



**GOVERNMENT OF KERALA
KERALA STATE PLANNING BOARD**

**FOURTEENTH FIVE-YEAR PLAN
(2022-2027)**

**WORKING GROUP ON
MICRO SMALL AND MEDIUM INDUSTRIES**

REPORT

**INDUSTRY AND INFRASTRUCTURE DIVISION
MARCH 2022**

FOREWORD

Kerala is the only State in India to formulate and implement Five-Year Plans. The Government of Kerala believes that the planning process is important for promoting economic growth and ensuring social justice in the State. A significant feature of the process of formulation of Plans in the State is its participatory and inclusive nature.

In September 2021, the State Planning Board initiated a programme of consultation and discussion for the formulation of the 14th Five-Year Plan. The State Planning Board constituted 44 Working Groups, with more than 1200 members in order to gain expert opinion on a range of socio-economic issues pertinent to this Plan. The members of the Working Groups represented a wide spectrum of society and include scholars, administrators, social and political activists and other experts. Members of the Working Groups contributed their specialized knowledge in different sectors, best practices in the fields, issues of concern, and future strategies required in these sectors. The Report of each Working Group reflects the collective views of the members of the Group and the content of each Report will contribute to the formulation of the 14th Five-Year Plan. The Report has been finalised after several rounds of discussions and consultations held between September and December 2021.

This document is the Report of the Working Group on “Micro Small and Medium Industries”. The Co-Chairpersons of Working Group were Dr Subash S, Associate Professor (Economics), Indian Institute of Technology, Madras and Shri. S Hari Kishore IAS, Director, Directorate of Industries and Commerce. Shri.V.Namasivayam, Member of the State Planning Board co-ordinated the activities of the Working Group. Shri N R Joy, Chief, Industry & Infrastructure Division was the Convenor of the Working Group and Smt.Salini.S, Research Officer, Industry & Infrastructure Division was Co-Convenor. The terms of reference of Working Group and its members are in Appendix 1 of the Report.

Member Secretary

PREFACE

The Micro, Small and Medium Enterprises (MSME) sector is emerging into a major income generating and employment providing sector in Kerala with relatively lower investment. The economic growth of Kerala is related to the development of MSMEs. Thrust areas under MSME Sector in Thirteenth Five Year Plan included Investment in modernisation of industries and diversification of output, promotion of entrepreneurship by providing technology, expertise and financial assistance to young entrepreneurs. It also focused on increase in industrial production –private, co-operative and public sector enterprises with funding from multiple sources of investment. The state moved ahead in Industrial sector during the 13th Five Year Plan period with strong Government initiatives including in the domain of policy. The recommendations of the Fourteenth Five Year Plan Working Group propose to transform the State into a vibrant and favourable destination for industrial investments which are eco-friendly, productive and able to create new employment opportunities thereby ensuring sustainable economic growth of the State.

We are very grateful to all members of the Committee for their participation and valuable contributions and suggestions/recommendations in the Working Group. We would also thank Shri. Vysakh Udayan, Research Associate, Centre for Management Development (CMD) in compiling the inputs and preparing the first draft of the report.

Dr Subash S
Co-Chairperson

Sri. S Hari Kishore IAS
Co-Chairperson

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LIST OF ABBREVIATIONS

AI	:	Artificial Intelligence
B-IFC	:	Business Industrial Facilitation Centre
CII	:	Confederation of Indian Industry
FICCI	:	Federation of Indian Chambers of Commerce
FMCG	:	Fast Moving Consumer Good
GSDP	:	Gross State Domestic Product
IT	:	Information Technology
ITES	:	Information Technology Enabled Services
KIED	:	Kerala Institute for Entrepreneurship Development
LSGD	:	Local Self –Government Department
ML	:	Machine Learning
MSME	:	Micro, Small and Medium Enterprises
NID	:	National Institute of Design
NIFT	:	National Institute of Fashion Technology
NRK	:	Non Resident Keralite
R&D	:	Research and Development
SLBC	:	State Level Bankers Committee
ZED	:	Zero Effect and Defect

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EXECUTIVE SUMMARY MSMSE

The Micro, Small and Medium Enterprises (MSME) sector has emerged as a highly vibrant and dynamic sector of the Indian economy over the last five decades. It is the second largest employment provider of the country, next to the Agriculture sector. The MSMEs are widening their domain across sectors of the economy, producing diverse range of products and services to meet demands of domestic as well as global markets. As on 23rd March 2022, 78.38 Lakh MSMEs have been registered in India under the Udyam registration portal.

As on March 31, 2021, the total number of Udyog Aadhar Memorandums filed was 72,416. It included 29,249 UAMs for manufacturing units of which 26,448 were micro, 2,494 were small and 307 were medium manufacturing units. There were 43,167 UAMs filed in the service sector including 40,411 micro units, 2,476 small units and 250 medium units. Kerala has a relatively high share of MSMEs in the country. According to MSME Survey and Quick Results of 4th MSME Census, 5.62 per cent of MSME enterprises in India are located in Kerala.

One feature of Kerala's economy is the relatively low size of its manufacturing sector. The size of registered manufacturing is smaller than that of unregistered manufacturing in Kerala. The 13th FYP suggested that Kerala should aim to establish a modern industrial sector that builds on the distinctive advantages of the State. The industrial sector in Kerala must make effective use of advanced technologies, including biotechnology and nanotechnology. It should comprise units that are relatively small (particularly with respect to the requirements of land and capital), and yet can be characterised as "smart" (given their flexibility in production and adaptability to market conditions).

