

# Kerala Industrial & Commercial Policy Amended - 2015

## 1 Introduction

The industrial growth of the State for the last decade was based on the industrial policies introduced in 2001 and 2007. These policies facilitated the investors and entrepreneurs for the industrial development and provided more employment opportunities in the State. Keeping in view of the above position Government consider that new approach in the industrial policy is required and hence decided to make certain additional amendments in the existing policies.

The percentage of area of the state to that of Indian union is 1.18 only. Though the land availability is very less, the State has to deal with the issues of preservation of environment while promoting manufacturing and other heavy industries. Also, given its high population density and ecological sensitivity, Kerala can encourage only those sectors that are non-polluting and eco-friendly. Eventhough Kerala registered 8.24 per cent growth rate in MSME in 2012-13 and the major contribution was from service sector. Kerala's growth in 2012-13 is the highest among southern States and much above the national average of 5 percent.

The State has been consistently in the forefront of social development in India. The post-liberalization phase has seen significant growth in secondary and tertiary sectors like Information Technology, Tourism, research and development, agri-business, food processing, entertainment, internet and mobile services, banking, insurance etc.

### **Kerala**

- Has the highest effective literacy rate in India.
- Is the best e – ready State in the country
- Has highly skilled human resources with low attrition rates.
- Has the human Development Index at par with the West.
- Is ranked best in India in terms of Physical Quality of life Index.
- *Has remarkable inflow of remittance from abroad*
- Has well developed road network across the State.
- Is one of the top IT/ITES destinations in India.
- Has well developed health care system (both public and private).
- Is an internationally acclaimed Tourist destination.

Government's priority is to attract investments from domestic and foreign investors to emerging sectors for inclusive economic growth, development and employment opportunities in a sustainable manner. To position Kerala as a favorable destination for industrial investments and to encourage private

investments in all sectors, the State Government successfully organized Global Investors' Meet(GIM) in 2003 and Emerging Kerala in 2012. GIM was the first investors meet organized in the State targeting investments. A study conducted by the World Bank after GIM revealed that Kerala stood as the second State in India in the investment friendliness after Karnataka. Emerging Kerala had showcased the investment opportunities in the State and encouraged entrepreneurship and innovation amongst the youngsters. The Young Entrepreneurship Summit held in September, 2014 had thrown up an array of radical ideas with a potential to change the world and signaled the transformation of new generation from jobseekers to job creators.

## **2 Vision**

To transform Kerala into a vibrant entrepreneurial society through inclusive, eco-friendly and sustainable economic growth.

## **3 Objectives**

### **The policy aims to:**

- Simplify regulatory procedures for setting up and operating enterprises.
- Mobilize Micro, Small & Medium Enterprises particularly in rural areas to achieve employment generation and utilization of local resources.
- Ensure higher value addition of the locally available resources.
- Create employment opportunities for skilled human resources within the State.
- Encourage SC/ST, women entrepreneurs, Non Resident Keralites and ex-servicemen.
- Improve industrial, allied and ancillary infrastructure through public and PPP modes.
- Ensure sufficient land availability through land acquisition, land pooling, and Private Industrial Parks/ Estates.
- Provide trunk infrastructure for pooled industrial land, Private Industrial Parks/ Estates.
- Accelerate development of industrial clusters in the State in line with National Manufacturing Policy, Petroleum - Chemicals and Petro-Chemical Investment

Regions, Electronics Manufacturing Clusters, Micro and Small Enterprises-Cluster Development Programme.

- Strengthen the Services & Commerce sectors and 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 enterprises.
- Adopt participatory approach in industrial and infrastructure investments.

#### **4. Industrial Infrastructure**

- 4.1** For the last several years, Director of Industries and Commerce, Kerala Small Industries Development Corporation, Kerala State Industries Development Corporation, Kerala Industrial Infrastructure Development Corporation are the major agencies in creating infrastructure for industries. Now the demand for industrial land is very high, Government will encourage private players also to develop industrial infrastructure.
- 4.2** The State will provide quality industrial infrastructure for attracting Industrial investments, with benchmark of global standards.
- 4.3** Government will facilitate development of Industrial Development Zones (IDZ) around the logistics hubs of Thiruvananthapuram, Kochi, Kozhikode, and the upcoming international airport at Kannur. The IDZs will enable development of manufacturing industries, agro based industries, textiles, gems and jewellery, commercial ventures and social infrastructure in the regions and transform them into major manufacturing and trading destinations of South India.
- 4.4** State Government has proposed to establish a knowledge City in the Techno city, Thiruvananthapuram to promote knowledge based industries under PPP model.
- 4.5** Government will encourage setting up industrial units in dedicated industrial parks where necessary infrastructure facilities like power, water, roads, Effluent Treatment Plants etc. are readily available.

