

Concept note of Make In Kerala

Introduction

The Make in Kerala initiative is a significant step taken by the Government of Kerala to promote domestic production, reduce imports, and create employment opportunities. The initiative aims to identify the products that can be produced locally, develop the necessary infrastructure, encourage technological advancements, and promote branding and marketing of the products.

Background

Kerala is a state with a population of 34.52 million people, and the economy of the state is mainly dependent on agriculture, tourism, and remittances. The state has a high literacy rate and a skilled workforce, which makes it ideal for developing a strong manufacturing sector. However, the state has been facing a trade deficit for many years, and the government has been taking steps to reduce the dependence on imports and promote domestic production.

The Government of Kerala (GoK) has launched several initiatives in the past to promote industrial growth. GoK had declared 2022-23 as the “Year of Enterprises” with the motto “My enterprise, Nations’ pride” with the objective of strengthening the MSME ecosystem in the State to establish at least 1 lakh new MSMEs and create 3 lakh jobs. This initiative is part of the sustained efforts taken by the Government to encourage economic growth and promote social & economic development in the State despite the challenges imposed by pandemic, natural calamities, and resource constraints. The initiative had achieved the target within a remarkable period of 245 days (8 months) and has so far created 137,870 new MSMEs with a total investment of Rs. 8291 crores and 295,476 jobs (as of 25.03.2023).

These initiatives have been successful in promoting the growth of the manufacturing sector in the state. However, the Make in Kerala initiative is a comprehensive plan that aims to take the manufacturing sector to the next level by promoting import substitution and creating new employment opportunities.

Rationale

The Make in Kerala initiative is based on the rationale that the state's trade deficit can be reduced by promoting domestic production and increasing exports. The state has been importing a significant portion of its products from other states, which has been contributing to the trade deficit. The initiative aims to identify the products that can be produced locally and promote their production. By promoting domestic production, the state can reduce the dependence on imports and create new employment opportunities.

The initiative also aims to promote technological advancements in the production process. The state has a skilled workforce and a vibrant research and development sector. By encouraging technological advancements, the state can improve the quality of its products and increase its competitiveness in the global market.

Make in Kerala Action Plan

The announcement of the Make In Kerala initiative by the government in its annual budget for FY2023-24 is a significant step towards building a self-reliant and sustainable economy in Kerala. With an annual outlay of Rs. 100 Crore, the government has demonstrated its commitment to supporting local businesses and promoting economic growth in the state. The Make in Kerala initiative is a comprehensive plan that

aims to promote domestic production, reduce imports, and create new employment opportunities. The following are the steps to go ahead with the project:

Identify the Products

A detailed study was done through Centre for Development Studies (CDS) regarding Make in Kerala. According to the study report, products worth about Rs. 1,28,000 crore were imported to Kerala in 2021-22. Out of this 92% were from other states. During this period the export of the state was around Rs.74,000 crore. 70% of this was to other states.

The industries with growth potential in Kerala have been identified based on the following criteria:

1. The product of these industries must have a larger share in the State's imports
2. The productivity of these industries in Kerala must be higher than that in the rest of India
3. The share of imports in the domestic consumption of these products must be sufficiently large enough to justify their further growth

The study is secondary source based by analyzing the E-Way bill system from 2018-19 through 2021-22.

A set of 22 industrial products are identified which has the potential of being manufactured in Kerala. The products are as follows:

Sl. No.	Description
1	Ovens, Furnaces And Furnace Burners
2	Motor Vehicles
3	Computers And Peripheral Equipment/ Medical And Dental Instruments And Suppliers
4	Other General-Purpose Machinery, Domestic Fans
5	Coach Works, Trailers, Semi-Trailers, Auto Parts
6	Electric Lighting Equipment
7	Weaving Textiles
8	Fibre Optic Cables For Data Transmission/ Electronic And Electric Wires And Cables
9	Other Articles Of Paper And Paper Board
10	Paints, Varnishes And Similar Coatings, Printing Ink And Mastics
11	Clay Building Materials
12	Cutlery, Hand Tools, And General Hardware
13	Pharmaceutical, Medicinal Chemicals And Botanical Products
14	Tobacco Products
15	Pulp, Paper And Paper Board
16	Bakery Products
17	Basic Iron And Steel
18	Plastic Products, Luggage, Sports Equipment
19	Soft Drinks, Mineral Water And Bottled Water
20	Rubber Tyres And Tubes, Retreading And Rebuilding Of Rubber Tyres
21	Footwear
22	Jewellery And Related Items

From the study it was observed that Kerala's imports (nearly two-thirds of it) are composed of high and medium tech products, while its exports (almost two-thirds) are mostly low tech and in fact primary products and raw materials. It can be seen that this lopsided trade structure needs a correction as, given the high skill levels of its working age population, Kerala ought to have a manufacturing sector dominated by medium and high technology industries.

Encourage Entrepreneurial Groups

The government can encourage entrepreneurial groups to participate in the Make in Kerala initiative. The government can support these groups through interest concessions, tax breaks, subsidies, and grants to raise capital for their enterprises in the identified industries. The government can also provide training and capacity-building programs to these groups to enhance their skills and knowledge.