The main objectives during the 13th Five-Year Plan period were the following:

1. Promote entrepreneurship among the three groups, namely Malayali engineers and professionals, Self Help Groups (SHGs) notably Kudumbasree and students.
2. Achieve a significant increase in industrial production in private, co-operative and public sector enterprises, with funding from multiple sources of investment.
3. To build a strong manufacturing base in Kerala, with an emphasis on industries that have strong linkages with the State's agricultural, natural and marine resources.
4. Promote food and agro-based industries in the state.
5. Make use of the latest advances in biotechnology, nano technology, biomedical sciences and biochemical engineering to produce new and more value-added products.
6. Set up research institutes in the development and application of biotechnology.

One of the significant initiatives of the State government has been the formulation of the new Industrial & Commercial Policy 2018. The main focus of the Industrial & Commercial Policy is to adopt effective measures to convert Kerala into an investor-friendly destination, along with the protection of traditional industries. The key focus of this policy is to promote environment-friendly and sustainable use of natural resources. Kerala Micro Small Medium

Enterprises Facilitation Act 2019 and the rules enacted under section 14 of the Act dated 6/01/2020 vide G.O. (P)No.2/2020/ID is one of the key initiatives under the Ease of Doing Business Reforms of Industries Department for establishing and operating MSME units. This forms part of the online single window clearance mechanism which covers central inspection system for compliance inspections, introduction of self-certification regime, parallel processing of applications by various departments, deemed approvals post the mandated timelines, elimination of redundant clearances and spot approval for registration through nodal agency which is the revamped single window Board operational at the level of State, Districts and Industrial Parks.

The 14th Five-Year Plan is being proposed in an economically turbulent time. The state has to take the following factors into consideration:

1. The post COVID changes.
2. Industry version 4.0 (transformation of industries through intelligent networking of machines).
3. Increased market potential geographically.
4. The changing business trends in all functions of business management.
5. The technological changes like automation, block chain technology, etc.
6. The changes in financial availability and possibilities.
7. Enhanced connectivity with 5 G.
8. The work force up-skilling/new skilling.

Key Challenges in the MSME Sector of Kerala

1. The M to S to M (i.e., Micro to Small, Small to Medium) transition of Enterprises.
2. Utilising potentials of Service sector and opportunities therein.
3. Low access of entrepreneurs to new technologies.
4. The two professional agencies of the Department of Industries and Commerce engaged in supporting, facilitating and handholding MSMEs i) Kerala Institute for Entrepreneurship Development (KIED) and ii) Kerala Bureau of Industrial Promotion (K-BIP) are to be strengthened.
5. Lack of business ideas. Initiatives may be undertaken by the Government to create a pool of ideas, which helps to sustain in the market and to access the resources.
6. The youth in Kerala lacks entrepreneurial attitude. Institutional system such as ED Clubs and incubation centres may be introduced to help them nurture their passion from childhood.
7. Industrial infrastructure. Kerala has around 150 industrial parks and there is a need to promote more such industrial parks. Private industrial parks may also be set up.
8. Training and handholding for MSMEs. The Government may facilitate a mechanism to monitor the progress (physical as well as financial) of MSMEs on a continuous basis.
9. The strategy and approach with respect to Clusters/Individual Enterprises/Parks/Industrial Corridor need to be reviewed.
10. Building a good team and ensuring teamwork. Government, Kerala State Planning Board, Industry organisations like CII, FICCI, MSME Associations, SLBC, etc. may work together for the improvement of MSMEs.

Opportunities

1. As a result of the reset of the industry and digitization possibilities, the business conduct modalities have undergone a transformation. Both in B2B and B2C segments, the online enablement has brought in the challenges of Technology and adaption. This has changed the scope and reach of businesses to a new level. Kerala and Keralites being skilled and adaptive to new technologies can look at this as a new opportunity.
2. Markets are expanding with the online enablement and competition is of global dimensions with more players entering the same field. The archaic way of doing businesses in the traditional segment will have to change in order to survive. This also is an opportunity to bounce back afresh with better ideas and products.
3. The new practices emerging on the business enablement like AI, ML, block chain throws in challenges to the techno-ramus segment. The justification of doing businesses the digital way is no more a choice but a compulsion.
4. The expanded or new markets and improvement in sourcing, production processes and optimization of resources will better the product in a revolutionary manner. The exposure is bewildering for the less educated and the fear of the unknown can be deterring. The fallout can be the enterprise facing a shutdown.
5. Willingness to adapt is the mantra of survival and success. We need to accept the world as it is evolving. The accelerated rate of digitalization during and post covid scenario will push all including MSMEs into a connected intelligent world.
6. All possible information will be in demand by the market and the product/services will have to re-establish themselves in a connected virtual manner. The marketing will be a pull based mechanism using the new world web communication techniques and media.
7. Kerala has wonderful unique products in MSME – primarily in Handloom and Handicrafts. A good number of them are unique to this part of the world and has a reputation in the markets already. This fact will have to be retold and re-enacted in the virtual intelligent connected live web by suitable techniques.
8. The necessary skills are already exist for enabling the concept of digitization by outsourcing in domestic market itself and still growing with an ever growing community of service providers covering all functions.
9. The State and Central governments may have to drive, support and nurture this activity as a priority to convert the so called threat into a wonderful opportunity. The product is there and the market also was /is there, it is only a matter of going for re-positioning digitally a new way of meeting the old friends and making new friends too.
10. The entire focus is on the performance. Geography and logistics wise Kerala is well poised. The product knowledge coupled with market knowledge and the right approach can take any product/service anywhere.
11. The measurability of all efforts, at all levels monitoring and variance analysis live coupled with easy and quick corrections make the new way of doing things a lot better. The only challenge is the learning and adaption curve.