- 4.6** Government will facilitate industrial clusters with common infrastructure like common Effluent Treatment Plants for relocating relatively polluting industries. Financial assistance to the extent of 25% of capital investment in Effluent Treatment Plants, subject to a maximum of Rs. 1 Crore will be provided.
- 4.7** Industry-specific clusters will be set up under central schemes like the Plastic Park Scheme of the Department of Chemicals & Petrochemicals; the Electronic Manufacturing Cluster Scheme of the Department of Electronics & IT and the Modified Industrial Infrastructure Upgradation Scheme of Ministry of Commerce & Industry.

## **5. Entrepreneurship**

- 5.1** Kerala having a high human Development Index evolving a new model of creating knowledge ,employment and wealth through innovation and entrepreneurship and to set an example for the rest of the country. Kerala is the first state to have earmarked one percentage of the budget provision of each department for the entrepreneurship development activities by the students and youth community and declared September 12<sup>th</sup> as State Entrepreneurship day. All universities in Kerala will give 5% grace marks and 20% attendance to student startups which have at least one women as a co founder. However, the youth have, of late, been coming forward in large numbers to opt for entrepreneurship as a career. Government will seize this opportunity to promote entrepreneurial culture among the people of the State in a Mission mode. The Entrepreneurship Development Clubs already started in select colleges, will be extended to all higher education institutions in the state.
- 5.2** Regulatory constraints for setting up of new enterprises will be mitigated through an online system to assist and facilitate entrepreneurs in speedy and time bound processing of applications and to address their grievances.
- 5.3** The Kerala State Self Entrepreneurship Development Mission (KSSDM) now functioning in Kerala Financial Corporation will be transformed into an umbrella organization covering entrepreneurship development across sectors and departments.

## **6. Skills enhancement**

Government has initiated skill enhancement programs in various sectors through the Kerala Academy for Skill Excellence (KASE) under the Department of Labour and Skills. The Higher Education Department has been providing additional skill acquisition through its program called Additional Skills Acquisition Program (ASAP). Specific needs of the industry in skill enhancement will be met through them. Information and Communication Technology will be promoted for the learning of skill development.

## **7. Eco-friendly enterprises & Green initiatives**

The Government will encourage Eco friendly and Green initiatives in the existing and new enterprises. Being a naturally green State and given its high population density, unique socio-economic and spatial constraints, promotion of green industries is imperative for the State. Government will encourage relocation of industries that are relatively polluting, to shift out of cities and urban areas, as done in National Capital Region.

**7.1** Eco-friendly transportation modes will be encouraged, like introduction of CNG vehicles for public transport, CNG fuelling stations, etc, commensurate with the development of the gas pipeline network being laid within the State. Transportation of high volume nonperishable commodities through inland waterways and coastal shipping will be promoted.

**7.2** Initiatives will be launched so as to attract and channelize substantive investments in green and clean industries into the State. Government will introduce a 'Green Financing scheme' in the State, with a cost of Rs. 100 Crore.

## **8. Electronics Systems Design & Manufacturing Sector**

**8.1** The Electronics manufacturing industry is the largest and fastest-growing manufacturing segment in the world, with a current estimated value of \$1.75 trillion and is expected to reach \$2.4 trillion by 2020. When combined with India's growing strength in semiconductor chip design, Electronics Systems Design & Manufacturing (ESDM) can provide unprecedented opportunity for growth and employment.

Government envisions Kerala to become a preferred destination for ESDM investments and become a major contributor in Electronics design and embedded software in India by the year 2020.

- 8.2** Government will proactively support the Electronics industry in the State to avail the Central Government subsidy under Modified Special Incentive Package Scheme (M-SIPS) notified on 27<sup>th</sup> July 2012, so as to offset disability and attract investments in ESDM. The districts of Thiruvananthapuram, Alappuzha and Kannur are currently notified as Brownfield Electronic Manufacturing Clusters under the M-SIPS. Hence electronic manufacturing units located in Industrial estates or areas approved by the State/central/local bodies for use of industrial purpose in these districts are currently eligible for M-SIPS benefits.
- 8.3** Government shall provide 20% capital subsidy for new manufacturing units in ESDM sector in the State. The State Investment Subsidy for industries as per the existing scheme under Director Industries and Commerce shall also be made applicable for Electronic manufacturing sector.
- 8.4** The Government shall provide deferment of VAT for a period of 5 years for ESDM investments of Rs. 10 Crore or more.
- 8.5** The Government shall promote setting up of Electronic Manufacturing Clusters by private sector players, under the Electronics Manufacturing Clusters Scheme of Government of India (notified on 22<sup>nd</sup> October 2012) and shall take equity participation in such projects, if required, on a case to case basis.
- 8.6** A well-equipped Electronics Incubator will be set up in the State, which will be located in close proximity to a prominent R&D institution engaged in electronics sector (like VSSC or C-DAC, Trivandrum).

