

**“Advance & Create,  
Together”**  
**ACT Kerala**  
**Vision 2025 for Kerala**

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## Executive Summary

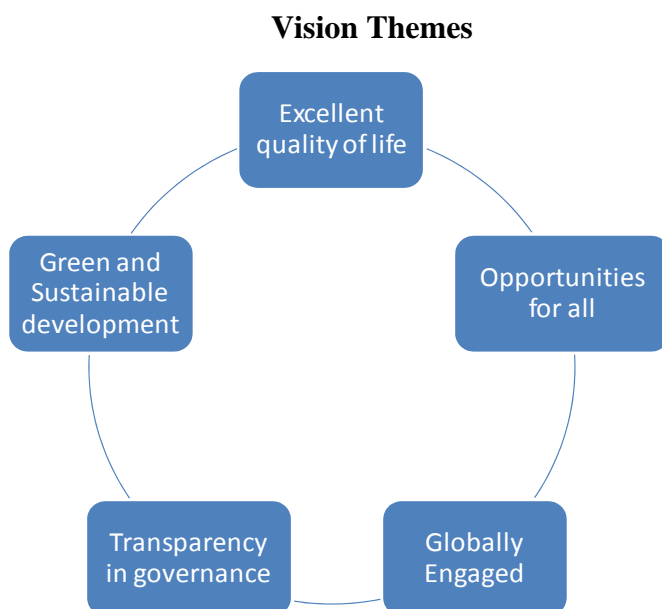
1. The Kerala State Council of the Confederation of Indian Industry (CII) mandated ICRA Management Consulting Services (IMaCS)<sup>1</sup> for assistance in formulating Vision 2025 for the state of Kerala.
2. The study arises in the background of a rapid economic growth that has been witnessed in Kerala in the last decade and Southern region of India in general. CII feels the need for a well thought out development plan for the State and a clear vision that would propel the State forward.
3. Our approach to developing a Vision 2025 for Kerala encompassed analysing all facets of the State including economic growth, social development, analysis of performance of and issues impacting specific sectors, the factor advantages of the state and aspirations of it's people .
4. We have conducted the study by interacting with the principal stakeholders in State and by building on secondary research on the State. The principal stakeholders in the Vision 2025 for Kerala include the following:
  - Spectrum of political leadership in the state – both the ruling and opposition parties
  - The State government – secretaries of key government departments
  - The entire industry in the State
  - Key sections of society – Farmers, Academicians, Students, etc
  - The residents of the state
  - The stakeholders have been met through one-on-one discussions and focus group discussions
5. In developing a Vision 2025 for Kerala, we sought answers to the following :
  - *The starting point:* Where is state today in terms of various facets of development? What are the issues impacting the state? What are the factor advantages the state enjoys today?
  - *What do we want the state to look like in 2025?* In other words, what is the development potential of the state?
  - *How do we attain the vision?* What are the initiatives that need to be taken to facilitate the attainment of this potential?

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<sup>1</sup> IMaCS was formerly known as ICRA Advisory Services

6. The study was carried out in three phases as under:
  - **Diagnostic phase:** This focussed on analysing the “as-is” situation of the state, developmental trends observed in the past and the issues impacting the state
  - **Synthesis phase:** This focussed on developing key vision themes for the state
  - **Prescriptive phase:** This focussed on recommending prescriptions for principal stakeholders so as to attain Vision 2025
  
7. Kerala’s economic growth has been driven by growth in services, which account for over 60% of the state’s economy. The state has traditionally enjoyed strong factor advantages in industries such as Rubber, Coir, Spices, Handlooms, Fisheries, Agro Processing, and Tourism. Furthermore, the Healthcare and Education sector has always been of importance in the Kerala’s socio-economic milieu. Of late, Kerala has also been witness to certain emerging growth areas such as IT&ITES, Construction and Retail.
  
8. The share of agriculture, on the other hand, has been constantly declining. Many factors have contributed to the decline in agriculture. The land used for non agriculture purposes has been consistently increasing to reach 10% of total land available. The share of marginal shareholding is over 90%, which has contributed to lower productivity. The unremunerative nature of agriculture has resulted in gradual migration of agricultural workforce to other occupation, mainly jobs in urban areas.
  
9. Kerala has had a consistently higher level of human development comparable with that of many advanced countries. Kerala ranked first among major States in India in the Human Development Index (HDI) with respect to Education and Health at the three time points of 1981, 1991 and 2001 Kerala has the ninth highest per capita income of Rs 30,300 in the country compared to the Indian average of Rs 26,000
  
10. The growth of industry and services is hampered by the high labour costs prevailing, the pressure on land and high land costs and preference of white collar / non labour oriented jobs by the people of Kerala. At the same time, the state also has to nurture traditional industries such as handloom, coir, fisheries, which provide employment to a large section of the people.

11. Growth of knowledge economy, where information and knowledge rather than material resources are key, interconnected economies and a rapid pace of changes are some of the defining characteristics of the new global order. Countries and states would have little choice but to manage the globalisation process.
  
12. In addition to the changes caused by global winds of change, Kerala would have to manage other changes which are internal. Increased urbanisation, caused by increasing shift from rural jobs to urban jobs, would place tremendous pressure on urban areas. The state would have to ensure growth of appropriate industries that can generate employment opportunities so that the issue of large level of unemployment in the state is addressed. Demographic changes expected over the next 15 years would mean that around 20% of its population would be over 60 years, double from the present levels of 10%. Keeping in mind the limited resources available in the state, Kerala would need to develop a unique sustainable developmental model which facilitates growth, but not at the cost of the environment and resources.
  
13. Given its factor advantages, we believe that Kerala is well placed to witness all round growth over the next fifteen years till 2025. An analysis of the discussions we have had with a cross section of the people in the state reveals five broad, but interrelated themes that form the basis of the vision envisaged for the state. We believe that the five themes capture the aspirations of the people, the nature of development they visualise for the state and the relationships they wish to have with the world outside in general.



14. The vision for Kerala which reflects the common themes identified is defined as follows

**“By 2025, Kerala would be a vibrant, sustainable modern state providing its residents globally comparable quality of life and opportunities to excel in their chosen walk of life.”** The vision calls for all the key stakeholders coming together, seeing a common vision, acting in unison and creating a modern and sustainable Kerala. **This forms the basis of the action agenda for the Vision – ACT Kerala 2025 (Advance & Create, Together Kerala – 2025).**

15. Continuing to remain green and ensuring a sustainable developmental process is one of the overriding themes of the vision that has been identified for the state. All the stakeholders met were unanimous that the “Green Image” of the state must be maintained. Kerala envisages adopting a unique sustainable growth plan that takes into account the resource availability and constraints that the state faces. The development process envisaged for the state, in terms of growth sectors promoted, the regions identified for growth, the spatial distribution of industries and residential areas, should be tailored to retain the green image of the state.

16. Some of the initiatives that need to be undertaken to ensure a sustainable development are

- a) Preserving forest cover – Development of industries and services like tourism can have a detrimental impact on the forest cover in the state. Kerala faces a challenge in maintaining the forest cover at around 28 – 30%.
- b) Green urbanisation – While increased urbanisation is inevitable in today’s world, Kerala would need to manage the urbanisation process to ensure that the green cover is maintained. Policy initiatives to encourage construction of green buildings needs to be initiated. Planned urbanisation that ensures preservation of the environment and the image needs be taken up.
- c) Promote environmentally sustainable industries and services - Sectors that help Kerala maintain its ecological balance and do not add to pressure on land should be encouraged. Sectors that Kerala has such factors advantages include Tourism (including medical tourism), IT / ITES, Food Processing, Light engineering, Manufacturing of Electronics and allied products, Health Care, Retail, Construction, etc.

- d) Maintain stringent environmental norms - Stringent environmental norms with respect to air, water and soil should be laid down and adhered to. These should be benchmarked with standards in environmentally conscious states / countries and be periodically updated
  - e) Promote technologies that meet environmental standards - Technologies to meet the stringent standards can be expensive. The government should promote development of alternate low cost technologies suitable for developing regions. The government should also promote the adoption of such technologies by appropriate assistance / incentives to users.
  - f) Effective waste management - Young people met as a part of the study have voiced their concern about the need for an effective process to manage the waste being generated in cities. The state should adopt a two pronged approach to waste management – waste elimination and waste management.
  - g) Efficient water management - Water is a precious resource and in addition to meeting the daily needs of people, water is key to other sectors such as tourism and inland waterways. A water management policy that facilitates judicious use of this precious resource, encourages use of water preservation techniques such as water harvesting, needs to be discussed, debated and agreed upon at the earliest timeframe.
  - h) Encourage use of clean fuels - The governments should encourage both industry and individuals to use cleaner fuels (CNG / LPG) for their transportation and business needs. Policy initiatives and tax instruments could be used effectively to promote the use of such fuels.
17. Economic well being is a key ingredient for peaceful coexistence of various communities in a region or country. Differential growth patterns lead to resentment among the people who do not enjoy the fruits of growth as much as others do. Every citizen in the state should have access to opportunities for betterment of their lives. **Kerala would provide everyone in the state the opportunities to enjoy the fruits of the potential growth and maximise their potential in the chosen field.** There needs to be a balanced growth across the 3 regions of North, Central and South Kerala with increased focus in Northern Kerala.
18. Access to opportunities to participate can be realised in two ways
- (i) Policy initiatives to ensure all round economic growth in the state
  - (ii) Skilling Keralites to take up jobs all over the world

19. We envisage that by 2025, the potential landscape for the Kerala economy would be encompass a strong service sector and a robust manufacturing sector with an emphasis on value addition. The state has the potential to grow at a similar or better pace than the Indian economy and achieve growth rates of 8 – 9 % in the future. The size of the state’s economy has the potential to grow five fold to reach a size of Rs. 525,000 crores by 2025. The growth would be lead by the services sector, growing at around 10 % p.a and contributing to around 77% of the economy.
20. The share of the primary sector would continue to decline to reach about 5% of the overall economy. Some of the initiatives that need to be undertaken to revive this sector include
- (i) Increase productivity levels – Kerala should target to be among the top 3 Indian states on productivity for key crops
  - (ii) Promote collective farming practices that pool a number of marginal holdings into a single large holding. Introduce modern farming practices and increase efficiency and productivity
  - (iii) Identify alternate source of income to farmers to increase viability of agriculture – agro farming, animal husbandry
  - (iv) Promote value added agriculture – floriculture, horticulture and organic farming
  - (v) Develop an agricultural plan for the state highlighting the type of crops to be focused on given the natural and soil conditions in the state and the competitiveness of the state in various types of crops
21. Services and Industries that are non-polluting and less land consuming need to be promoted. Such industries include Tourism, IT / ITES, Food Processing, Electronics and allied products manufacturing, Construction, Health Care, Light Engineering and Retail.
22. By 2025, the Keralite youth should be sufficiently prepared to undertake a variety of specialised and skilled jobs in areas such as financial services, IT services, R & D, etc. Addressing issues prevalent in the present educational system – poor quality, lack of practical orientation, inadequate communication skills. Initiatives that need to be undertaken to achieve this vision include:
- (i) Promote a healthy mix of public and private schools and colleges and tertiary institutions



- (ii) Identify skill gaps prevalent among students passing out of the present system and address the same
- (iii) Take the lead in online educational programs targeted at global students
- (iv) Attract world class universities to offer specialised courses and programs through tie-ups with local institutions. Focus on high end studies and R & D.
- (v) Encourage strong industry – institution linkages to share knowledge
- (vi) Create an eco system that appreciates diversity and sharing of ideas. This would help in attracting experts from around the world and students from the global community

23. **“By 2025, Kerala should provide a globally comparable quality of life to its residents.”** Kerala enjoys one of the best standards in some factors impact quality of life such as access to health and relatively cleaner environment. However, Kerala has scope for improvement in a number of factors such as quality of schools and public transport systems for example. Key initiatives that would need to be undertaken to achieve this objective include:

- (i) Providing quality education at affordable cost – in primary, secondary schools and colleges
- (ii) Providing access to specialised medical facilities.
- (iii) Reducing the incidence of stress related health issues and lifestyle diseases
- (iv) Develop housing schemes that aim at providing affordable houses to all with access to sanitation facilities, water and electricity.
- (v) Develop a comprehensive transportation plan for the state
- (vi) Promote establishment of diverse types of recreational facilities – as Kerala grows it would attract larger talent from outside, whose recreational needs have to met also

24. Kerala, as it moves forward on its developmental cycle, would need to be adequately engaged with the rest of the world. The engagement can take varied forms

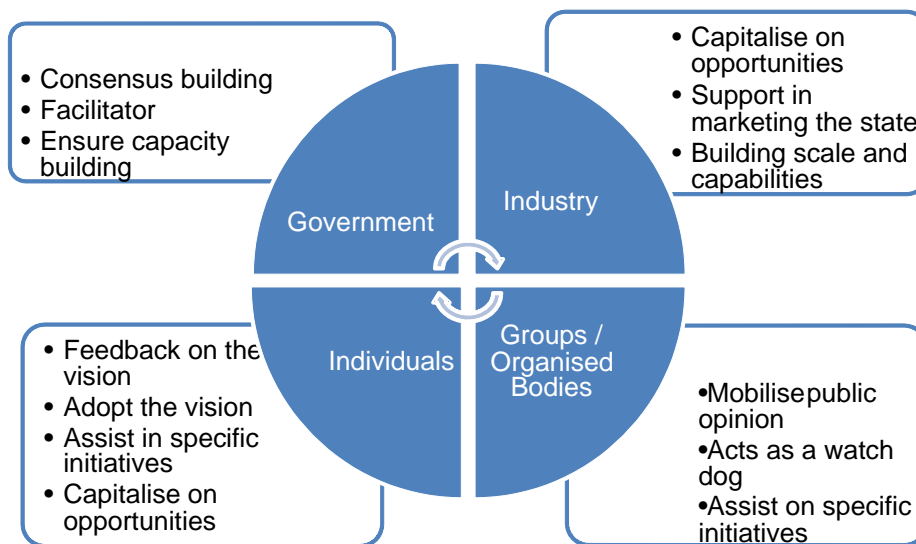
- (i) Viewing themselves as global citizens
- (ii) Skilling for jobs anywhere in the world – Jobs without boundaries
- (iii) Collaborations and exchanges with other global economies spanning many facets – economic, cultural, sports
- (iv) Enhancing trade with other economies