Key areas for intervention during the 14th Plan period include:

- Research & Development and Technology Induction.
- New Policies/Programmes targeting current issues, new areas and emerging opportunities.
- Developing Industrial entrepreneurship.

General Recommendations

1. Kerala is committed to the industrialization by the MSME sector due to the encouraging results in 13th FYP taking up initiatives in this direction. There is a need for a Policy Framework in the MSME sector to help identification of industries, prioritization based on geography, sourcing of funds, supply chain & logistics evaluation and market exploration and product positioning.
2. Sectoral focus may be applied on suitability of the industry with respect to Kerala. The locally available resources for production have also to be analysed along with logistics of business and trends as well as skill sets.
3. Food Processing, IT/ITES, trading, medical supplies, and health industry, can be the focus areas to start with and expand.
4. The transition of MSMEs from Micro to Small/Medium in the State has to be augmented.
5. Focus on service sector. Service sector has not performed well in the MSME segment in Kerala. However, it is growing at nearly the same stage globally as the manufacturing and National Policy is heading towards removal of the segmentation on this criteria.
6. The delivery of Technology Enablement to MSME has to be addressed. This is an important aspect to be covered to increase the survival of MSMEs. A unified multi prong synchronous action plan with a live online knowledge and information flow needs to be enabled to grow the MSME sector.
7. Lack of ideas due to lack of imagination and information has to be overcome. Entrepreneurial drive in Kerala youth needs improvement.
8. Financing forms a very important part of MSME growth. Traditional bank borrowing needs to be supplemented or even replaced by new forms of finance.
9. A higher proportion of investment subsidy can help investors improve the commitment in this segment. The practice adopted by the neighbouring States need to be evaluated and adopted if found successful.
10. A proactive role on an aligned path with Central Government Schemes by the Kerala State can yield many benefits to Kerala MSME. The Government of Kerala can be very constructive partner in getting the enterprises in the State their dues from national support schemes for MSMEs.
11. There is network of knowledge and testing facilities base in the way of research institutions and a good network of research facilities where many industrial solutions are available and possible. This infrastructure must be made use for R&D, testing and skill up-gradation.
12. The imports must be substituted with domestic production. This is a strong element

with national policies too currently with schemes like Make in India, Local Focal and Glocal etc.

13. Promote the champions of MSME every year for showcasing as well as to motivate and entice other likely aspirants.
14. Kerala needs to modernize all aspects of the business and upgrade the skills and outlook. A digital connected world is opening up immense possibilities of enhanced range of products with market access to the whole world.
15. There should be some incentives for the Export oriented MSMEs. .
16. The Public Procurement Policy for Micro and Small Enterprises (MSME) order 2012 has mandated every Central Ministry/Department/PSU/State Government to achieve an overall procurement goal of minimum 25 % of the total annual purchases from the products or services produced or rendered by MSMEs. Out of 25% target of annual procurement 4% is exclusively reserved for MSEs owned by SC/ST and 3% for MSEs owned by Women entrepreneurs. Similar to the Central Government PSUs, the State Government PSUs should also implement Public Procurement Policy for MSMEs.
17. Setting up a portal for MSMEs under Industries Department to upload the purchase requirement for MSMEs under Central & State PSUs and regularly updating it. The MSMEs registered in the portal, can check the status regularly and also participate in the tender process. The portal can be also outsourced to any professional agency who could act as a link for connecting MSMEs with PSUs.
18. Give wide publicity to Gem Portal and TReDS Portal. Industries Department should take steps to ensure that MSMEs in Kerala register in the portal.
19. More Participation at Virtual Trade Fairs & Exhibitions- during COVID times.
20. Department of Industries need to create more awareness among MSMEs in Kerala to take advantage of Digital Marketing tools to expand their Marketing activities.
21. E Commerce platform for MSMEs in Kerala for selling their products.
22. Undergraduate/PG students should be given least three-month's training for entrepreneurship at KEID or any other centres with sessions by experts and reputed mentors, this would help in creating a new entrepreneurship culture in Kerala.
23. The state has to move towards greater efficiency in the use of energy resources. Power efficiency of machinery and equipment has to be ensured. This would lead to savings on energy charges, which forms a key input for production.
24. While new MSME units are provided facilities on the one hand, it is equally essential to focus on sustainability of new and existing units. The case of large number of units closing down dampens the spirit of entrepreneurship. Support for existing units has to be ensured.

Roadmap for 14th five year plan should focus on the following areas:

- A revised Policy framework with inclusion of the revised resource bank and the possibility of automation and intelligence addition to the MSME sector need to be evolved.
- Sectoral focus application on the MSME segment needs to be pursued.
- Improving Kerala's contribution to Value Addition Chain.

- Enhanced use of possibilities in Information Technology.
- Greater focus on services sector.
- Emphasis on the ideation process.
- Use of Modern Technology
- Exploring new and emerging sources and types of finance.

