUSTRIES

10.1 Kerala has been entering into new and emerging industries especially in 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.

10.1.1 Food Processing

- a. Kerala produces cardamom, pepper, coffee, tea, coconut, marine products, fresh water fish, etc. Government will promote processing and marketing of these products in the State.
- b. 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.
- c. Cluster Development Programme in Food Processing Sector will be encouraged.

10.1.2 Forest based Industries

- a. 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.

10.1.3 High Tech Industries

- a. The cutting-edge technologies in the arenas like medicine, industry, environment, agriculture, electronics, 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.

- b. The Technology Business Incubation model is one of the successful models and has contributed for entrepreneurship promotion in a big way. Government will encourage incubation facilities.

11. MINING & GEOLOGY

11.1 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.

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

12. INDUSTRIAL INFRASTRUCTURE

12.1 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. Quality infrastructure is the major determinant for improving the quality of life and attracting investments in the State.

- a. Government will promote private investments including FDIs for world class infrastructure development in the State.
- b. Government will encourage setting up Industrial Units in dedicated industrial parks where necessary infrastructure facilities like power, water, roads, ETP, etc. are readily available.
- c. Government will encourage SPVs / Joint ventures between KSIDC / KINFRA and private partners to develop the required industrial infrastructure.
- d. Government will develop appropriate mechanism to facilitate speedy supply of water, power and other utilities in Industrial Parks and Growth Centres.
- e. Multi storied Industrial Estates in all Districts with priority allotment for SMEs.

- f. The role of INKEL will be expanded to promote industries & infrastructure projects within Kerala by attracting investments from the public especially from NRKs.
- g. Government encourages SEZs. A new SEZ Policy will be formulated in line with the existing policy of Government of India.
- h. Industrial Corridors and Investment Regions will be set up with the support of Government of India.

13. INVESTMENT PROMOTION

- 13.1 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, healthcare tourists 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.
- a. Kerala State traditionally has 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.
 - b. 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.
 - c. 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.
 - d. The District Industries Centres involving Industrial Associations will setup web based Labour Bank in each District with provision for skilled, semi skilled and unskilled workers. The entrepreneurs can search the web, select and appoint the workers as per their requirements.
 - e. Government will encourage investments in environment friendly, employment generating and growth oriented sectors.
 - f. Government will conduct biennial mega investor meet 'Emerging Kerala' to brand Kerala as Investors' own Destination.
 - g. 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.

14. CONCLUSION

To conclude, Kerala Industrial and Commercial Policy 2011 will help develop and strengthen the business ecosystem of the State on more solid and sustainable grounds. It will help 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.