## **9. Micro, Small and Medium Enterprises**

- 9.1 The enactment of Micro, Small and Medium Enterprises Development Act, 2006 by Government of India with a view to provide a comprehensive legal framework has tried to address the needs of both manufacturing and service sectors so as to withstand global competition and thrive through better technologies and skills.

- 9.2 The Micro, Small & Medium Enterprises (MSME) play an important role in the balanced and holistic industrial development of the State. It generates employment and adds value to products and services through strategic utilization of the State's resources. The "Made in Kerala" brand will be promoted as an umbrella brand for all sectors. The growth of MSME in the State has come above national average, through the initiatives taken in the successive industrial policies.
- 9.3 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. Development of MSMEs are particularly crucial for Kerala due to shortage of Industrial land, high population density and the social fabric is more inclined to such a development.
- 9.4 A sizable number of SMEs in the manufacturing sector are located in the Development areas/plots and the small Industrial parks. The Infrastructure in these clusters will be upgraded to encourage the growth of the SMEs situated therein. Government / its agencies will not be an obstacle for their "Exit" while enforcing strictly the conditions of the land allotment to them.
- 9.5 An MSME Equity participation fund for encouraging startups will be created in Kerala State Industrial Development Corporation and Kerala Financial Corporation.
- 9.6 Exemption for payment of EMD and security deposit and price preference to MSME may be continued for a period of 5 years. Purchase preference for SMEs in the State for PSU's / LSG procurement will be institutionalized.
- 9.7 Industrial Adalats will be organised regularly at District / State level with a view to understand the problems of MSMEs and to settle pending issues.
- 9.8 Skilled workers to industrial units will be facilitated through Employability Centers under the Labour and Skills department.
- 9.9 To encourage Women to take up entrepreneurship as a career the industries set up by them will be treated under the thrust industry category enabling them to avail 30% investment subsidy.

## **10. Thrust Sector Industries**

Among the existing industrial sectors Government has identified Rubber based Industries, Agro based business including food processing, Readymade Garments, Ayurvedic medicines, Marine products, Light Engineering, Bio and Nano Technology and 100% Export Oriented Units as thrust sectors and a higher rate of investment subsidy will be provided. Government proposes to include Furniture manufacturing, Electrical and Electronic products also under the thrust sector based on its growth prospects.

**10.1.1. Food Processing** – Food processing is a sunrise sector which has huge potential for promoting agriculture through reduction of wastage, value addition and healthy food products and foreign exchange earnings.

**10.1.2.** Kerala, being a modern society with a high spending power, have developed a culture of consumption of packaged and processed foods. There exists a high potential for further growth and exports of Kerala's ethnic food in the processed and packaged form to the Non-resident Keralites. Further the Kerala Cuisine is getting fast recognition internationally. The development of the sector will also contribute to the growth of agro based industries in the State. Several food brands have emerged from the State during the last two decades. The State Food Processing Mission and the District Missions will effectively and proactively promote the food processing sector.

**10.1.3.** Kerala Industrial Infrastructure Development Corporation has developed three Food Processing Parks which are now fully occupied. Government proposes to develop two Mega Food Parks under the Mega Food Park Scheme of Government of India - one in Palakkad district by KINFRA and the other in Alappuzha by Kerala State Industrial Development Corporation. Adequate common infrastructure facilities and necessary logistics support will be created through public and private sectors.

**10.1.4** Cluster Development Programme, High tech farming, value added agriculture, modern dairy farms, cold storage facilities, etc will be encouraged to boost the Food Processing sector in the State.



## **10.2. Biotechnology and Nanotechnology**

Biotechnology, Nanotechnology and Life sciences have tremendous potential in the new and emerging high tech arena. Areas like clinical and contract research, stem cell research, bio-similar manufacturing, bioinformatics, nanomedicine, etc will be encouraged.

**10.2.1** Government will promote investment in development of specialized parks and technology incubation facilities for the development and commercialization of new products in these areas. State-of-the-art infrastructure will be created at the Life Sciences Park, Thiruvananthapuram to attract industries and R&D institutions in the areas of biotechnology, nanotechnology, pharmaceuticals, bio-medicine and life sciences.