CHAPTER 1

AN OVERVIEW OF MICRO, SMALL AND MEDIUM ENTERPRISES (MSME) WITH SPECIAL FOCUS ON KERALA

Profile of MSME Sector

The Micro, Small and Medium Enterprises (MSME) sector has emerged as a highly vibrant and dynamic sector of the Indian economy over the last five decades. The sector contributes significantly for the economic and social development of the country through fostering entrepreneurship. It is the pillar of industrial development as it is able to generate immediate large-scale employment with a comparatively lower capital investment. The MSME sector is the second largest employment provider of the country, next to the Agriculture sector. The MSMEs are widening their domain across sectors of the economy, producing diverse range of products and services to meet demands of domestic as well as global markets.

The definition of MSMEs in India has been modified by the Ministry of Micro, Small and Medium Enterprises, Government of India with effect from 1st July, 2020 under the provisions of the Micro, Small & Medium Enterprises Development (MSMED) Act, 2006 as pointed out here:

1. Micro Enterprise - Investment in plant and machinery or equipment does not exceed one crore rupees and turnover does not exceed five crore rupees.
2. Small Enterprise - Investment in plant and machinery or equipment does not exceed ten crore rupees and turnover does not exceed fifty crore rupees.
3. Medium Enterprise - Investment in plant and machinery or equipment does not exceed fifty crore rupees and turnover does not exceed two hundred and fifty crore rupees.

As on 23rd March 2022, 78.38 Lakh MSMEs have been registered in India under the Udyam registration portal. The highest number of registered units are Micro Enterprises (95.10per cent) followed by Small Enterprises (4.44per cent) and Medium Enterprises (0.46per cent). The details are as follows:

Table 1: Category wise number of Enterprises Registered in India under Udyam Portal

Sl. No.	Category	Number of Units	per cent of Total
1	Micro	74,53,956	95.10
2	Small	3,48,247	4.44
3	Medium	35,662	0.46
	Total	78,37,865	100.00

Source: Udyam Registration Portal

Udyog Aadhar Memorandum (UAM) in Kerala

As on March 31, 2021, the total number of Udyog Aadhar Memorandums filed was 72,416 which included UAMs for micro, small medium manufacturing units of 26,448 , 2,494 and 307 numbers respectively (totalling 29,249 numbers). In addition, there were 43,167

UAMs filed in the service sector including 40,411, 2,476, and 250 micro, small and medium units respectively.

Structure & Composition of Industries

This section attempts to analyse the composition and structure of organized industries comprising activities related to manufacturing and services. The Annual Survey of Industries 2018-19 latest in the series published on September 2021 by the Ministry of Statistics & Programme Implementation has been used for this analysis. It comprehensively compares and analyses the position of Kerala with respect to selected industrially progressed States in India.

There are 2,42,395 factories in India (Annexure II provides major industry wise grouping and Annexure III provides Type of Organization) and Kerala has recorded 7,696 number of factories (3.17 per cent of total) with a total employment of 3.50 Lakh persons of which 2.75 Lakh persons are engaged as workers during 2018-19 (Table 2). Among the total number of factories, Tamil Nadu (15.73 per cent) has the highest share followed by Gujarat (11.07 per cent) and Maharashtra (10.71 per cent). The 8 States (Kerala, Andhra Pradesh, Gujarat, Karnataka, Maharashtra, Tamil Nadu, Telangana and Uttar Pradesh) together accounts for 66.09 per cent of the total number of factories in India.

A total number of 1.63 crore persons are employed in various factories across India, of which 1.30 crore Persons are workers. Kerala accounts for 2.15 per cent (2.75 Lakh Persons) of the total workers of the country. Tamil Nadu holds the highest number of workers (21.13 lakh persons) followed by Gujarat (14.89 Lakh Persons) and Maharashtra (14.74 Lakh Persons). The 8 States (Kerala, Andhra Pradesh, Gujarat, Karnataka, Maharashtra, Tamil Nadu, Telangana and Uttar Pradesh) accounts for 64.26 per cent of total workers working across factories in India.

The net fixed capital formation of industries in India is Rs. 83,105.76 crore. The share of Kerala in net fixed capital formation is meagre at Rs. 3,154.46 Crore (given in Table 3). States like Gujarat, Maharashtra and Karnataka together holds 70.05 per cent of the net fixed capital formation of the country.

The gross capital formation by industries in India amounts to Rs. 4,87,118.44 crore, of this Kerala only register Rs. 7,584.82 Crore, i.e., 1.56 per cent of the total. Among the other States, Gujarat has the highest gross capital formation Rs. 88,940.23 crore (18.26 per cent), followed by Maharashtra Rs. 81,476.01 crore (16.73 per cent) and Tamil Nadu Rs. 48,865.73 crore (10.03 per cent). The 8 States together holds 69.93 per cent of all the gross capital formation in the country.