25. The desire of all the stakeholders is that the state should enjoy the benefits of a transparent and clean administration by 2025. Some of the initiatives that could go a long way in achieving this goal are

- (i) Ensuring continuity in key policies between various governments. The political parties should jointly evolve and agree on a **‘Minimum Common Development Agenda’** for the state, which should be followed irrespective of which party or group is in power.
- (ii) Reliance on IT and e-governance
- (iii) Information for all on demand
- (iv) Grievance handling mechanism
- (v) Simplification of procedures
- (vi) Governance Audits

26. Towards realising the Vision 2025, the substantive role of concerted efforts by the various key stakeholders, viz., the State Government, the Industry, Organised bodies / Groups and Individuals is envisaged

### Roles of various stakeholders

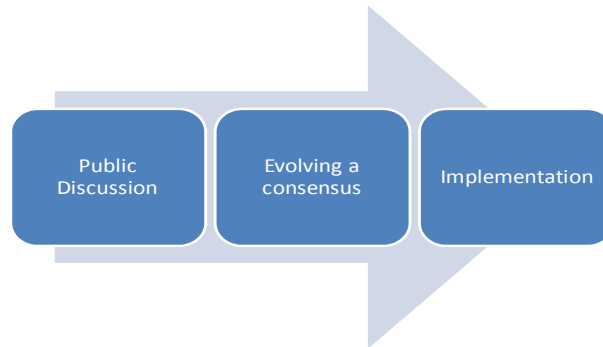


27. The role of the State Government would be three-fold as follows:

- a. Facilitate development in the state through appropriate policy initiatives in various key sectors and taking steps to usher in administrative reforms and facilitate capacity building

- b. To create world-class infrastructure that facilitates logistics and enables cost competitiveness.
  - c. Market the capabilities and potential of the state to the external world
28. Two key roles have been identified for the industry in attaining the Vision 2025 for Kerala
- a. Focus on growth – Operate efficiently and be globally competitive. Exhibit drive, ambition and capabilities to go global and be world beaters
  - b. Act as Brand Ambassadors- Individual firms should become “Brand Ambassadors” for the state and promote its growth
29. Media in Kerala is well entrenched, has a widespread reach and has an acknowledged capability in shaping public opinion. The media has a responsibility in ensuring the overall development of the state. The media should play a positive role in the vision exercise in creating awareness about the vision for the state, mobilising public opinion and providing a forum for people to discuss the vision.
30. Organised bodies and civic movements have a long history of shaping government policy in Kerala Their presence should be positively channelised to realise the vision
- a. Active involvement in the Vision exercise - Assist in mobilising public opinion on the vision
  - b. Act as a watch dog – Monitor stake holders actions on implementation of the vision
  - c. Implement specific initiatives
31. Individual residents have to provide appropriate feedback and help in building a consensus on the vision, in addition to participating in specific initiatives.
32. The vision needs to be discussed amongst a larger section of the stakeholders and a 3 phase approach is recommended for the same. Over the next 6 months, the government should partner with CII to catalyse the public opinion and evolve a consensus on the key vision themes for the state. This partnership should facilitate the transfer of ownership of the vision to all key stakeholders in the state and develop an implementation plan focussing on specific initiatives.

### The way forward



Attaining Vision 2025 for Kerala on the lines recommended in this document is a stretch goal for Government, Industry and other stakeholders in the state, but definitely worth striving for. If achieved, it will contribute handsomely to making Kerala a model state and provide a role model for sustainable development. The path of implementation of the Vision 2025 calls for some bold and pragmatic decision-making on part of state Governments and other stakeholders. The challenges for industry are no less in this cause, and essentially call for actions to attain global standards in operational efficiency and be globally competitive. Given the factor advantages prevalent in the state, and the aspirations of the people, we think that Vision 2025 is a doable challenge, and will be extremely rewarding to all stakeholders. **Working together, all the stakeholders can act and create a “Model Kerala” that the world can look upto.**

## **1. Introduction**

The Kerala State Council of the Confederation of Indian Industry (CII) mandated ICRA Management Consulting Services Limited (IMaCS) for assistance in formulating a 2025 Vision for state of Kerala.

The state of Kerala has been witnessing rapid economic growth in the past few years, driven by a strong growth in the services sector. In addition to the economic growth, the state has also performing well on the social development front and is the leading state in India in terms of Human Development Index (HDI).

The state has immense potential to realise growth in all developmental spheres – economic, social, cultural and quality of life. In his address to the State Legislative Assembly, the President of India, Dr. A.P.J. Abdul Kalam urged the State to identify its core competencies and adopt 10 different missions, including development of tourism, waterways and deep-sea fishing, development and marketing of knowledge products and pharmaceutical products, creation of an army of nurses and paramedics to meet the rising demand at national and global levels, setting up of exclusive economic zones to attract NRI and other investors, value addition to tea, coffee, spices, coconut and fruits and use of space technology for industrial development to achieve its development goals.

India is expected to emerge as one of the leading economies globally by 2050 and the southern states (Andhra Pradesh, Karnataka, Kerala and Tamil Nadu) are expected to contribute significantly to the emergence of India on the global scene. CII – Southern Region realises that the Southern States have been leading the economic growth of the country and have been able to attract investments across various industry and services areas. The action plan for the Southern States is to identify synergies between the states and share learning and best practices.

CII- Southern Region realises the developmental potential of the region and wishes to exploit the same by harnessing the resources and capabilities of each state. CII (Kerala State Council) has mandated IMaCS to assist it in developing the vision for the state of Kerala.

### **1.1 Scope and Coverage of this Report**

In the process of formulating the Vision for the state of Kerala, this report provides:

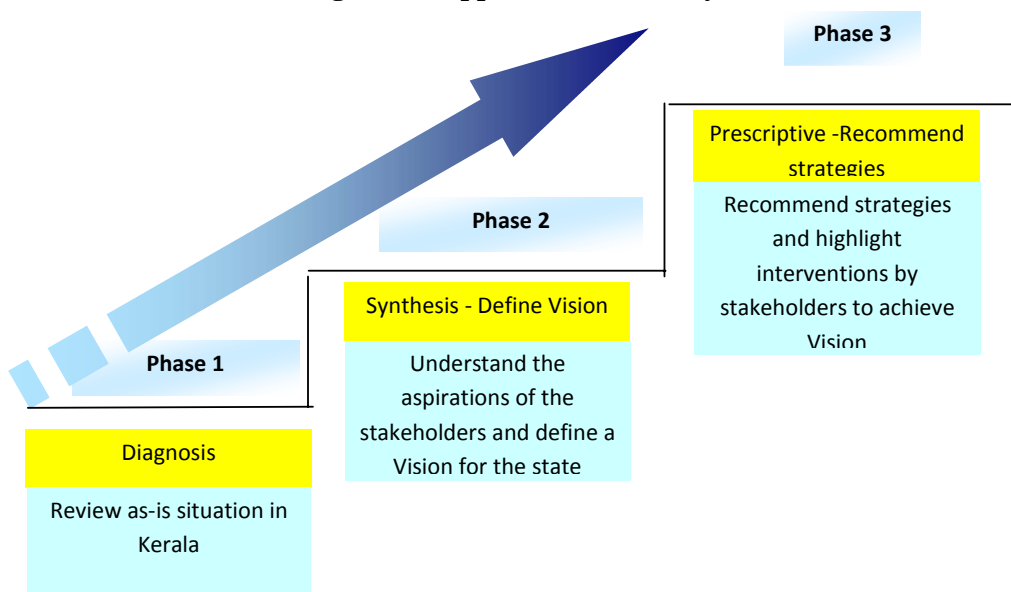
- (i) An insight into the present state of Kerala;

- (ii) An articulation of a Vision 2025 for the state of Kerala; and
- (iii) A perspective on the strategies to achieve the Vision and the role of stakeholders

### 1.2 Approach to the Study

Enunciating the Vision and formulating a policy that will provide the necessary environment for its fruition was a three-phase exercise as shown in Figure 1.1

**Figure 1.1 Approach to the study**



#### Phase I – Diagnosis

Given that Kerala has witnessed economic growth and is poised to maintain the growth trajectory, the starting point of our study was to take stock of the as-is situation of the State of Kerala. This phase focuses not only on economic parameters, but also on other developmental aspects such as medical and health facilities, the quality of education, etc. Wherever possible, we have attempted comparisons with other comparable states in India.

#### Phase II – Define Vision

This phase focused on articulating a realistic 2025 Vision for the State, given the opportunity landscape and the factor advantages of the state and the aspirations of the people in the state.

We have conducted the study by interacting with the principal stakeholders in State and by building on secondary research on the State. These include the following:

- Spectrum of political leadership in the state – both the ruling and opposition parties
- The State government – secretaries of key government departments

- The entire industry in the State
- Key sections of society – Farmers, Academicians, Students, etc
- The residents of the state
- The stakeholders have been met through one-on-one discussions and focus group discussions

### **Phase III – Recommend role of stakeholders and the way forward**

Having formulated the Vision, we proceeded to provide a perspective on the strategies and interventions to be adopted by the key stakeholders, namely the state Government, the Industry and the citizens of the state and specific roles to be played by each.

A Vision of this nature, to be successful should evolve from the stakeholders and have their substantial buy-in. Over the course of this study, we have conducted discussions with a cross-section of the stakeholders, which helped us gain insights into aspirations of the people, their vision of the future and the issues faced by them.

#### **1.3. Structure of this Report**

This reports attempts to define a high level Vision 2025 for the state. The objective of this exercise has been to bring to light the developmental targets that the state should aspire for. This report should be viewed as a starting point for a discussion on the vision for the state. As more stakeholders (government, other groups) take ownership of the vision exercise, the vision can be fine tuned. The report presents the broad initiatives that need to be rolled out to achieve the vision. Specific strategies and initiatives would then be a result of the consensed vision.

The report is organised into five chapters. This introduction is followed by Chapter 2 which provides an overview of the as-is situation in Kerala.

The next chapter focuses on identifying the global dynamics (as relevant to this study) by 2025 and how it could impact the State. Chapter 4 defines the vision for the State of Kerala.

Having identified the vision for the state, we have looked at next steps and the way forward in Chapter 5. This chapter also discussed the roles of various stakeholders in achieving the vision.

## 2. Overview of Kerala

Kerala, located in southern India, is unique in many respects. It has a long and cherished history. Post Independence, the states has witnessed significant progress on the human development aspects and boasts of the highest literacy rates in India and one of the best health care systems in the country. As a result, Kerala tops all the other Indian states in the Human Development Index (HDI) score.

Kerala occupies around 1.18 % of the land mass of India, but accounts for 3 % of its population. The population density at 819 people / sq km in Kerala is one of the highest among Indian states. This is reflected in the severe pressure on land that is observed in Kerala today.

**Table 2.1 – Kerala – Key Data**

Indicator	India	Kerala	% share of Kerala in India
Land Area (Sq Km) Census '01	3293644	38865	1.18%
Population(Crores)Census '01	102.60	3.18	3.1%
% Population Below Poverty Line	27.5%	15%	
Total Employment (Crores) Census '01	40.31	1.02	2.5%
% households having electricity (2005-06 )	67.9%	91% ( 3 <sup>rd</sup> highest among major states)	
% households with toilet access (2005-06)	44.5%	96% ( highest among major states)	
% households with safe drinking water facilities – Census 2001 *	77.9%	23.4% ( Lowest among major states)	

\* - Access to Taps, Handpumps, Tubewells and Wells within or outside the house – Definition of Planning commission of India

Source: Economic Survey, Government of India, Census 2001

Kerala contributes a larger share (3.7%) to the Indian economy as compared to its share of total size and population. Similarly Kerala accounts for almost a quarter of the NRI remittances that the country receives a reflection of the fact that a large number of Keralites have been successfully employed outside India, especially Middle East.

**Table 2.2 – Kerala – Key Economic Data**



Indicator	India	Kerala	% share of Kerala in India
GDP (Rs 000' Crore) 0506	2,864	107	3.7%
Primary	589	18	3.1%
Secondary	708	24	3.4%
Tertiary	1567	65	4.1%
Exports(US \$ Mn) 2006-07	126360	2293	1.8%
FDI(US \$ Mn) Jan '00-Jan '07	31914	87	0.27%
NRI Remittances(US \$ Mn) 2006-07	8396	1985	23.64%

Source: Economic Survey, Government of India, Dept. of Economics and Statistics

Kerala has had a consistently higher level of human development comparable with that of many advanced countries. Kerala ranked first among major States in India in the Human Development Index (HDI) with respect to Education and Health at the three time points of 1981, 1991 and 2001. Kerala has the ninth highest annual per capita income of Rs 30,300 compared to the Indian average of around Rs 26,000.