Apart from these measures, the government can undertake sector-specific initiatives as part of the Make in Kerala initiative. For instance, the government's plans to promote the manufacturing of electric vehicles and batteries in the state, is in line with its vision of a sustainable future. Kerala already has a thriving automotive industry, and the government aims to build on this by supporting the production of EVs and batteries, which is expected to become a major growth area in the coming years.

Develop Infrastructure

With an annual outlay of Rs. 100 crore, the government can provide the necessary financial support to incentivize local businesses to invest in infrastructure and expand their operations. This funding can also be used to establish R&D centers and provide funding for businesses to carry out research and development activities.

The government can undertake the following towards developing the infrastructure:

- invest in the development of industrial parks, and logistics hubs
- strengthen the supply chains for domestic goods by improving transportation infrastructure, establishing storage facilities, and creating networks of suppliers and distributors
- create networks of suppliers and distributors that can facilitate the movement of goods from production centers to consumers.
- Industrial parks set up by private entities under the Private Industrial Estate Scheme can be encouraged to promote industries in the identified sectors.

Branding and Marketing

The government can promote branding and marketing of the products produced under the Make in Kerala initiative in partnership with industry associations, chambers of commerce, and marketing agencies.

The Kerala Brand initiative by GoK that aims to recognize ethical and responsible industrial practices, develop a loyal consumer base across the globe, will enhance the marketing potential of homegrown enterprises, identify enterprises conforming to specific quality standards, and improve the export performance of enterprises in Kerala with limited exposure to global markets. Enterprises that obtain Kerala Brand certification will enjoy free promotions at all e-marketplaces, receive financial assistance for obtaining high-quality certifications, and be given preference for additional benefits linked to existing schemes, new industrial policies, and funding schemes.

Promoting domestic consumption of locally produced goods is crucial to the success of the Make in Kerala initiative. The government can launch a campaign to raise awareness among consumers of the benefits of buying domestically produced goods.

Increasing the export capacity of local businesses is another critical aspect of the Make in Kerala initiative. By expanding their export markets, businesses can reduce their dependence on the domestic market and increase their revenue. The government can provide support in the form of export subsidies, trade agreements, and trade missions to help businesses tap into new export markets.

In addition to the above, the following activities will also be undertaken:

- Establish export promotion councils to promote exports of the products produced under the initiative.
- Promote the use of e-commerce and digital marketing platforms to reach a wider audience
- Organize trade fairs and exhibitions to showcase the products and promote networking among the entrepreneurs.
- Tie ups with supermarkets and civil supplies outlets at local body level to promote the regional market penetration of locally produced goods

Support Agricultural Start-ups

The Make in Kerala initiative will also support agricultural start-ups producing agricultural and value-added products in Kerala. The government can provide assistance to these start-ups, including interest concessions, to raise capital for their enterprises. The government can also provide training and capacity-building programs to enhance their skills and knowledge.

The government can also encourage the development of agro-based industries and promote value addition in the agricultural sector by providing special incentives such as subsidies, tax breaks, and grants to promote the development of agro-based industries.

Technology and R&D

Research and development (R&D) are critical to developing innovative products and processes that can compete with imports. The government can establish R&D centers and provide funding for businesses to carry out research and development activities.

The R&D centers can collaborate with academic institutions and other research organizations to develop new technologies that can be used to produce goods and services more efficiently. The government can also provide tax breaks and other incentives to businesses that invest in R&D.

Another key aspect of the Make in Kerala initiative is to enhance the state's digital infrastructure. This is a crucial step towards building a robust and modern manufacturing sector, as technology and digitization have become increasingly important in manufacturing processes. The government can invest in creating world-class digital infrastructure, including high-speed internet connectivity, smart manufacturing systems, and data analytics tools. This will help to make Kerala a hub for high-tech manufacturing, thereby balancing the current scenario of low-tech exports compared to high-tech imports. It will also help in attracting investment from companies looking to leverage the state's skilled workforce and excellent business environment.

Conclusion and Way Forward

The Make in Kerala initiative is a significant step taken by the Government of Kerala to promote domestic production, reduce imports, and create new employment opportunities. The initiative is based on the rationale that promoting domestic production will reduce the dependence on imports and create a self-reliant economy.

The government can take several steps to go ahead with the initiative, including identifying the products that can be produced locally, encouraging entrepreneurial groups, developing infrastructure, promoting branding and marketing, and supporting agricultural start-ups.

The Make in Kerala initiative has the potential to promote the growth of the manufacturing sector and improve the standard of living of the people. The initiative will also create new employment opportunities and promote technological advancements in the production process. To make the initiative successful, the government will need the support and participation of all stakeholders, including the industry, academia, and civil society.

The Make in Kerala initiative is a step in the right direction towards achieving a self-reliant and sustainable economy. It is an opportunity for Kerala to leverage its skilled workforce, vibrant research and development sector, and entrepreneurial spirit to create a better future for its people.