Table 2: Total number of Factories, Workers and Total Persons Engaged During 2018-19 - Kerala and Selected States

Sl. No.	Name of State	Factories		Workers		Total Persons Engaged	
		Number	per cent of Total	Number	per cent of Total	Number	per cent of Total
1	Kerala	7696	3.17	275123	2.15	349971	2.15
2	Andhra Pradesh	16739	6.91	512694	4.01	633142	3.89
3	Gujarat	26842	11.07	1489381	11.64	1944548	11.94
4	Karnataka	13789	5.69	842367	6.58	1076026	6.61
5	Maharashtra	25972	10.71	1473792	11.52	2035306	12.50
6	Tamil Nadu	38131	15.73	2112722	16.51	2554345	15.69
7	Telangana	15167	6.26	659251	5.15	780204	4.79
8	Uttar Pradesh	15854	6.54	859032	6.71	1101163	6.76
Sub Total (above 8 states)		160190	66.09	8224632	64.26	10474705	64.34
All India		242395		12798588		16280211	

Source: Annual Survey of Industries, 2018-19

Table 3: Capital Formation in Industries during 2018-19 – Kerala and Selected States

(Rs. in Crore)

Sl. No.	Name of State	Net Fixed Capital Formation	Gross Fixed Capital Formation	Addition in Stock of Materials, Fuels etc.	Gross Capital Formation		Total	
					Semi-Finished Goods	Finished Goods		
1	Kerala	3154.46	6736.58	238.74	144.38	465.12	848.24	7584.82
2	Andhra Pradesh	3125.41	21008.51	1706.97	687.91	4298.49	6693.37	27701.88
3	Gujarat	26354.46	67305.43	10482.43	2862.25	8290.12	21634.80	88940.23
4	Karnataka	9804.03	27089.27	4338.74	1412.00	3891.60	9642.34	36731.61
5	Maharashtra	22058.15	58223.60	6042.25	3888.29	13321.88	23252.41	81476.01
6	Tamil Nadu	5675.37	33161.74	6329.48	2207.13	7167.39	15704.00	48865.73
7	Telangana	4753.48	13661.98	3326.36	1264.18	1371.58	5962.12	19624.11
8	Uttar Pradesh	5788.83	17679.06	4124.07	114.91	7792.98	12031.97	29711.02
All India		83105.76	344658.67	54646.98	18824.75	68988.04	142459.77	487118.44

Source: Annual Survey of Industries, 2018-19

As on 31st March 2019 the total capital investment in industries is Rs. 47,77,264.74 crore and Kerala's share to this is Rs. 69,134.65 crore (1.45 per cent). Gujarat holds the highest in terms of capital investment to Rs. 9,23,594.63 crore followed by Maharashtra to Rs. 6,24,375.97 crore and Tamil Nadu to Rs. 4,22,330.24 crore (Table 4). In terms of working capital Kerala holds only 1.93 per cent of the total while Maharashtra has the highest (16.79 per cent) followed by Tamil Nadu (12.93 per cent) and Gujarat (9.78 per cent).

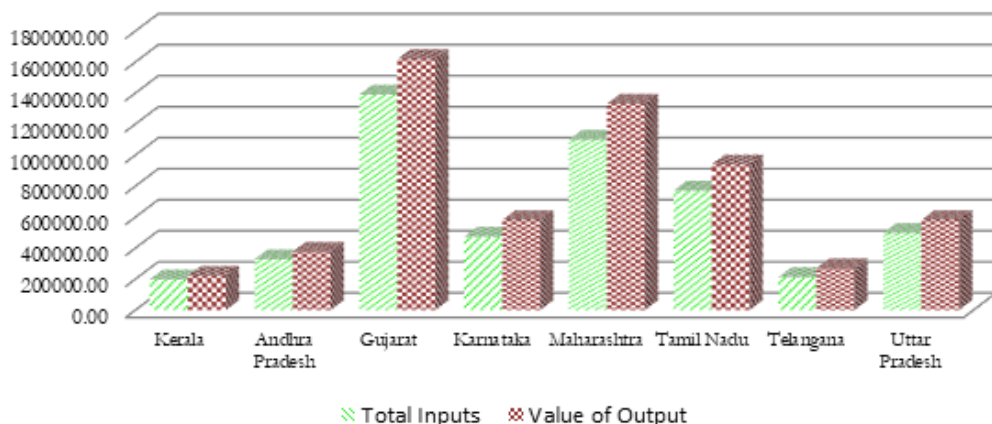
Table 4: Key Financial Results of Industries during 2018-19 – Kerala and Selected States

Sl. No.	Name of State	Invested Capital	Working Capital	Total Inputs	Value of Output	Net Value Added	Net Income	Net Profit
1	Kerala	69134.65	15632.96	197395.83	220774.59	19796.64	17465.74	7292.62
2	Andhra Pradesh	254334.21	39809.24	327136.49	376143.34	31123.74	23406.76	5562.81
3	Gujarat	923594.63	79114.43	1389792.98	1618771.55	188027.60	149646.98	86317.89
4	Karnataka	292308.65	61441.95	473321.18	579081.74	88475.31	77108.76	37143.81
5	Maharashtra	624375.97	135788.02	1098176.39	1330559.82	196217.98	170455.49	80251.70
6	Tamil Nadu	422330.24	104537.94	770061.07	938347.01	140799.58	123062.78	49620.48
7	Telangana	145628.63	52252.41	211313.16	268768.87	48547.21	42737.70	23446.45
8	Uttar Pradesh	231960.50	59239.12	496160.67	579053.51	71002.61	59398.61	26625.56
	All India	4777264.74	808664.59	7743779.80	9281799.08	1276466.37	1077903.78	556522.58

Source: Annual Survey of Industries, 2018-19

As indicated in Figure 1, the share of the value of output from industries to total input is 89.41 per cent in Kerala, where the national average is 83.43 per cent. The input to output rate is almost above 75 per cent in all the other States

Figure 1: Total Inputs and Value of Output during 2018-19-Kerala and Selected States