**Table 2.3 – Kerala – Human Development**

Indicator	Kerala	India
Life Expectancy at birth	73.7	63
IMR (per '000)	14	58
MMR/lakh	87	408
Females/ '000 Males	1058	933
Literacy	90.90%	65.38%

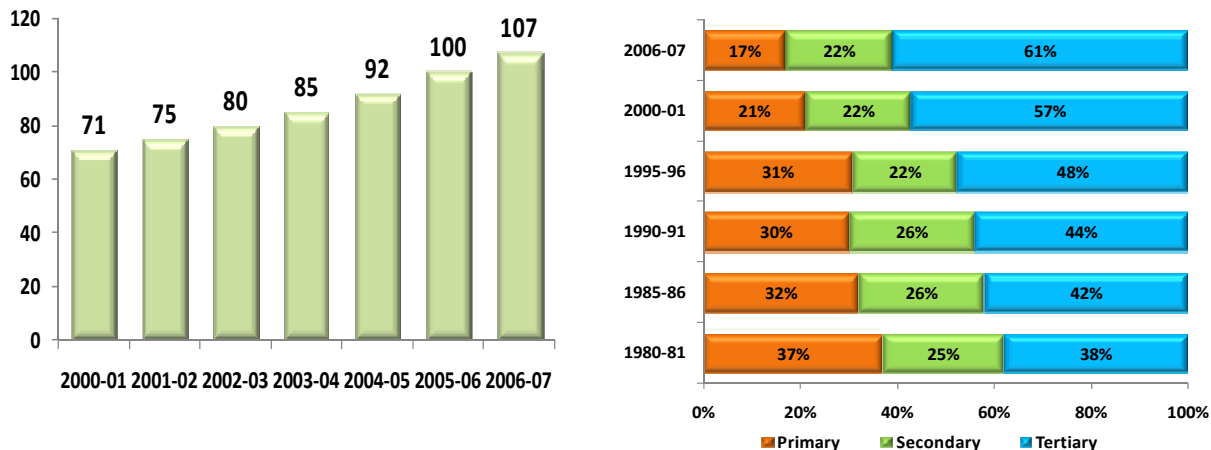
Source: Kerala Human Development Report, 2005

## 2.1 Current Status of the Kerala Economy

The size of the Kerala economy was around 107,000 crore in 2006-07. The state GDP has grown at the rate of 6 – 7 % CAGR since the last seven years and has kept pace with the growth of the Indian economy. The growth in the Kerala economy has driven by the growth in the tertiary (services) sector. The share of the services sector in the overall economy has increased from 38% in 1980 – 81 to around 61% in 2006-07. While the secondary sector (manufacturing) sector has

marginally declined, the primary sector (agriculture) has seen a significant decline in its share from 37% in 1980 – 81 to around 17% in 2004 -05.

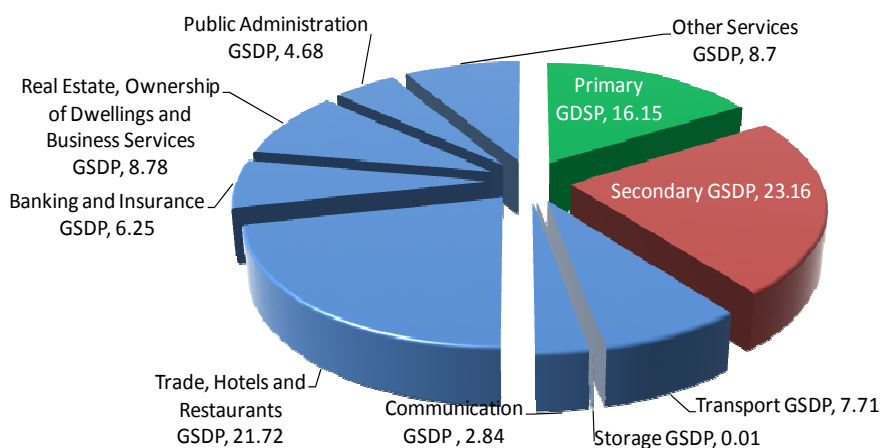
**Figure 2.1 – GSDP (000’s Cr) at Constant Prices and Trends in Composition of GDP**



Source: CSO

Of the various sectors constituting the state’s economy, Trade, Hotels and Restaurant (primarily tourism sector) is the largest contributors and accounts for around 22% of the state’s economy. Other key contributors include Real Estate and Business Services (~ 9%) and Banking and Financial Services (~ 6%). Constructions is also a key contributor to the state’s economy accounting for around 14% of the GSDP

**Figure 2.2 – Key Tertiary Sectors contributing to Kerala’s economy**



Source: Government of Kerala

The analysis of district wise performance on key parameters is shown in figure 2.3. This indicates that the central districts and southern districts have been able to progress at a much rapid pace as compared to the northern districts. The northern districts have some of the lowest per capita income and are also lowly placed on the HDI rank. The developmental plans for the state should take cognisance of this fact and place special focus on the development of the northern districts.

**Figure 2.3 – Districtwise Performance**

District	Share of GSDP (%) (2005-06)	GSDP growth rate (%) (2004 – 06)	Per Capita Income (Rs)	HDI Rank
Trivandrum	11%	6%	31,949	9
Kollam	8%	5%	27,817	6
Pathanamthitta	4%	8%	31,555	3
Allapuzha	6%	6%	29,305	4
Kottayam	7%	7%	33,541	2
Idukki	4%	2%	31,499	12
Ernakulam	14%	16%	44,054	1
Thrissur	10%	6%	31,375	5
Palakkad	8%	12%	27,603	10
Mallapuram	8%	11%	20,585	14
Kozhikode	9%	7%	29,274	8
Wayanad	2%	6%	26,065	13
Kannur	7%	12%	28,348	7
Kasargod	3%	4%	24,801	11

Source: Kerala Human Development Report

## 2.2 Sectors driving the state's economy

The state has traditionally enjoyed strong factor advantages in industries such as Rubber, Coir, Spices, Handlooms, Fisheries, Agro Processing, and Tourism. Furthermore, the Healthcare and Education sector has always been of importance in the Kerala's socio-economic milieu. Of late, Kerala has also been witness to certain emerging growth areas such as IT&ITES, Construction and Retail.

**Table 2.4 – Sectors driving the state's economy**

Sector / Factor	Growth Drivers	Factor Advantages
Agriculture	Cash Crops: Coconut, Rubber, Coir, Spices	Historical, Climate, Fertile Land, Availability of Water
Fisheries	Marine, Coastal Fishing	Historical, Long coastline
Tourism	Recreational/Traditional health treatments	Locational, Historical, Well developed social and health infrastructure, Brand Image
Industry	Food Processing, Light Manufacturing, Minerals, Construction	Backward linkages, Availability of natural resources
Services (Other than Tourism)	Information Technology	Availability of Skilled workforce, Good IT Infrastructure, Low Operational costs
Expatriate Remittances	High level of remittances - 1/5 <sup>th</sup> of NSDP	Historical, Market abroad for skilled labour.

Source: IMaCS Analysis

#### Rubber and Coir:

Kerala accounts for about 90% of the Rubber production in India, which was around 7.60 lakh tonnes in 2005-06. Kerala is the home for the Indian coir industry, accounting for over 85% of the coir products. Kerala produces over 180,000 tonnes of coir fibre with Allapuzha being the backbone of the industry in Kerala. As per information available with the Coir Board, about 1,17,495 tonnes of Coir and Coir products, valued at Rs. 461 crore were exported in 2005-06. The sector is a large employer, providing employment to about 4 lakh persons.

#### Spices:

Kerala accounts for more than 70% of the Spices export from the country, the major items being pepper, cardamom, ginger, turmeric, curry powder, oleoresins, vanilla, nutmeg and mace.

#### Handlooms:

The handloom industry in Kerala contributes about 16% of the handloom fabric produced in India. The handloom industry in Kerala accounts for Rs 238 crore of exports, which is roughly 10% of the handloom exports of the country. Kannur district accounts for 98% of the exports from Kerala. This sector is estimated to employ about 1.8 lakh persons.

#### Fisheries:

Kerala has 44 rivers and 590 Km of coastline. The state has 8 fishing harbours and 14 fish landing centres. It is estimated that there are 29,177 operational fishing crafts in Kerala. In contributing 1.7% of the Net State Domestic Product (NSDP) and providing livelihood to about 8.5 lakh fishermen, the Fisheries sector is key to the people of the State.

Marine fish production in the State was estimated at 5.59 lakh tonnes in 2005. Marine exports through Kerala ports were valued at Rs 1258 crore in 2005, which formed 17 % of total marine exports from India.

*Agro Processing:*

According to estimates of the Ministry of Food Processing Industries, Government of India, the market for value added food in India is estimated to reach around Rs. 4,00,000 crore by 2009-10. The sector has been growing at about 7% per annum and is slated to grow at 10%, due to factors such as rising incomes and changing lifestyles.

There are an estimated 40,000 units in the food processing sector in India, of which nearly 1,274 units exist in Kerala alone. Kerala is third largest in terms of number of licensed food processing units after Maharashtra and Tamil Nadu. Nearly 40% of the processing units of marine products in the country are located in Kerala. The KINFRA food park, Aroor, is one of the largest food processing locations in the country. The State is richly endowed with resources and raw materials such as fruits and vegetables, vanilla, spices, and freshwater and marine fishes.

The Kerala Industrial Infrastructure Development Corporation (KINFRA) set up ADFIK (Agency for Development of Food Processing Industries in Kerala) to coordinate activities in the food processing sector. KINFRA is actively involved in allocating land for food processing units in Kakkancherry in Malappuram. The Government is planning to collaborate with the Spices Board to set up spices parks at potential locations like Idukki and Wayanad.

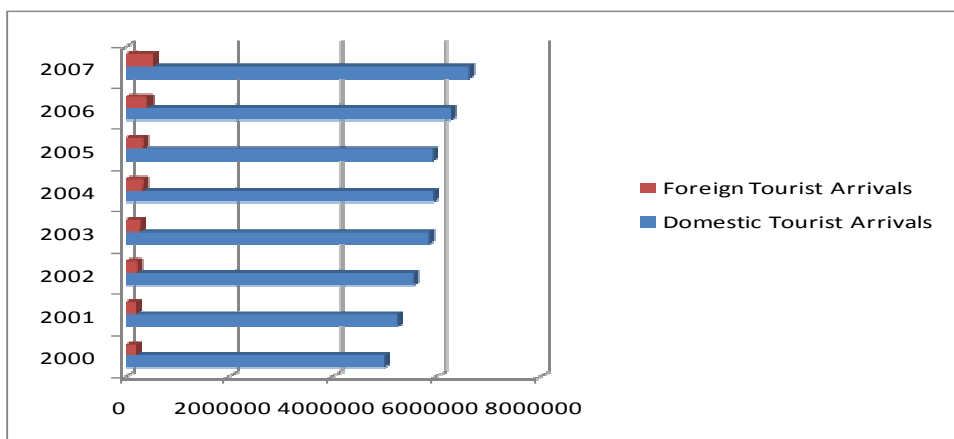
*Tourism:*

Kerala, known as 'God's Own Country', has always been at the forefront of India's Tourism industry and a torchbearer of the 'Incredible India' campaign globally. Trade, Hotels and Restaurants (including Tourism) contributed 21.72 per cent to the state's GSDP in 2004-05. The total revenue (including direct and indirect) from tourism during the period January-December 2007 was Rs.11,433 crores. Travel and tourism generates 6.2% of total employment. Around 1 million people are employed in this sector in Kerala.

There has been a significant growth in the number of both foreign and domestic tourist arrivals into the State, which has exceeded 7 million in 2007. World Travel and Tourism Council (WTTC) estimates tourism demand of Kerala is to grow by 11.6% per annum over the next decade. A growth of 23.5% is predicted in terms of external account earnings from travel and

tourism over the next 10 years (India's estimates for this period are 14.3% while the world average is only 6.5%), thus making Kerala an important hub of tourism in India and the world.

**Figure 2.4 Tourism Arrivals in Kerala**



Source: Directorate of Economics and Statistics, Government of Kerala

Some of the key thrust areas and policy initiatives are presented below.

**Figure 2.5 – Policy Initiatives in the Tourism sector**

Thrust in Medical Tourism	Government Initiatives in the Tourism Sector	Initiatives in the new Tourism Policy
<ul style="list-style-type: none"> <li>• The key selling points of the medical tourism industry are its cost effectiveness and its combination with the attractions of tourism, traditional therapies and treatment methods.</li> <li>• Most of the modern treatment facilities that can be availed in Kerala are cheaper by 40 -50% when compared to other countries.</li> <li>• Kerala Health Tourism, by 2010, would enjoy at least 20% market share of medical tourism in India.</li> </ul>	<ul style="list-style-type: none"> <li>• An investment of Rs100 bn in Hospitality sector is proposed.</li> <li>• An investment to the tune of Rs50 bn by 2012 in support of infrastructure investment is proposed.</li> <li>• Plans to rope in Culture, Health, Forest, Irrigation, Electricity and Fisheries departments for the overall development of the sector. Are underway.</li> <li>• Plans to set up Special Tourism Zones (STZs) along the lines of the Special Economic Zone are underway.</li> </ul>	<ul style="list-style-type: none"> <li>• Non-requirement of approval for foreign equity of up to 51% in tourism projects.</li> <li>• NRI investments allowed up to 100%.</li> <li>• Approvals for Technology agreements in the hotel industry on automatic basis.</li> <li>• Concession rates on customs duty of 25% for goods that are required for initial setting up of facilities.</li> <li>• Approved hotels are entitled to import essential goods relating to the hotel and tourism industry up to the value of 25% of the foreign exchange earned by them.</li> </ul>

**IT&ITES:**

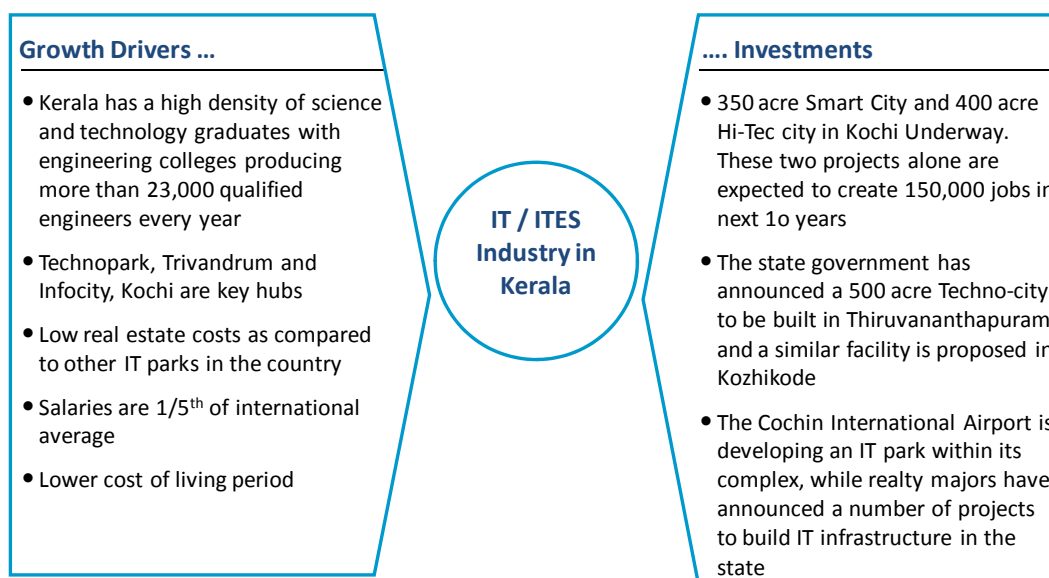
The IT&ITES is one of the important emerging sectors of Kerala’s Economy. The State’s software exports grew by 66% to reach Rs. 750 crore in 2006-07. It is expected to touch Rs. 1,200 crore by 2008. Despite having set up the country’s first IT Park at TechnoPark in

Thiruvananthapuram, Kerala has a long way to go to catch up with its southern neighbours in terms of exports. Karnataka leads the IT exports in the country notching up Rs 48,000 crore during 2006-07, while Tamil Nadu earned export revenues amounting to Rs 20,700 crore. Andhra Pradesh had exports of Rs18,500 crore. The Government has specific plans to promote this sector in the State as is evident from its IT Policy.