## **10.3 Furniture sector**

Furniture industry has been growing steadily in the State during the last two decades, and some organically grown viable clusters have come into existence, and depend largely on imported wood. More Furniture clusters will be encouraged to bring together the unorganized sector of furniture manufacturers in the State. Complete mechanisation will be encouraged to overcome the deficiencies of skilled manpower and to produce larger volumes to reap the economies of scale.

**10.3.1** Furniture designing, manufacture of Completely Knocked Down (CKD) / Ready to Assemble (RTA) furniture kits, etc will be given due emphasis. Steps will be taken to encourage export of quality furniture from the State.

## **10.4. Garment sector**

One of the most unorganised sectors in Kerala, the garments and apparels industry has confined itself mainly as a cottage based economic activity, barring a few well-established export units.

**10.4.1.** The sector is mainly confined to executing job-works and piece-rate outsourcing from reputed brands and locally based textile showrooms.

**10.4.2.** The Government proposes to transform the sector into a more organised format by organizing them into garment clusters, providing design support, creating cluster

brands, access to finance, establishing market linkages and providing multistoried SDFs for the sector.

## **11. Investment Promotion**

**11.1** The State needs to connect with the rest of the country to attract investments, tourists, shoppers, professionals and students. This will transform the State into a preferred destination for travel, shopping, health, education and recreation and will return Services and professionals.

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.

**11.2** Massive awareness campaigns will be launched by KSIDC to educate the public about the positive aspects of industrial development economic growth and entrepreneurship and its relevance in large societal welfare.

**11.3** The State will facilitate creation of local design capabilities in identified specific areas like auto electronics, printed electronics, etc., where Kerala can strive to be the supplier to the rest of the world.

## **12. Traditional Industries**

**12.1** Kerala Government has historically considered handloom cashew, coir, handicrafts, bamboo, khadi etc as traditional industries and have provided various schemes for their development and welfare and sizable amount of funds have been spent. The artisans/craftsmen and small producers under the sector will be supported to establish themselves as enterprises by appropriately redesigning the existing schemes. A database of the artisans/weavers/craftsmen will be prepared to enable Government to focus their entrepreneurial development. The database will be periodically updated and uploaded in the Official websites.

**12.2** Government shall facilitate Skill Development Training to improve the workmanship of artisans/craftsmen in the traditional Industries sector. Government will facilitate setting up of Design Centers by qualified designers within Handloom, Handicraft,

Coir and Bamboo product clusters and will provide a seed fund support of Rs 5 lakhs for those startups.

**12.3** Tracking and Traceability system will be introduced by the Marketing Agencies of the traditional products to promote quality production and to ensure timely release of product prices based on the movement. Many of the traditional sector products from Kerala have been registered with the Geographical Indications (GI) Registry of India. Special efforts will be made to promote them globally.

**12.4.** Government will financially support registered craftsmen/ artisans and the members of their family to start showrooms for their products.

#### **12.1.1. Handloom**

Adequate income support in addition to wages and reasonable social security benefits will be ensured for the workers in the sector. Government will promote usage of khadi and handloom products through marketing campaigns. Government will introduce innovative programmes to support the niche products under khadi and village industries. It will be targeted to the up-market clientele.

**12.1.2.** Extension / exposure programmes towards betterment of skills, knowledge and technology in order to ensure quality of product, improved efficiencies and enhanced productivity levels shall be introduced. The concept of 'Integrated Handloom Village' will be promoted in handloom industry where the area of concentration of weavers is large. Government will 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.

#### **12.1.2. Handicrafts**

Government will strengthen the functioning of the Handicrafts Development Corporation and provide them adequate financial support. Government will also facilitate incorporation of new technologies for innovative handicrafts products and skill development.

#### **12.3 Bamboo**

The Kerala State Bamboo Corporation Ltd. has been involved in the promotion of industries based on Bamboo, reed, cane and rattan. The Corporation's main activity is

collection of good quality reeds from Government forests and distributing them to the registered mat weavers of the Corporation, on credit basis and procuring woven mats made of these reeds at reasonable prices, thus providing employment and regular means of livelihood to these weaver sections of the society.

**12.3.1.** Government will provide all support to the corporation and the State bamboo Mission and encourage R&D in the sector to promote utilization of bamboo in industrial applications. The State Bamboo Mission shall promote cultivation of bamboo in non forest areas and introduce new technologies for creation of value added products.

#### **12.4 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. Necessary support will be provided to the Kerala Cashew Development Corporation (CDC) and CAPEX to promote their value added branded products.