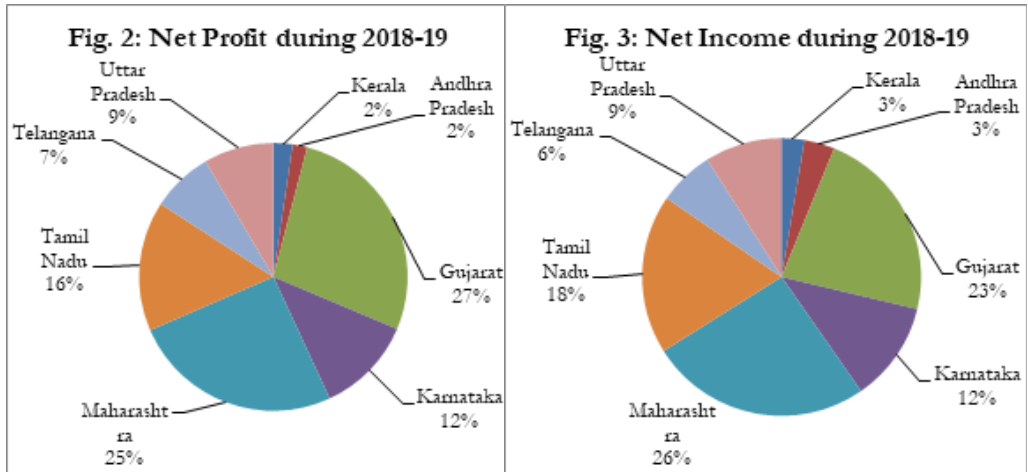


Source: Annual Survey of Industries, 2018-19

The net value added by all Industries in the country is Rs. 12,76,466.37 crore and Kerala's contribution to it amounts to Rs. 19,796.64 crore. States like Maharashtra contributes

Rs. 1,96,217.98 crore followed by Gujarat with Rs. 1,88,027.60 crore and Tamil Nadu contributing Rs. 1,40,799.58 crore as net value addition during 2018-19

The net income earned by all the industries amounts to Rs. 10,77,903.78 crore of which industries in Kerala earned Rs. 17,465.74 crore. The States such as Maharashtra, Gujarat and Tamil Nadu together contributes 41.11 per cent of total income earned during 2018-19. The net position of all industries in India is a net profit of Rs. 5,56,522.58 crore. The position of Kerala industries is a net profit of Rs. 7,292.62 crore. States like Gujarat, Maharashtra and Tamil Nadu tops in terms of profitability of industrial enterprises (Refer Fig. 2 & 3).



Source: Annual Survey of Industries, 2018-19

CHAPTER 2 REVIEW OF 13TH FIVE YEAR PLAN

The Micro, Small and Medium Enterprises (MSME) sector is emerging as a major income generating and employment providing sector in Kerala. Kerala has a relatively high share of MSMEs in the country. According to MSME Survey and Quick Results of 4th MSME Census, 5.62 per cent of MSME enterprises in India are located in Kerala. Due to excellent connectivity, communication network, availability of highly skilled human resources, and relatively good industrial infrastructure, the state of Kerala is highly suited for the growth of the MSME sector. The MSME sector helps in industrialisation of rural and backward areas, and provides employment to youth and socially disadvantaged groups including SC, ST, women and persons with physical disabilities.

Within the MSME sector there is a significant increase of micro enterprises, both in terms of working enterprises and employment. The MSME sector churns out 6000 manufactured products ranging from traditional to high-tech items. MSMEs play a critical role in innovation, and have ability to experiment with new technologies on smaller scale. The industries falling under this sector in Kerala predominantly belong to handicrafts, handloom, khadi, food processing industries, garment making and textile industries and industries related to coir/wood/bamboo/plastic/rubber/leather/clay products.

The 13th Five Year Plan clearly stated that the striking feature of Kerala's economy is the relatively low size of its manufacturing sector. The share of manufacturing in Gross State Domestic Product (GSDP) of Kerala is relatively low when compared to other industrially advanced States. It is also striking that the size of registered manufacturing is smaller than that of unregistered manufacturing in Kerala.

It suggested that Kerala should aim to establish a modern industrial sector that builds on the distinctive advantages of the State. The industrial sector in Kerala must make effective use of advanced technologies, including biotechnology and nanotechnology. It should comprise units that are relatively small (particularly with respect to the requirements of land and capital), and yet can be characterised as "smart" (given their flexibility in production and adaptability to market conditions).

Directorate of Industries and Commerce is implementing various schemes to increase production and employment in this sector. The agencies under the Directorate are: Directorate of Handloom & Textiles, which aims at evolving policies for the promotion and development of handloom and textile sector in the State; Directorate of Coir Development is the implementing agency for all policy decisions of the Government of Kerala related to coir industry; and Khadi & Village Industries Board is vested with the responsibility of organising and promoting Khadi and Village Industries in the State.

In Kerala, the Government and banks are providing various of facilities and support for the MSME sector. The Directorate of Industries and Commerce (DIC) act as a facilitator for the growth of the MSME and traditional industrial sectors in Kerala and are implementing various schemes to develop entrepreneurial culture in the State. The directorate provides

financial assistance to start Entrepreneurship Development clubs at school and college level to develop entrepreneurial culture among the youth and to organize entrepreneurship development programmes for them. In addition, it has made it a priority to provide services to Start-ups and to set up business incubation centres in District Industries Centres.