To ensure that the benefits of Information and Communication Technology (ICT) services reach the common man, Government of Kerala proposes to set up around 3,000 broadband-enabled information hubs called Akshaya e-Centres throughout the state. The Project aims to provide provides functional computer literacy training to at least one person from each of 64 lakh families in the State.

The following provides the growth drivers and initiatives underway for the IT&ITES sector in Kerala.

**Figure 2.6 – Growth drivers in IT / ITES sectors**



Other Emerging Sectors – Light Engineering and Construction:

The State enjoys high literacy levels and has a large number of engineers. There is an inherent preference for jobs with higher skill levels. With land being a scarce resource preventing the

establishment of large and heavy industries, Light Engineering<sup>2</sup> has emerged as important sector to provide employment to the State's skilled labour pool. The Light Engineering industry, contributing about Rs. 2,100 crore, is expected to grow at about 15% in the State and presents itself as an area with immense potential. Kerala also has advantages to exploit in Electronics and allied manufacturing industry such as relatively clean environment and presence of qualified work force. Construction activity in the State is expected to grow at around 20%, backed by the need for infrastructure, demand for housing, and flourishing Real Estate businesses. Kerala is renowned for its system of health care, which needs to be exploited. The name and recognition that ayurveda has achieved over the years can be translated to modern medicine and modern health care, for Keralites and non Keralites, can grow into a large industry in Kerala.

### ***2.2.1. State of Agriculture in Kerala***

Agriculture contributed to 37% of the GSDP in 1980-81 which has declined to 16% in 2004-05. This trend is expected to continue with Kerala's economic growth being led by services.

#### ***2.2.1.1 Major crops in Kerala and trends in production***

The major crops in Kerala are as follows:

- Food crops: Rice, Pulses, Ragi, Cereals
- Cash crops: Cardamom, Areca Nut, Banana, Mango, Pepper, Sugarcane, Cashew, Tapioca, Cotton, Groundnut, Tea, Coffee, Rubber, Tobacco, Coconut.

A summary of the status with respect to some of the key crops is provided below:

Rice: The area under rice cultivation has declined from 6.78 lakh hectares in 1985-86 to around 2.90 lakh hectares in 2004-05, a reduction of 57%. The productivity has not significantly changed during the last decade, resulting in a decline in production of rice.

Plantation Crops: The key plantation crops are rubber, tea, coffee and cashew. The area under cultivation of plantation crops has increased from 3.3 lakh hectares in 1985-86 to around 4.8 lakh hectares in 2004-05, an increase of around 45%. In terms of productivity, the productivity of rubber has increased from 1057 kg / ha in 1995-95 to 1457 kg / ha in 2004-05. On the other hand, both Tea and Coffee have shown declining trends in productivity.

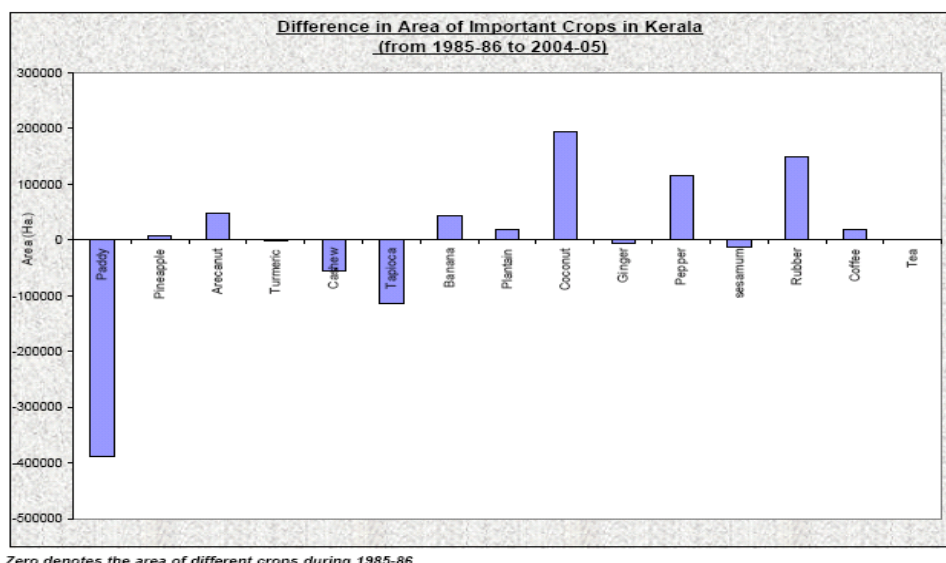
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<sup>2</sup> Light Engineering includes industries such as fabrication, ball bearings, machine tools and allied products, fasteners, medical and surgical equipments,



The picture shows the changes that have happened to area under cultivation of key crops during the period 1985-86 to 2004-05.

**Figure 2.7 – Changes in Area under key crops**



Zero denotes the area of different crops during 1985-86

Source: Department of Economics and Statistics

**2.2.1.2 Land utilization, Land holdings, and Issues faced in Agriculture in Kerala**

The table below shows the land utilisation pattern in the state since 2000. This captures the key trends of conversion of agricultural land for non agricultural purposes. While the forest cover had remained constant, the land put for non agricultural use has increased by around 11% during the 4 year period till 2002-03 to reach around 10 % of overall land available. This process had been accentuated over the last few years due to the real estate boom the country has been witnessing.

**Table 2.5: - Land Use Pattern**

	1999-2000		2000-01		2001-02		2002-03	
	Area	%	Area	%	Area	%	Area	%
<b>Total Geographical Area</b>	3,885,497	100	3,885,497	100	3,885,497	100	3,885,497	100
<b>Forests</b>	1,081,509	27.83	1,081,509	27.83	1,081,509	27.83	1,081,509	27.83
<b>Total Cropped Area</b>	3,001,704	78.25	3,021,682	77.77	2,992,252	77.01	2,970,384	76.45
<b>Land Put in non agricultural use</b>	354,390	9.12	381,873	9.83	392,352	10.1	393,341	10.12

Source: Directorate of Economics and Statistics

The size of the average land holding in Kerala as per the Agricultural Census, 2000-01, was 0.13 hectares (0.32 acres) for a marginal land owner. There were 6,335,428 marginal land owners in Kerala at the time of census. A mere 7% of the total 1,569,487 hectares of land is classified as large holdings, while more than 90% of the holdings were marginal holdings.

**Table 2.6 – Average Size of Land Holding**

Type of Holding	Average Holding (Hectares Per Person)	Average Holding (Hectares Per Group)	Average Holding (Hectares Per Institution)
<b>Marginal</b>	0.14	0.22	0.173
<b>Small</b>	1.32	1.32	1.32
<b>Semi-Medium</b>	2.51	2.68	2.63
<b>Medium</b>	5.26	5.43	5.80
<b>Large</b>	18.91	160.80	81.44

Source: Directorate of Economics and Statistics

Fragmented land holdings, the fallout of years of well-intentional land reforms, have increased the cost of production and removed the synergies of large land holdings. High cost of labour and lack of technological upgradation in agricultural practices have rendered some of the agricultural activities unviable. This is specifically evident in food crops, certain spices, and coconut.

## 2.2.2. State of Infrastructure in Kerala

### 2.2.2.1 Road Network

The total network of roads in the state is in excess of 110,000 kms. The State’s road density is four times the national average.

### 2.2.2.2 Rail Network

The state's rail network is in excess of 1,200 kms and is well connected to rest of the country. The connectivity to regions such as Mumbai and Pune has been enhanced after the operations of Konkan Railways have commenced.

#### ***2.2.2.3 Air Connectivity***

The state has 3 international airports (Cochin, Tiruvananthapuram and Calicut) and a fourth airport has been proposed at Kannur. The three airports offer good connectivity to the domestic destinations and also to international destinations, mainly the gulf countries. Cochin Airport has the distinction of being the first private airport in the country. The proposed airport at Kannur is expected to provide a fillip to promoting trade, commerce, and tourism in the northern and Malabar regions of the State.

#### ***2.2.2.4 Ports and Waterways***

The state has an international sea port at Kochi, three intermediate ports at Neendakara, Alappuzha, Kozhikode and 12 minor ports. The ports in Kerala handle 3.3 % of the total cargo handled in the country. Plans are afoot to develop a Container terminal facility at Vallarpadam and a port at Vizhinjam. Kerala also has a well established inland water transport network, which serves the water logged areas of Alappuzha, Kollam, Kottayam, Ernakulam, Kasargod and Kannur districts

#### ***2.2.2.5 Communication***

The State has a well-developed telecommunications infrastructure with the highest tele-density in the country at 129.2 / 1000 persons. As on 2006, there were 333,176 internet connections. Kerala has two submarine cable landings and supports a bandwidth of 15 Gbps. Kochi, the primary international gateway, handles two-thirds of the country's data traffic. The State has 5,071 post offices as on 2004-05, which translates into 1 post office for every 7.9 sq km compared to the Indian average of 1 post office for every 21.2 sq km.

#### ***2.2.2.6 Power***

The State has 17 hydel units and one wind power unit. All these units put together amount to a capacity of around 2,311 MW. While majority of the hydel units have a capacity in the 10 to 75 MW range, the biggest unit is located at Idukki which can produce 780 MW of power. Power development in the state is based on its hydro-potential. The Government of Kerala is encouraging private sector participation in augmenting power supply. The Government has

also given a thrust to develop hydro-electric power through small and medium projects. Some of the new important thermal projects include the Brahmapuram Diesel Power Project, the Kozhikode Diesel Power Project at Nallalam and the third unit of the combined cycle power project of NTPC at Kayamkulam.

**2.2.2.7 Business Infrastructure**

Development of industrial infrastructure in the State is pioneered by the Kerala Industrial Infrastructure Development Corporation (KINFRA) through Industrial Parks, and by Kerala State Industrial Development Corporation (KSIDC) through Small Industries Development Corporation (SIDCO) Parks.

A snapshot of the business infrastructure created by the State Government through KINFRA is presented below.

**Table 2.7: Business Infrastructure created by KINFRA**

<p><b>Agri/Agro/Food/ Biotech</b></p> <ul style="list-style-type: none"> <li>• KINFRA Herbal Park, Wayanad</li> <li>• KINFRA Rubber Park, Emakulam</li> <li>• KINFRA Biotechnology Park, Thiruvananthapuram</li> <li>• KINFRA Biotechnology Park , Emakulam</li> <li>• KINFRA Food Processing Park (KIFPRO), Malappuram</li> <li>• Seafood Park , Aroor</li> </ul> <p><b>IT &amp; Electronics</b></p> <ul style="list-style-type: none"> <li>• KINFRA Information Technology &amp; Electronics Park (KITEL), Kochi</li> <li>• KINFRA Electronic Park, Malappuram</li> </ul> <p><b>Infrastructure</b></p> <ul style="list-style-type: none"> <li>• ICICI KINFRA Ltd (I-KIN), Thiruvananthapuram</li> </ul>	<p><b>Small Industries</b></p> <ul style="list-style-type: none"> <li>• KINFRA Small Industries Park (KSIP), Kasargod</li> <li>• KINFRA Small Industries Park (KSIP), Emakulam</li> <li>• KINFRA Small Industries Park (KSIP), Kannur</li> <li>• KINFRA Small Industries Park (KSIP), Thiruvananthapuram</li> <li>• KINFRA Small Industries Park (KSIP), Thrissur</li> <li>• KINFRA Small Industries Park (KSIP), Wayanad</li> </ul> <p><b>Apparel</b></p> <ul style="list-style-type: none"> <li>• KINFRA International Apparel Park, Thiruvananthapuram</li> </ul> <p><b>General / Other</b></p> <ul style="list-style-type: none"> <li>• KINFRA Export Promotion Industrial Park (KEPIP), Kochi</li> <li>• Western India Kinfra Ltd. (WISE Park), Palakkad</li> <li>• KINFRA Film &amp; Video Park, Thiruvananthapuram</li> </ul>
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*Source: Department of Industries, Government of Kerala*

The KSIDC identifies backward/rural areas where it creates infrastructure required for industries to develop. Power, Water Supply and Telecommunications infrastructure is provided. Road laying and construction of buildings is taken up. These are called Growth Centres. There are 4 growth centres at present at Malapuram, Alapuzha, Kozhikode and Kannur. SIDCO has 12 Industrial Parks, 17 industrial estates and 34 mini industrial estates covering a total of 339 acres.