### **13. Heavy Industry**

Non-availability of large chunks of contiguous land and its high price are the major hurdles faced by the State in the implementation and execution of large industries. However, heavy industries like engineering industry, automobiles and their ancillaries, have potential because of good infrastructure availability like cheap and quality power, well developed road network, airports and seaports. Government will encourage industries that are non-polluting, environmental / eco - friendly and with high employment potential.

### **14. Public Sector Undertakings**

**14.1** Kerala has the largest number of Public Sector Undertakings (PSUs) than any other State in the country. Most PSUs in Kerala are relevant from a socio economic perspective and are nucleus for spin-off of downstream and upstream industries. Government will strengthen PSUs through comprehensive enterprise specific modernization /diversification / expansion packages and re-structuring.

Productivity and profit linked incentive schemes will be implemented in the PSUs. Transparency will be improved in the functioning of PSUs by monitoring them in an effective manner without interfering in their day-to-day management.

**14.2** Government will initiate steps to effectively utilize the excess or unused land and other resources of the PSUs for industrial purpose through Govt. Agencies.

**14.3** Cordial relations with Trade Unions and stakeholders will be ensured through meaningful dialogue to achieve peaceful Industrial Relations.

**14.4** Corporate Social Responsibility (CSR) activities will be taken up by the State PSUs within their financial capabilities and under the norms prescribed by the Companies Act, where ever applicable.

## **15. Up gradation and Maintenance of the existing industrial Estates /parks**

**15.1.** Multi-storied Standard Design Factories (SDF) will be set up in the available lands in existing Industrial Parks and Estates in view of the acute land scarcity in the State. An extent of 1 million sq.ft of built-up space will thus be created in the form of Standard Design Factories in the Industrial Parks/ Estates spread across various Districts in the State over a period of two years. Government will notify the existing Industrial Parks and Estates as Industrial area under the Kerala State Single window Clearance Board and Industrial Township Area development Act.

**15.2** Government proposed to develop mechanism to facilitate speedy supply of water, uninterrupted power especially conventional energy sources and other utilities in Industrial parks and Growth Centers.

**16.** INKEL will be expanded to promote industries & infrastructure projects through investments from the public especially from Non Resident Keralites.

## **17. Business Environment – Deregulation and Simplification**

To reduce transaction costs and time, regulatory procedures will be streamlined and simplified. An effective Online Single Window Clearance mechanism will be implemented (adoption of 'e-biz' of Govt. of India) for speedy approval and provision of statutory clearances to new enterprises. The renewal tenure of regulatory licenses will be enhanced to a minimum of 3 years, wherever possible.

Government will introduce a system of self-certification by enterprises for regulatory compliances. An online system will be introduced to expedite clearances in a time bound manner.

## **18. Focus on NRK/NRI investors for channelising investments**

A sizeable portion of investments in the State during the past few decades have been made by Non-Resident Keralites (NRKs) /Non Resident Indians (NRIs). Major focus for channelising investments for development projects in the State will be through them. Handholding support will be provided by earmarking specific officers from the Industries Department or its promotional agencies.

## **19. Participatory approach**

In order to increase the transparency, understanding and acceptability of industrial and infrastructure projects, the Government proposes to involve all stakeholders including the local population, right from the initial phase of such investments.

## **20. Services & Commerce**

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

**20.2** Government will encourage e-commerce/ m-commerce in the State for provision of quality products, commodities and services at competitive rates, by associating with leading e-commerce service providers/ portals in the country. Logistics Hubs and nodes will be encouraged; and will be eligible for allotment of land/space in the Industrial Areas/ parks/ estates.

**20.3** Government will streamline the Multilevel Marketing (MLM) and direct selling activities within the State through enactment of an appropriate law to prevent the fraudulent activities like money chain schemes, and for the conduct of genuine direct marketing in the State.

## **21. Mining & Geology**

Mining is generally a non-eco friendly activity. Government will not encourage mining industry to be set up in the State. However, for value-addition of the mined minerals into high end products within the State, selective approvals will be considered on a case-to-case basis. Steps will be taken towards conservation, preservation and optimal utilization of the State's mining resources. Safety and security of the local population and workers in the sector shall receive high priority. Mining of rare earth minerals will be allowed only for production of value added products in the State. Government will constitute an expert committee to review the Kerala Minor Mineral Concession Rules, 1967 (KMMCR), and to formulate new draft rules, consistent with judicial decisions and environmental regulations. Online P-form (movement permit for minerals) system will be introduced and its effective implementation will be monitored.

.....