The main objectives during the 13th Five-Year Plan period were the following:

1. Promote entrepreneurship among the three groups, namely Malayali engineers and professionals, Self Help Groups (SHGs) notably Kudumbasree and students.
2. Achieve a significant increase in industrial production in private, co-operative and public sector enterprises, with funding from multiple sources of investment.
3. To build a strong manufacturing base in Kerala, with an emphasis on industries that have strong linkages with the State's agricultural, natural and marine resources.
4. Promote food and agro-based industries in the state.
5. Make use of the latest advances in biotechnology, nano technology, biomedical sciences and biochemical engineering to produce new and more value-added products.
6. Set up research institutes in the development and application of biotechnology.

Thrust Areas

Directorate of Industries and Commerce

1. Developing 5.86 lakh sft. space through Standard Design Factories.
2. Cluster development.
3. Identify potential clusters through industrial potential surveys.
4. Developing web portal for marketing.

Traditional Sector Development

- 1 Focus on the development of handicrafts, bamboo, palmyrah sectors.
- 2 An integrated artisans development programme combining cluster development programme, Assistance to apex organizations and employment generation in traditional sector.
- 3 ASHA for transforming traditional artisans into entrepreneurs.
- 4 An integrated program for linking handicrafts sector to tourism by way of souvenirs, craft tourism.
- 5 Widen product range in hand-woven fabric through NIFT.
- 6 Develop online marketing portal for hand-woven fabric of Kerala.
- 7 Expand the school children uniform cloth scheme to give sustained employment as a safety net to the sector.

Handicrafts Sector

1. Integrated development of handicrafts sector by brand marketing of products made in clusters.
2. Signature showrooms for Kerala handicrafts by a collective marketing strategy for the PSUs.
3. Design and technology intervention with the support from institutions such as NIFT and NID.

Major Policy Initiatives

One of the significant initiatives of the State government has been the formulation of the new Industrial & Commercial Policy 2018. Under the policy, the Government aims to create employment opportunities and rapid economic development of the State to match the expectations of the educated youth. This can be achieved by nurturing the existing industries and by starting new industries in public sector and in private sector. The main focus of the Industrial & Commercial Policy is to adopt effective measures to convert Kerala into an investor-friendly destination, along with the protection of traditional industries. The key focus of this policy is to promote environment-friendly and sustainable use of natural resources.

Kerala Micro Small Medium Enterprises Facilitation Act 2019 and the rules enacted under section 14 of the Act dated 6/01/2020 vide G.O. (P)No.2/2020/ID is one of the key initiatives under the Ease of Doing Business Reforms of Industries Department for establishing and operating MSME units. This forms part of the online single window clearance mechanism which covers central inspection system for compliance inspections, introduction of self-certification regime, parallel processing of applications by various departments, deemed approvals post the mandated timelines, elimination of redundant clearances and spot approval for registration through nodal agency which is the revamped single window Board operational at the level of State, Districts and Industrial Parks.

Table 5 Financial performance during 13th FYP Outlay and expenditures during the 13th Five-Year Plan Rs in lakh

Sector	2017-18		2018-19		2019-20		2020-21		2021-22	
	Outlay	Exp	Outlay	Exp	Outlay	Exp	Outlay	Exp	Outlay	Exp
Small Scale Industries	12806	9235.65	15106	9186.1	16389	5189.67	13414	10664.07	13894	6954.59
Commerce	400	396.95	440	278.6	1543	476.83	1600	864.05	1200	1535
Handicrafts	595	500.52	455	351.26	355	404.28	465	1208.43	335	197.06

Source: Plan Space Kerala

Major Physical Achievements during the 13th Five Year Plan

1. Formation of Commerce Mission to encourage and develop trade and commerce in the State and to market indigenous products in domestic and global markets.
2. Kerala Institute for Entrepreneurship Development (KIED) as a Centre of Excellence in entrepreneurship development.
3. Launched new websites www.keralamsme.org and www.keralamsme.com for accessing national and international markets and E-Market web portal has been launched to provide better marketing facilities to MSMEs and PSUs.
4. 305 Entrepreneurship Development Clubs have been set up in educational institutions to promote entrepreneurship among students.
5. 5027 industrial units received assistance under Entrepreneur Support Scheme.
6. Completed Modernisation of the Common Facility Service Centre (CFSC) at Changanassery.

7. Implemented Kerala Micro Small Medium Enterprises Facilitation Act, 2019.
8. Implemented a Special Package 'Vyavasaya Bhadratha' for Relief and Financial Assistance to MSMEs in the State in the Wake of Covid-19.
9. Setting up of "Central Inspection Framework" and an online system "Kerala – Central Inspection System (K-CIS)" to carry out all inspections in a single platform. A total number of 1509 inspections were carried out till December 2021.
10. Kerala Industrial Single Window Clearance Boards and Industrial Township Area Development (Amendment) Rules, 2021.
11. Conducted 'Meet the Minister' Campaign to address the grievances of investors in the state/ those who are planning to launch new enterprises with the help of the DICs. Out of the total 1377 petitions received during the programmes conducted in 10 districts, 955 were resolved as on December 2021.
12. Organised 'Meet-the-investor Programme' for interaction with investors to promote new ventures in the State.
13. Kerala become the first Indian State to adopt 'Responsible Investment, Responsible Industry' programme as part of industrial growth.
14. All offices under Directorate of Industries and Commerce have been completely migrated to e office system for fast and transparent disposal of files.
15. The existing Website of Directorate of Industries have been completely revamped with various new contents and interactive features.