**2.3 State of Social Infrastructure in Kerala**

### 2.3.1 Educational Infrastructure

The Government expenditure on Education is 20.96% of revenue expenditure in Kerala. This is higher than Karnataka (19.48%), Tamil Nadu (19.16%), Andhra Pradesh (14.3%), and India (12.76%). The per capita expenditure on education is highest in Kerala.

The State has around 9870 primary schools and 2781 secondary schools. The following table presents a snapshot of the State's infrastructure in Higher and Technical Education.

**Table 2.8: Higher and Technical Education Infrastructure in Kerala**

Type of Institute	No. of Institutes
Deemed Universities	1
Institutions of national importance	1
Research Institutions	1
Arts and Science Colleges	353
Engineering Colleges	84
Medicine (Allo/Ayur/Homeo /Unani/Nursing/Pharm)	40
Teacher Training Colleges	21
Others (Law/Mgmt/MCA/IT/Agri)	82
Teacher training Schools	184
Polytechnic Institutions (government and aided)	56
ITI and ITC	549

Source: Selected Educational Statistics 2004-05

### 2.3.2 Health Infrastructure

Kerala has been a leader in health and related infrastructure. The State has about 403 beds per lakh of population. Per capita expenditure on health was Rs. 238 in 2001-02, as compared to the Rs. 191 in India.

**Table 2.9: Beds per lakh of population**

Category	No. of beds	Beds per lakh population*
Government sector (including three systems)	50515	159
ESI Hospitals	1153	4
Co-operative sector	5447	17
Autonomous sector	513	2
Private sector	70506	221
<b>Total</b>	<b>128134</b>	<b>403</b>

Source: Economic Survey of Kerala 2006-07

The better access to health facilities is also reflected in the health indicators where Kerala is one of the best states in the country

**Table 2.10: Birth Rate, Death Rate, MMR, Sex Ratio, Life at Birth – Kerala v/s India**

(All expect life at Birth – per '000 population)

	Birth Rate	Death Rate	MMR	Sex Ratio 0-6 Years	Life at Birth		
					Male	Female	Total
<b>State</b>	15.0	6.4	1.10	960	70.90	76.00	73.60
<b>India</b>	23.8	7.6	3.01	927	61.80	63.50	62.70

Source: Economic Survey of Kerala 2006-07

**Table 2.11: Health Indices – Kerala v/s India**

Indices	NFHS-1	NFHS-2	NFHS-3
IMR (Per 1000 live birth)	24	16	15 (57)
Total Fertility Rate	2.0	2.0	1.9 (2.7)
Trends in Vaccination coverage (%)	54	80	75 (44)
Trends in Institutional Deliveries (%)	89	93	100 (41)
Trends in Any Antenatal Care (%)	98	99	100 (77)
Trends in Contraceptive use(%)	63	64	69 (56)

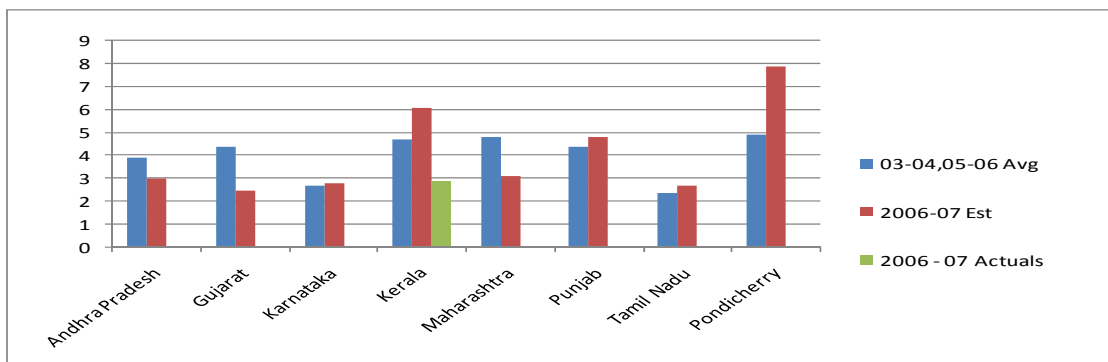
Source: Economic Survey of Kerala 2006-07; Figures in bracket indicate India numbers.

## 2.4 Fiscal health of Kerala

### 2.4.1 Fiscal deficit

Fiscal deficit in Kerala as a proportion of GSDP was estimated to be around 6% in 2006-07 in the revised estimates and higher than other leading states in India. However, the actual fiscal deficit was lower at 2.9%, due to buoyant tax collection. (which factor could be applicable to other states also.)

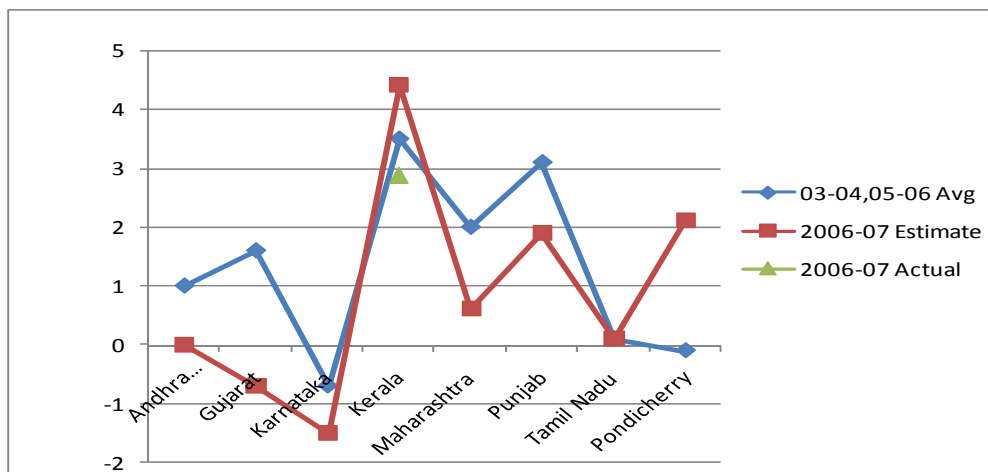
Figure 2.8: Fiscal deficit – a comparison



Source: Reserve Bank of India, Kerala State Finance Department

The revenue deficit in the state was also estimated at higher levels than other states at over 4.5 % in 2005-06. Such high deficit may prevent effective domestic capital formation and investments. However the actual deficit for 2006-07 was around 3 %.

Figure 2.9: Revenue deficit – a comparison

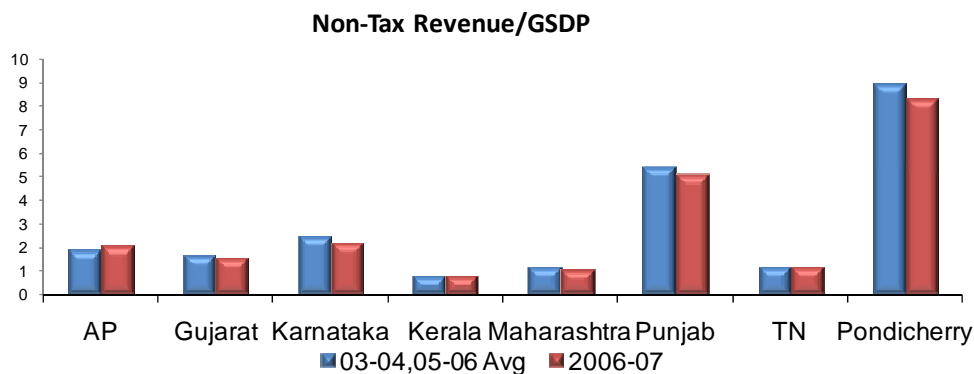


Source: Reserve Bank of India, Kerala State Finance Department

**2.4.2 State Revenue and Expenditure**

Kerala’s own Tax Revenue is at 9 % (2006-07) of its GSDP which puts it at a moderate position compared to the other states. It performs better than Gujarat, Maharashtra and Punjab. Since taxes are levied on expenditure, which is funded out of household disposable income inclusive of external remittances, the Kerala own tax revenue to GSDP ratio are higher than for other states not receiving remittance income. Kerala’s non-tax revenue however, at 0.8 %( 2006-07) of GSDP is lower than all 6 states.

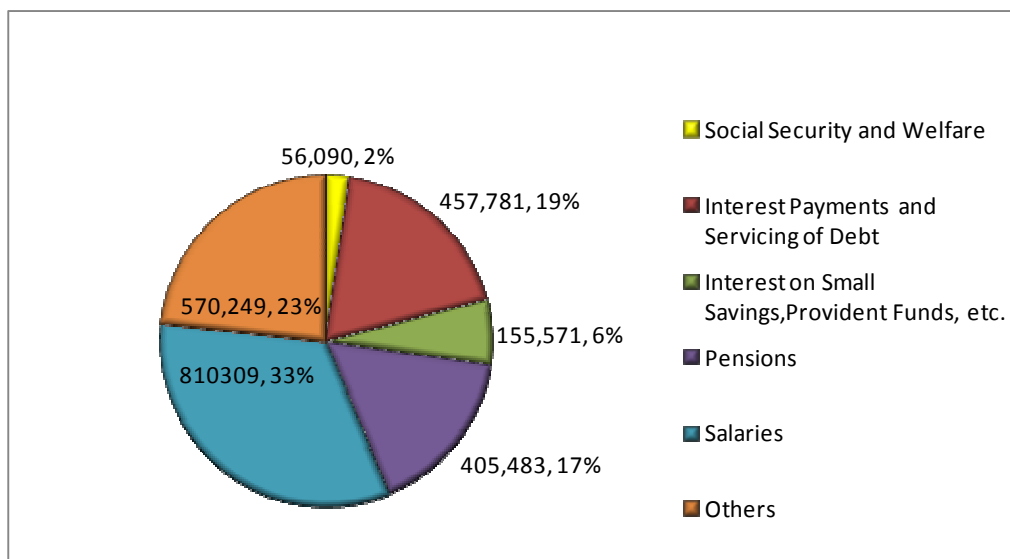
**Figure 2.10: Kerala – Non-Tax Revenue to GSDP**



Source: Reserve Bank of India

**Expenditure:** Around 33% of the state’s expenditure is spent on salaries and wages for employees (included under others in the chart below). Interest and Pensions account for another 42% of the expenditure.

**Figure 2.11: 2006 – 07 Expenditure Budget Estimate**

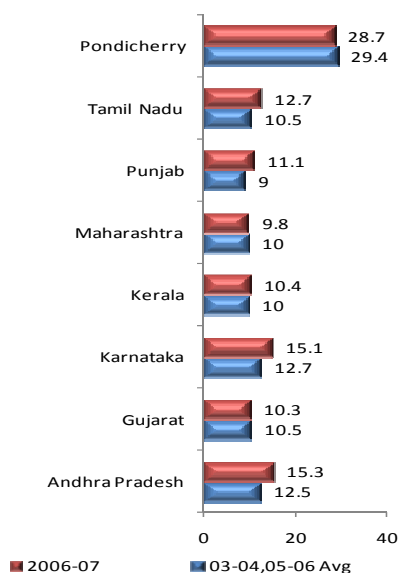


Source: Reserve Bank of India



Development expenditure at 10.4% of GSDP is almost the same as Gujarat and marginally lower than other states. Non – Development expenditure at 8.3% is higher than all states except Punjab, as a result of high levels of debt servicing by the State.

**Figure 2.12: Development Expenditure as a % of GSDP**



Source: Reserve Bank of India

However, Capital Outlay to GSDP at 0.7% is much lower than the other states, which points to the fact that the state lacks funds to plough back to enable planned development.

## 2.5 Key issues facing the state

There are issues facing the State which are serious challenges from the perspective of economic development.

### 2.5.1 Issues facing the State in Agriculture

Some of the key issues facing the agriculture sector are :

Non viability of agriculture: Some of the issues highlighted earlier – marginal holding, declining productivity, etc have resulted in agriculture being non viable from a farmers point of view. The table below captures the cost of agriculture and the income generated for the farmer. In the case of rice production, the farmer barely breaks even on his input costs.

Table 2.12

COST OF CULTIVATION PER HECTARE OF FEW IMPORTANT CROPS DURING THE YEAR 2004-05

Sl. No	Components of cost	Cost per Hectare (Rs.)									
		Paddy			Coconut	Arecanut	Tapioca	Banana	Pepper	Ginger	Turmeric
		Autumn	Winter	Summer							
1	2	3	4	5	6	7	8	9	10	11	12
1	Hired human labour	9542	9663	9976	10980	15265	18696	28647	10859	18954	17708
2	Animal labour	379	384	414	31	0	13	5	-	-	-
3	Machine labour	2161	2292	2803	444	1152	354	949	55	233	151
4	Seed/Seedlings	1125	1239	1051	132	24	1044	10935	65	13858	9159
5	Farmyard manure & Chemical fertilizers	2900	2629	2618	5659	8926	7416	25367	3273	19375	5254
6	Plant protection	347	561	724	44	211	107	1118	35	452	24
7	Land tax & irrigation cess	60	136	351	80	129	77	970	68	64	95
8	Repair & Maintenance charges of implements, machinery & buildings	330	302	410	346	500	215	327	253	211	106
9	Interest on working capital	878	892	1068	1729	2661	3008	6702	1470	5287	3270
10	Other expenses	1113	1072	3739	1014	1035	2453	-	412	-	411
11	Interest on fixed capital	1024	729	723	1513	1734	1500	1424	1850	1194	1060
12	Imputed value of household labour	1204	987	1334	1647	4019	4785	13046	2098	1607	2353
13	Total Cost	21063	20886	25211	23619	35656	39668	89490	20438	61235	39591
14	Value of output received (Rs./Ha)	25018	23317	25921	36456	45392	53650	117529	26042	61356	42242

Source – Dept. of Economics and Statistics

**Shift from agriculture :** As a result of the non viability of agricultural sector, there are two shifts that are happening today – i) shift from agricultural jobs to non agricultural job resulting in non availability of manpower for agricultural jobs such as coconut plucking and ii) conversion of agricultural land to non agricultural use.

**Increase in fallow land:** Large proportions of land are left uncultivated as people have moved to the city for jobs and are unable to take care of the land.

**Declining Productivity:** Due to large proportion of marginal holdings and inability to modernise, the productivity in a number of crops has declined over the last decade.

### 2.5.2 Issues facing the traditional sectors in the state

The key issues facing the traditional sector in the state are:

- Need to modernise, upgrade technology
- Inadequate market linkages
- Lack of working capital
- Need to upgrade product – focus on value added products, add new designs

The traditional sector employs a significant proportion of population – infact it is the largest employer after the agricultural sector and hence a vibrant and viable traditional sector is critical to the state’s prospects.

### ***2.5.3 Issues facing the State in Industry and Services***

The key issues facing the State in this sector are:

- High labour costs.
- Pressure on land and resultant high realty costs.
- Preference for white collar / non labour intensive jobs

The economy of the State would be driven by Services, with Manufacturing and related industries having a ‘supplementary’ role. At the same time, there is need to preserve traditional industries, such as handlooms and the agro processing sector by upgradation, value-addition, and linkages.

The growth of the Services sector, such as Tourism, is constrained by the lack of infrastructure – especially roadways and waterways, which needs to be addressed. This is one of the most critical challenges faced by the State, given the extent of the importance of the Service sector which requires sound infrastructure for delivery of services.

### ***2.5.4 Other Issues facing the State***

The position of State finances is a cause for concern for all those interested in development. Though the deficit levels for 2006-07 have reduced sharply, due to buoyant tax collections, issues such as low level of developmental expenditure needs to addressed. There is also a need to enhance the perception of industry friendliness of the State. A common view expressed by many stakeholders to bring out a gradual change in the psyche of the common man as regards ‘excessive debates’ and ‘willful unemployment’ backed by a consumption driven, ‘money order’ economy which is fuelled by remittances from abroad.

While the State has been traditionally a leader in the Education and Health sectors, recent instances of outbreaks of Chikunguniya, and other similar diseases point out to a decline in the health sector – especially in sanitation and waste management. The effectiveness of the

education sector in producing skilled workforce suited to the industry's requirement is an issue. There is also a need to ensure effective delivery of healthcare services, and need for wider health insurance for the common man.

### **3. Shape of things to come**

This chapter attempts to look into the future and capture the key defining characteristics (as relevant to the study) of the tomorrow's world. A good understanding of this would help in appreciating the factors that would influence development around the world, the hard choice that country / states/ communities need to make and how these would influence the 2025 vision.

#### **3.1 Growth of the Knowledge Economy**

The “knowledge-based economy” is one in which information and knowledge, rather than material resources, drive economic activities. Knowledge knows no boundaries. The internet revolution would facilitate instantaneous transfer of data, ideas and best practices. Access to knowledge and ability to use the knowledge effectively would be critical to success.

#### **3.2 Global and connected economies**

The impact of globalisation would increase by 2025. Economies would be more integrated with each other, resulting in increased flow of goods, services and people across countries. As this takes place, the nature of competition would be more global and not restricted to regions and countries. Local governments would have lesser influence on the economic issues that impact their state.

#### **3.3 Jobs without boundaries**

In a knowledge economy, the knowledge worker would occupy the place of prominence. Companies would recruit people who have the requisite skills, irrespective of country of origin. Countries have to equip their workforce with skills to excel in a global environment

#### **3.4 Exponential increase in pace of change**

One of the most important fallouts of the globalisation and internet revolution is the rapid rate of changes in all walks of life. Customers' taste and preferences as will people's aspirations and needs change at a faster rate. Governments and companies need to recognise this and manage this rate of change in order for them to be effective.

In summary, countries and states have little choice but to learn to manage the globalisation process. Local communities would have little control over how the globalisation process impacts

them. However, states can be prepared for this process by ensuring that their citizens are skilled to benefit from the process. They should also manage areas where they can make a difference – such as providing world class infrastructure, providing access to good education and health facilities.

### 3.5 Developmental challenges faced by Kerala

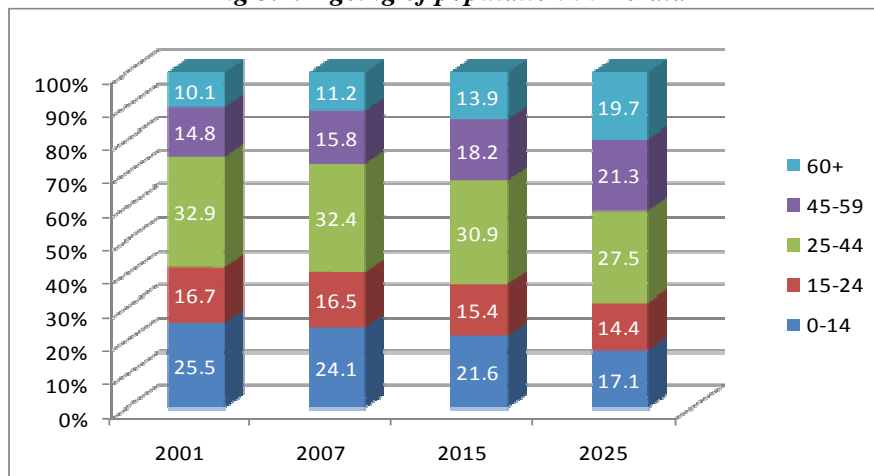
#### 3.5.1 Increased migration to urban areas

The next decade and a half would witness increased urbanisation of Kerala, with more people shifting from rural based jobs to city centered jobs. This would be accentuated by the decline in agriculture and its consequential disability to support a large population, growth in other sectors and the people’s desire for city based jobs.

#### 3.5.2 Increased in aged population

Analysis of trends in population growth indicate, that proportion of older people in Kerala (> 60 years) would have double by 2025 to reach around 20 % of the overall population. This is based on the profile of the present demographics in the state and improvements in living standards and the increasing life expectancy. This compares unfavourably with India, which is expected to have only around 6.5 – 8% of its population over the age of 60 years. The old age dependency ratio in Kerala is expected to be around 1:3 in Kerala as compared to 1:10 at an all India level.

**Fig 3.1: Ageing of population in Kerala**



Source : IMaCS Analysis

### ***3.5.3 Managing Unemployment***

Kerala presently has a relatively high level of unemployment. This is also accentuated by the fact that Keralites prefer jobs that are less labour intensive. As the population of working population grows (expected to be around 2.2 cr by 2025 from present level of 1.8 cr), the number of unemployed people would also grow to around 5 million unless the government charts a growth plan that would ensure the creation of jobs that people aspire for. The younger generation in Kerala aspires for white collar jobs or jobs in an office environment and not interested in low end Agricultural, Industrial and Construction (blue collar) jobs. Given the high density of population and limited land resources, the development agenda has to factor the need for maximizing employment potential per unit area.

### ***3.5.4 Sustainable growth***

Kerala is a state that is constrained by availability of key resources such as land. It's growth prospects hinge on its ability to retain and nurture the natural environment that exists in the state. At the same time, it has to support the aspirations of its demanding population. Kerala's challenge would be to ensure that it evolves a unique sustainable growth model that does not place too many demands on its natural resources.

### ***3.5.5 Increased spending on physical and social infrastructure creation***

Kerala lags behinds some of the Indian states and the rest of the world in the quality of physical infrastructure. While the quality of social infrastructure is better, there is a need to constantly upgrade the standards and access to the same. The state need to develop suitable funding mechanism to ensure that infrastructure upgradation keeps pace with the growth in the economy.

## 4. Vision 2025 for Kerala

Given its factor advantages, we believe that Kerala is well placed to witness all round growth over the next fifteen years till 2025. This chapter sets the contours of the developmental vision for the State. This vision has been developed based on the numerous interactions we have had with a number of stakeholders in the state.

### 4.1 Key Vision Themes

An analysis of the discussions we have had with a cross section of the people in the state reveals five broad, but interrelated themes that form the basis of the vision envisaged by the state. We believe that the five themes capture the aspirations of the people, the nature of development they visualise for the state and the relationships they wish to have with the world outside in general.

**Figure 4.1 – Vision 2025 Themes**



Being a “Green State” is one of the USPs of Kerala. The green image has been instrumental in the state developing its tourism potential and emerging as one of the leading tourism destinations in the country. Continuing to remain green and ensuring a sustainable developmental process is one of the overriding themes of the vision that has been identified for the state. All the stakeholders met were unanimous that the “Green Image” of the state must be maintained and the nature of development or growth envisaged should factor in the fact that the green image should be maintained.



The vision 2025 for the Kerala is defined as follows:

**“By 2025, Kerala would be a vibrant, sustainable modern state providing its residents globally comparable quality of life and opportunities to excel in their chosen walk of life.”** The vision calls for all the key stakeholders coming together, seeing a common vision, acting in unison and creating a modern and sustainable Kerala. **This forms the basis of the action agenda for the Vision – ACT Kerala 2025 (Advance & Create, Together Kerala – 2025).**

#### **4.2 Green and Sustainable Development**

The image that springs to one’s mind when we think of Kerala is the green top coconut canopy that engulfs the state. The stakeholders in the state are unanimous in their views that the state should preserve the image in 2025.

Any developmental process places a number of demands on resources and the environment. Kerala envisages adopting a sustainable growth plan that takes into account the resource availability and constraints that the state faces. The development process envisaged for the state, in terms of growth sectors promoted, the regions identified for growth, the spatial distribution of industries and residential areas, should be tailored to retain the green image of the state. Kerala should emerge as the ‘model state’ in green and sustainable development in the world.

Some of the strategies and initiatives that need to be adopted include:

**Preserving forest cover:** Presently 28% of the state’s land mass is under forests. Though it is higher than the Indian average, it has been showing a declining trend over the last few years. Development of industries and tourism sectors, usually tend to destroy the forest cover slowly over a period of time. The challenge that Kerala faces would be maintain the fine balance between development and preservation and keep the forest cover at 28 - 30 % by 2025.

**Green urbanisation:** The continuing service orientation of the state’s economy would result in movement of the people from rural areas to urban areas. Though Kerala has a low urbanisation level, it has the advantage of low level of differentiation between an urban, semi urban and rural areas, to the extent some experts view Kerala as a continuous city. While the growth of urban areas is inevitable in today’s modern society, Kerala would have to manage this transition in a planned manner so that the green cover is maintained. Policy initiatives to encourage construction of green buildings needs to be initiated. Planned urbanisation that ensures preservation of the environment and the image needs be taken up.

**Promote environmentally sustainable industries and services:** Sectors that help Kerala maintain its ecological balance and do not add to pressure on land should be encouraged. Sectors that Kerala has such factors advantages include Tourism (including medical tourism), IT / ITES, Electronics and Allied Manufacturing, Health Care, Construction, Retail and Food Processing.

**Maintain stringent environmental norms:** Stringent environmental norms with respect to air, water and soil should be laid down and adhered to. These should be benchmarked with standards in environmentally conscious states / countries and be periodically updated

**Promote Technologies that meet environmental standards:** Technologies to meet the stringent standards can be expensive. The government should promote development of alternate low cost technologies suitable for developing regions. The government should also promote the adoption of such technologies by appropriate assistance / incentives to users.

**Effective Waste management:** Urbanisation is often associated with pitfalls such as waste generation and inadequate waste management. Young people met as a part of the study have voiced their concern about the need for an effective process to manage the waste being generated in cities. Urban slums, overflowing dustbins, poorly managed dump yards all contribute to the poor quality of life that the citizens enjoy. In addition, they also have an adverse impact on the environment. The state should adopt a two pronged approach to waste management – waste elimination and waste management.

**Efficient Water management:** Kerala is blessed with abundant water, with over 44 rivers and streams crisscrossing the state. Water is a precious resource and in addition to meeting the daily needs of people, water is also key to other sectors such as tourism and inland waterways. In spite of water being abundantly available, the access to clean drinking water is much lower in Kerala than the national average. A water management policy that facilitates judicious use of this precious resource, encourages use of water preservation techniques such as water harvesting, needs to be discussed, debated and agreed upon at the earliest timeframe.

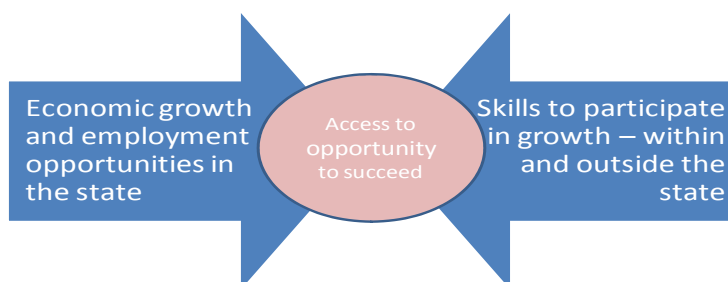
**Encourage use of clean fuels:** The governments should encourage both industry and individuals to use cleaner fuels (CNG / LPG) for their transportation and business needs. Policy initiatives and tax instruments could be used effectively to promote the use of such fuels. The LNG terminal that is proposed in Cochin is a step in the right direction.

#### **4.3 Opportunities for All**

Economic well being is a key ingredient for peaceful coexistence of various communities in a region or country. Differential growth patterns lead to resentment among the people who do not

enjoy the fruits of growth as much as others do. Every citizen in the state should have access to opportunities for betterment of their lives. **Kerala would provide everyone in the state the opportunities to enjoy the fruits of the potential growth and maximise their potential in the chosen field.** There needs to be a balanced growth across the 3 regions of North, Central and South Kerala with increased focus in Northern Kerala.

**Figure 4.2 – Types of opportunities**



Access to opportunities to participate can be realised in two ways

- Policy initiatives to ensure all round economic growth in the state
- Skilling Keralites to take up jobs all over the world

Creating appropriate job opportunities and preparing the youth for a multitude of global jobs can go a long way in addressing the unemployment scenario that Kerala faces today.

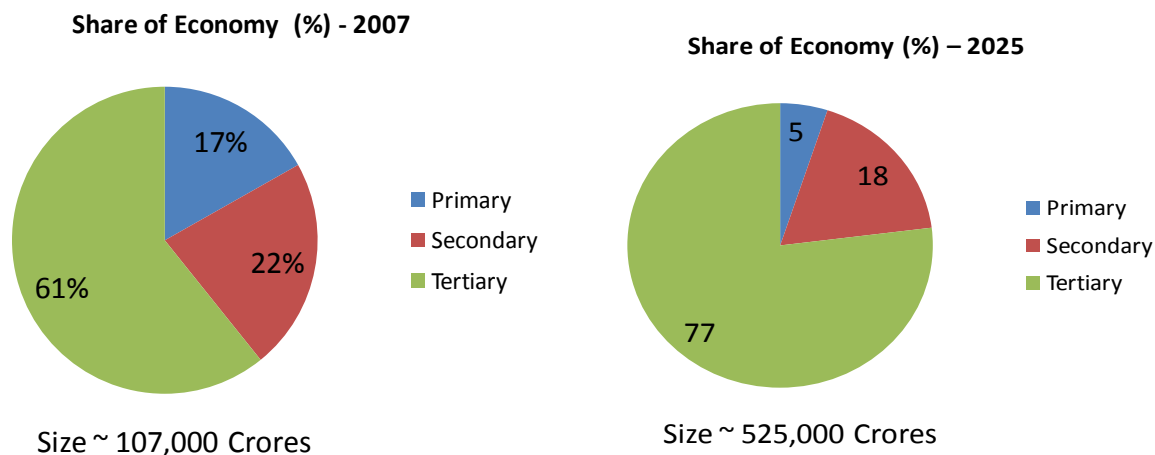
#### **4.3.1 Growth potential of the state**

The Indian economy is expected to maintain its strong growth trajectory and continue to grow at over 8 % p.a. over the next few years. The size of the Indian economy is expected to increase from an estimated size of US\$ 718 bn in 2007 to reach a size of US \$ 3,174 bn by 2025<sup>3</sup>.

In the past, the State of Kerala exhibited a growth pattern similar to the Indian economy. The stakeholders in the state are optimistic that state's economic growth would be similar to or better than the economic growth projected for India. The state has the potential to grow at a rate of 8 – 9 % annually till 2025.

**Figure 4.3 – Potential Size of Kerala Economy – 2025**

<sup>3</sup> Goldman Sachs BRIC report



The state’s economy has the potential to witness more than a five fold increase to reach a size of Rs. 525,000 crore by 2025. The growth would be lead by the services sector, growing at around 10 % p.a. The contribution of the services sector would be around 77%, which is similar to the contribution of this sector in developed economies. The share of the primary sector would continue to decline to reach about 5% of the overall economy.

**4.3.2 Reviving agricultural growth**

The agricultural sector in the state has been witnessing a steady decline as a result of some of the issues highlighted below:

**Figure 4.4 – Issues faced in Agriculture**



- Agriculture has turned non remunerative
- Continuing trends of lower land used in agriculture and declining productivity
  - Increase in marginal holdings
  - Land being left fallow
- People shifting to other occupations / cities, resulting in manpower shortages in areas such as coconut plucking
  - Small average holding size does not lend itself to use of modern implements

Large cross sections of the stakeholders met have indicated that the state needs to have a robust agricultural sector, some of the reasons for which are highlighted below:

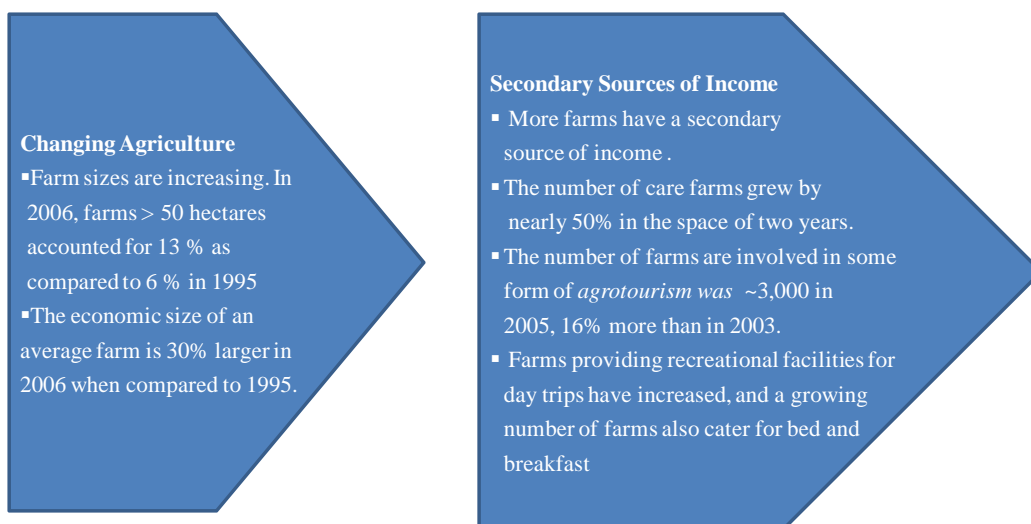
**Figure 4.5 – Need for Agricultural Revival**

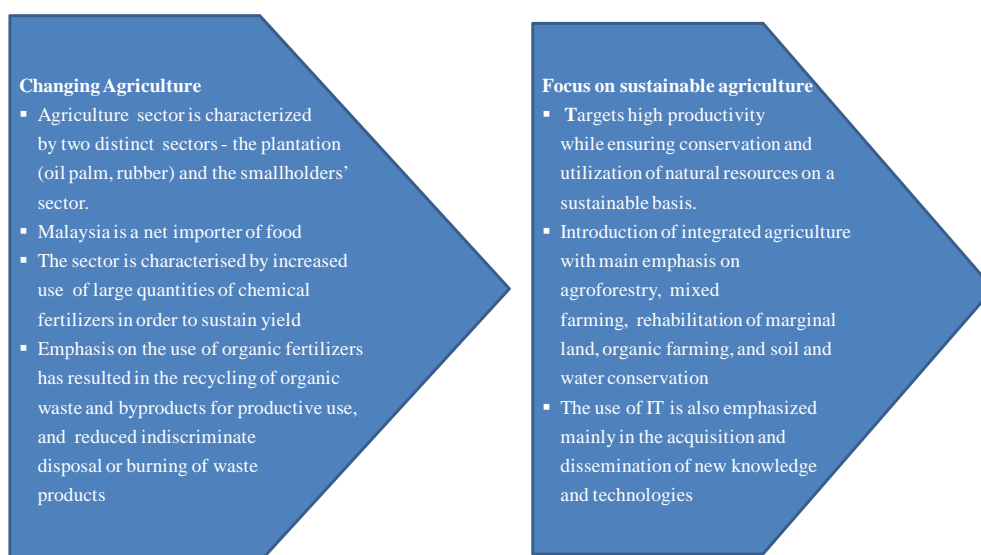


- Agriculture supports a large proportion of population
- Agriculture is essential to support the “green image” of the state and to feed into downstream industries such as food processing
- Agriculture is required to reduce the overdependence of Kerala on other states
  - Could add to inflationary pressures due higher cost of getting goods from other states

IMaCS have analysed the experiences of other nations in addressing the problems related to agriculture. Netherlands, like Kerala, is a service dominated economy where agriculture faced a crisis. The key focus on improving agriculture has been on increasing efficiency and identifying 2nd income sources for farmers. Malaysia is similar to Kerala as it is dependent on cash crops like rubber and has a large proportion of small land holdings. The focus has been in enhancing productivity through modern techniques such as mixed farming, rehabilitation of farms, etc

**Figure 4. 6 – Changing Nature of Agriculture in Netherlands**



**Figure 4.7 – Changing nature of Agriculture in Malaysia**

Some of the initiatives that need to be undertaken to revive this sector include

- (i) Increase productivity levels – Kerala should target to be among the top 3 Indian states on productivity for key crops
- (ii) Promote collective farming practices that pool a number of marginal holdings into a single large holding. Introduce modern farming practices and increase efficiency and productivity
- (iii) Identify 2<sup>nd</sup> source of income to farmers to increase viability of agriculture – agro farming, animal husbandry
- (iv) Promote value added agriculture – floriculture, horticulture and organic farming
- (v) Develop an agricultural plan for the state highlighting the type of crops to be focused on given the natural and soil conditions in the state and the competitiveness of the state in various types of crops

#### ***4.3.3 Facilitating growth in industry and services***

The industries that need to be promoted in the state would be identified based on the nature of development proposed and the aspirations of the people.

**Figure 4.8 – Industries to be promoted**

The state of Kerala is characterised by

- Constraints on availability of land
- The desire of the stakeholders to maintain the green image of the State
- The aspiration of the people for less labour intensive jobs



Keeping this in mind, the industries that can be promoted include:

- Tourism,
- IT /ITES,
- Food Processing,
- Electronics and allied products,
- Health care,
- Light Manufacturing,
- Construction and
- Retail

These sectors have the potential to contribute to around 40 – 50 % of the state’s economy. The growth in these sectors would throw up a number of job opportunities to the people in the state. The objective should be to maximise employment potential from per unit of land available in the state.

#### ***4.3.4 Access to quality education – building a self sustaining education system for continuous growth***

In a global world, the opportunities available have grown manifold and the skills required to capitalise on the opportunities have also increased. In a developing country like India, the state has to play a key role to play in ensuring that all its citizens are prepared to realise the opportunities. In addition the state has also to ensure that all its young citizens have easy access to affordable education.

In many ways, the present educational and training system prevalent in the state does not equip its future citizens with appropriate skills. Some of the key issues that have emerged include:

- Poor quality of education
- Lack of practical orientation
- Inadequate soft skills including communication skills
- Resulting in huge skill gaps amongst students passing out from the state

In the past, the bulk of the Keralites who have migrated to Middle East for opportunities have largely been restricted to low end jobs. By 2025, the Keralite youth should be sufficiently prepared to undertake a variety of specialised and skilled jobs in areas such as financial services, IT services, R & D, etc.

Factor advantages that Kerala has in developing a global education ecosystem

- Long traditional of learning
- Strong intellectual capital available in the state
- Rich culture
- Strong global linkages and awareness
- Established multi-religious, multi-racial society that encourages diversity and sharing of ideas

Building on these advantages, Kerala should build a self sustaining education system that would equip its citizens for a variety of jobs within the state and outside (within India and outside India). The system would harness the state's intellectual capital to emerge as a global knowledge hub.

Initiatives that need to be undertaken to achieve this include:

- Promote a healthy mix of public and private schools and colleges and tertiary institutions
- Identify skill gaps prevalent among students passing out of the present system and address the same
- Take the lead in online educational programs targeted at global students
- Attract world class universities to offer specialised courses and programs through tie-ups with local institutions. Key areas to focus include high end education and R &D
- Encourage strong industry – institution linkages to share knowledge
- Create an eco system that appreciates diversity and sharing of ideas. This would help in attracting experts from around the world and students from the global community

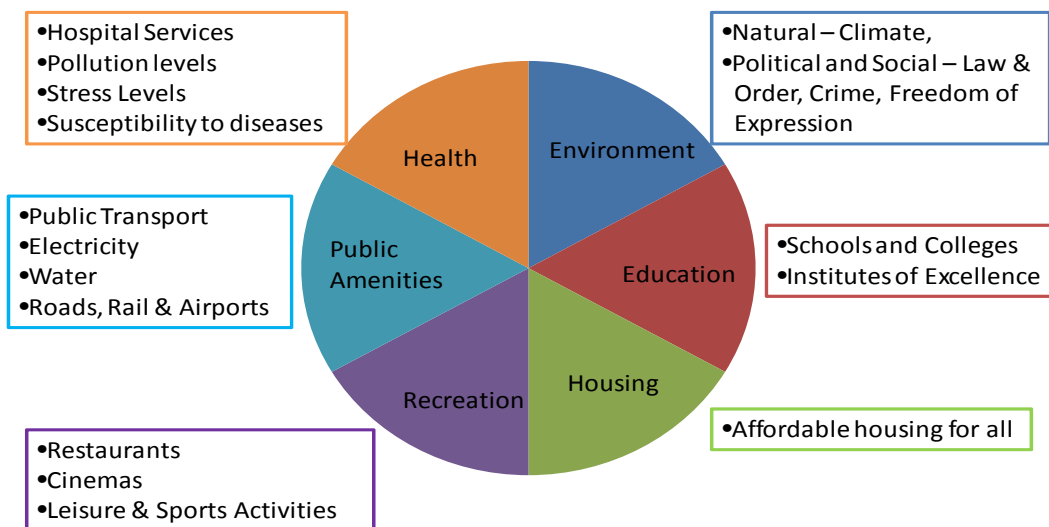


#### 4.4 Providing Excellent Quality of Life

Quality of life is the degree of well-being felt by an individual or group of people. Furthermore, quality of life consists of two components. The first is a physical aspect which includes such things as health, diet, as well as protection against pain and disease. The second component is psychological in nature. This aspect includes such things as stress, worry, pleasure and other positive or negative emotional states. However, one can assume with some confidence the higher average level of diet, shelter, safety, as well as freedoms and rights a general population has, the better overall quality of life said population experiences. Globally governments have realised that quality of life is a key measure of the progress made. In fact, Bhutan has declared that it would like to be assessed on Quality of Life Index (Gross National Happiness) instead on GDP and other economic data. Singapore has a vision of green state with parks and water parks.

IMaCS had identified various factors that contribute to a good quality of life of a society. This can be grouped into 6 broad themes as shown below:

**Figure 4.9 – Factors contributing to Quality of Life**



Kerala enjoys one of the best standards in some factors such as access to health and relatively cleaner environment. The Physical Quality of Life Indicators for Kerala are significantly higher at 94 as compared to Indian average of 64. Kerala, with a population the size of Canada, today boasts human development standards that, in some cases, can match the North American regions. Consider some of the following Quality of Life Indicators for 2000-2001: adult literacy rate: 91

per cent, compared to 96 per cent for the United States; life expectancy for males: 68 (74 in US), for females: 74 (80 in US); infant mortality per 1,000: 12 (7 in US); and birth rate per 1,000: 17 (16 in US).

However, Kerala has scope for improvement in a number of factors such as quality of schools and public transport systems for example. **By 2025, Kerala would provide a globally comparable quality of life to its residents.**

Key initiatives that would need to be undertaken to achieve this objective include:

- Providing quality education at affordable cost – in primary, secondary schools and colleges
- Providing access to specialised medical facilities.
- Reducing the incidence of stress related health issues and lifestyle diseases
- Develop housing schemes that aim at providing affordable houses to all with access to sanitation facilities, water and electricity.
- Develop a comprehensive transportation plan for the state
- Promote establishment of diverse types of recreational facilities – as Kerala grows it would attract larger talent from outside, whose recreational needs have to met also

#### **4.5 Kerala – Globally Engaged**

Kerala, by virtue of its large immigrant workers outside the country, has developed extensive linkages with the global economy. This is manifested in multiple ways

- Dependence on foreign remittances
- High level of brand awareness
- Large consumption driven economy

Historically, Kerala has had extensive trade with the European economies. Going forward, Kerala has to remain globally engaged as it charts its developmental process. **Kerala should engage the external world in a manner that would result in increased exchange of ideas, trade and growth opportunities for the state.**

The engagement can take varied forms

- Viewing themselves as global citizens
- Skilling for jobs anywhere in the world – Jobs without boundaries

- Collaborations and exchanges with other global economies spanning many facets – economic, cultural, sports
- Enhancing trade with other economies

#### **4.6 Transparency in Governance**

The desire of all the stakeholders is that the state should enjoy the benefits of a transparent administration by 2025. The state would provide its citizens with a transparent and clean administration

- Lower incidence of corruption
- Adherence to laid down rules
- Reduction in bureaucratic red tapism
- Ease of starting and running a business

Some of the initiatives that could go a long way in achieving this goal are

- Ensuring continuity in key policies between various governments. The political parties should jointly evolve and agree on a ‘**Common Minimum Development Agenda**’ for the state, which should be followed irrespective of which party or group is in power
- Reliance on IT and e-governance
- Information for all on demand
- Grievance handling mechanism
- Simplification of procedures
- Governance audit

In summary, five themes have emerged – Green and sustainable development, Opportunities for all, Excellent quality of life, Globally engaged Kerala and Transparency in governance. The key initiatives for realising the vision have also been summarized below.

Table 4.1 – Vision 2025 and summary of key

Vibrant, sustainable modern state that offers globally comparable quality of life and opportunities for all to succeed in chosen field	
Vision Themes	Key Initiatives
<b>Green and Sustainable development</b>	<ul style="list-style-type: none"> <li>•Preserve forest cover</li> <li>•Green urbanisation</li> <li>•Promote sustainable sectors</li> <li>•Maintain stringent environmental norms</li> <li>•Promote environment friendly technologies</li> <li>•Waste Management</li> <li>•Water Management</li> <li>•Use of clean fuels</li> </ul>
<b>Opportunities for all</b>	<ul style="list-style-type: none"> <li>•Reviving agriculture</li> <li>•Facilitating growth in industry and services</li> <li>•Ensuring world class infrastructure</li> <li>•Building a self sustaining education system</li> </ul>
<b>Globally Comparable Quality of life</b>	<ul style="list-style-type: none"> <li>•Providing quality education</li> <li>•Access to medical facilities</li> <li>•Developing a comprehensive transportation plan</li> <li>•Enable access to housing facilities</li> </ul>
<b>Globally Engaged</b>	<ul style="list-style-type: none"> <li>•Skilling for global jobs</li> <li>•Collaborations and exchanges with other economies</li> <li>•Enhancing trade with outside world</li> <li>•Tapping into the Malayali diaspora</li> </ul>
<b>Transparent Governance</b>	<ul style="list-style-type: none"> <li>•Continuity in Policy – Consensus on “ Common Minimum Development Agenda”</li> <li>•Reliance on IT and e-governance</li> <li>•Information on demand for all</li> <li>•Appropriate grievance handling mechanism</li> <li>•Simplification of procedures</li> <li>•Governance audits</li> </ul>

Initiatives

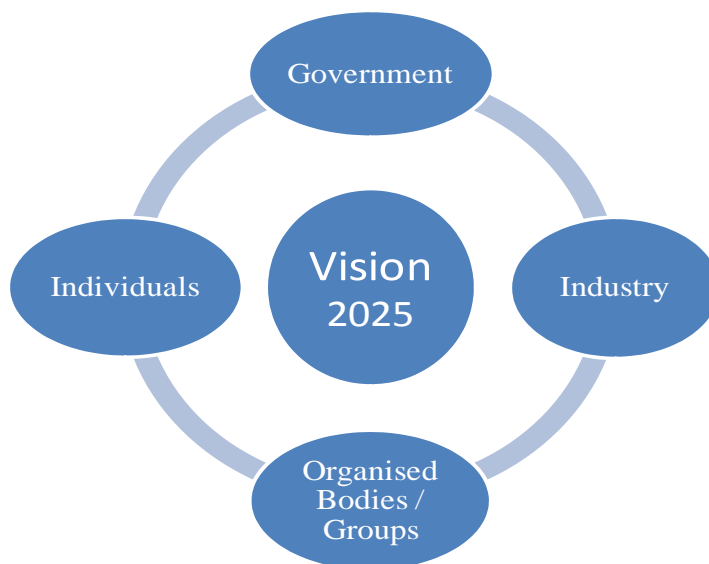
### 5. Realising the Vision – The way forward

The vision conceived for state can be realised through concerted efforts by the various key stakeholders, viz., the State Government, the Industry, Organised bodies / Groups and Individuals

The recommended vision would have a positive impact all sections of the society and would contribute significantly to the State’s socio-economic development. There is therefore a strong case for all the stakeholders joining hands in realising the vision for the state. In working towards realising the Vision conceived, all stakeholders should act in tandem though with different roles to play.

**Figure 5.1**

### Stakeholders for Vision 2025



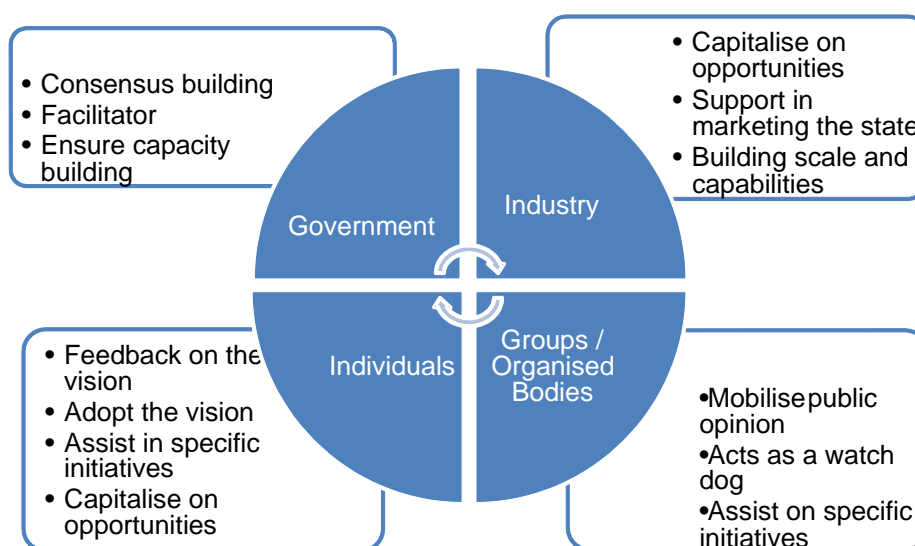
#### **5.1 Role of State Government**

The state government should partner with CII to catalyse public opinion and evolve a consensus on key vision themes. The state government should encourage and facilitate a discussion on the vision in public forums. The government should also enable the transfer of ownership to other appropriate stakeholders.

The role of the State Government would primarily be that of a facilitator of development in the state by providing a policy thrust to various sectors, taking appropriate steps to usher in administrative reform, facilitating capacity building and creating world-class infrastructure facilities.

**Figure 5.2**

## Roles of various stakeholders



Some of the policy initiatives that the state government needs to dwell upon include:

- Identification of thrust sectors and development of industry specific policies
- Policy initiatives to revive agriculture
- Policy initiatives to develop world class social sectors – health, education, etc
- Development of a comprehensive infrastructure plan for the state

The policy initiatives that the government recommends should address the following issues:

- What are the long term goals / vision for the sector? While we have highlighted high level targets and goals, some of these may need to be detailed further to ensure better understanding and to ensure implementability
- What is the role of the government? What is the scope for Public Private Partnerships? Ideally the government should restrict itself to sectors (mainly social sectors) where private players are not willing to invest
- Size of investments required and specific incentives that would be provided to attract investments
- Regulations that players in specific industries / sectors need to adhere to? Defining a transparent mechanism to resolve issues of conflict.

### 5.2 Role of industry

The key role of the individual firms in the state would be to capitalise on the growth potential identified and contribute to overall socio-economic development of the state. The industry should make appropriate investments in facilities and build world class facilities in their respective fields.

**Focus on growth:** In addition to industry level activities, individual firms have to adopt a number of proactive strategies to achieve the growth targets set out in the vision. Illustratively, these activities could comprise the following:

- Operate efficiently and compete robustly with Indian and global firms. There are no better brand ambassadors for the success of Vision 2025 than the emergence of vibrant and successful firms that are world class.
- Firms should exhibit the drive, ambition and capabilities to go global and become world-beaters.

**Act as Brand Ambassadors:** The industry, through its various activities can showcase the potential of the state and its capabilities. Individual firms should become “Brand Ambassadors” for the State and promote its growth. Individual firms would need to promote Kerala during the course of their interactions with their parent companies, collaborators and partners and shareholders as the case may be. Firms would need to concentrate on showcasing their products in International Trade Fairs/ Auto Fairs in India and abroad through road shows, advertisements, etc in order to build a brand. Firms concentrating on exports may contemplate pooling resources to hire international publicity firms and advertising agencies for this purpose.

### **5.3 Role of Media**

Media in Kerala is well entrenched, has a widespread reach and has an acknowledged capability in shaping public opinion. The media has a responsibility in ensuring the overall development of the state. The media should play a positive role in the vision exercise in creating awareness about the vision for the state, mobilising public opinion and providing a forum for people to discuss the vision.

### **5.4 Role of organised groups / bodies**

Kerala is a unique from the other Indian states due the presence of a number of groups and bodies that play an active role in influencing public policy. These bodies could include political parties, NGO's, Citizens Organisations and other similar bodies. Kerala has a long history of public movements shaping government policy.

**Active involvement in Vision exercise:** The government should positively channelise the energy of such organised bodies by taking their assistance in mobilising the public opinion on the vision. As a part of the consensus building process, the government should actively involve such bodies by taking their feedback and accommodating meaningful suggestions.

**Act as a watchdog:** Such bodies should also act as watchdog of other stakeholders actions in realising the vision. These bodies should be encouraged to provide feedback to the government on the implementation of the vision and suggestions to improve the same

**Implement specific initiatives:** In specific cases, the government could also take the assistance of such bodies in implementation of actions relating to the vision. A case in point could be a local community development activity, where a local citizen's body may be better placed to implement such a program efficiently. Similarly, in case of skill development, industry bodies could be better place to put together an industry specific skill development program.

### **5.5 Role of Individuals**

Individuals have a key role to help in the realisation of the vision as they are the primary beneficiary of the development envisaged.

**Provide feedback:** Individuals need to involve themselves in the visioning exercise by providing feedback to the government during the initial stage when the vision is being discussed in the public forum. They should utilise the opportunity to voice their concerns, if any, and suggest appropriate modifications to the vision themes and the implementation plan.

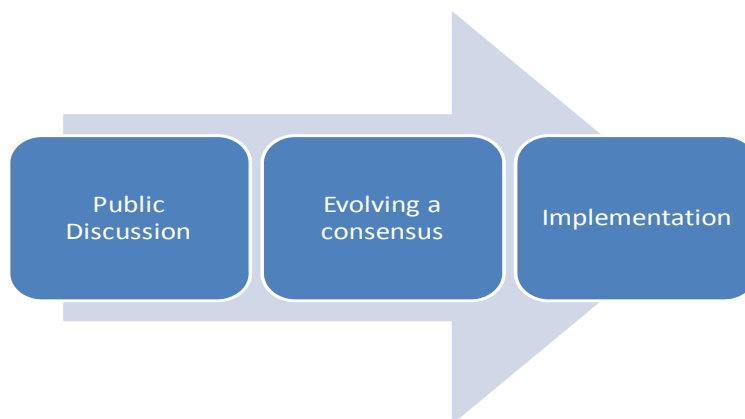
### **5.6 The way forward**

IMaCS recommends a 3 phase approach in finalising the vision for the state.



**Phase I: Public discussions on the proposed Vision**

While IMAcS has had intensive discussions with a number of stakeholders in the state during the course of preparation of the vision, it is essential that a larger section of Keralites are involved in the visioning exercise. CII and state government should take the lead in organising public discussions on the vision and take feedback from various sections of the general public, industry bodies and other organised groups. This should be held over the period of next 6 – 7 months.

**Fig 5.3 – The Way Forward****Phase II: Evolving a Consensus**

At the end of the public discussion exercise, the government should evolve a consensus on the key vision themes that would be adopted as the vision for the state. One of the ills facing the state that has emerged during our discussion with the stakeholders met is the lack of continuity in policies adopted by successive governments. Over the next 6 months, the government should partner with CII to catalyse the public opinion and evolve a consensus on the key vision themes for the state..

**Phase III: Implementation of the Vision**

After developing a consensus, CII and state government should facilitate the transfer of ownership of the vision to all key stakeholders in the state and develop an implementation plan focussing on specific initiatives

The stakeholders in Kerala should target Jan 1, 2009 as the date when they adopt the vision for the state.