CHAPTER 3

APPRAISAL OF GOVERNMENT INTERVENTION

The State Government has been always supportive to the MSME sector in Kerala. The Central Government also has a full-fledged dedicated Ministry for this. There are many schemes addressing different areas of business operation for this sector offered by the State and Central Governments.

State Government Sponsored Schemes for MSMEs

The Department of Industries & Commerce with Directorate of Industries and Commerce (DIC) manages both the Central and State level initiatives with MSMEs in Kerala. The schemes implemented by the Government of Kerala aimed at supporting industrial growth of Kerala are discussed in this section.

Entrepreneur Support Scheme (ESS)

The scheme aims to provide financial assistance to Micro, Small and Medium Enterprises engaged in manufacturing activities in the State, proportional to the capital investment made. Depending upon the category of the investor, sector and the District of investment, the unit can avail subsidy from 15per cent to 45per cent of the fixed capital investment. For this scheme, loan from a financial institution is not mandatory.

Margin Money Grant to Nano Units

Margin Money Grant to Nano Units is a loan linked scheme operated by the Directorate of Industries and Commerce. The scheme aims to provide financial assistance to Nano units in the State, engaged in manufacturing, job work and service activity having any type of value addition.

PM Formalisation of micro food processing Enterprises Scheme (PM FME Scheme)

PM FME scheme is a centrally sponsored scheme that is designed to address the challenges faced by the micro enterprises and to tap the potential of groups and cooperatives in supporting the up-gradation and formalization of these enterprises. The expenditure under the scheme would to be shared in 60:40 ratios between Central and State Governments.

Scheme for Interest Subvention to Nano Household Enterprises

This scheme has been introduced to promote the Nano and household enterprises in the state. The scheme intends to provide financial assistance in the form of interest subvention to nano and household enterprises on a reimbursement basis for the term loan availed by the unit. The units engaged in the manufacturing, services as well as job work can apply under the scheme.

Revival and Rehabilitation scheme for Defunct MSMEs and Cashew processing units

The scheme envisages supporting defunct MSMEs in the manufacturing sector including cashew processing units through assistance in the form of capital grants and working capital incentives.

Kerala stressed MSMEs Revival & Rehabilitation Scheme

The Kerala stressed MSMEs Revival & Rehabilitation scheme intends to provide financial and other handholding support to the MSMEs which show signs of stress and to convert their non-productive assets into productive assets. The maximum assistance admissible for each unit, all reliefs and assistances put together, under the scheme will be limited to Rs. 5 Lakh.

Assistance to Skilled Entrepreneurs Development Centres

To provide better employment opportunities to the skilled workers working in the unorganized sector in Kerala, transforming the unskilled workers into experts in the relevant field through skill development training, providing the required work tools to the workers and providing a better work-friendly environment to the society. The Government of Kerala aims to form one or more Industrial Co-operative Societies within the territorial boundaries of each Local Self Government Institution in the State and accordingly those working in different occupations have come forward to achieve the target.

Assistance Scheme for Handicrafts Artisans (ASHA)

The Scheme intends to provide financial assistance in the form of grant to the artisans in the handicrafts sector for setting up handicraft enterprises. The assistance is a onetime support to eligible artisans of the state as back end assistance. For the purpose of this scheme, an artisan is a person who has been categorized as such by the office of the Development Commissioner (Handicrafts), Govt. of India or SURABHI, KSBC, KADCO, HDCK, KELPALM and has taken effective steps to setup an enterprise in the handicrafts sector.

Scheme for Interest Subvention on Term Loan and Working Capital Loan

The scheme has been introduced to assist the MSME units which were badly affected due to the economic crisis in the wake of COVID-19 pandemic. The scheme intends to give financial assistance in the form of interest subvention for 12 months for the new/ additional term loan and/or working capital loan availed by the units from 1st April 2019 to 31st December 2021.

Central Government Sponsored Schemes for MSMEs

The schemes implemented by the Ministry of Micro, Small and Medium Enterprises, Government of India and its organizations are discussed in this section. The national level programmes like Athma Nirbhar Bharath, Local Focal, Start up India, Make in India and other similar national programs form the base for these schemes.

Prime Minister's Employment Generation Programme (PMEGP) aims to provide financial assistance to set up self-employment ventures and generate sustainable employment opportunities in rural as well as urban areas. It is a bank-financed subsidy program for setting up new micro enterprises in non-farm sector.

2nd Loan for up-gradation of the existing PMEGP/MUDRA units provides financial assistance to successful/well performing units for expansion and up-gradation. The scheme also caters to the need of the entrepreneurs for bringing new technology/automation so as to modernize the existing unit.

Credit Guarantee Scheme for Micro & Small Enterprises (CGTMSE): To facilitate the first generation entrepreneurs to venture into self-employment opportunities by facilitating credit guarantee support for collateral free/third-party guarantee-free loans to the Micro and Small Enterprises (MSEs), especially in the absence of collateral.

Credit Linked Capital Subsidy Component (CLCS & TU Scheme): To Facilitate technology up-gradation in MSEs with state-of-the-art technology, with or without expansion and also for new MSEs which have set up their facilities by providing an upfront capital subsidy of 15 per cent (on institutional finance of up to Rs 1.00 Crore availed by them).

Procurement and Marketing Support (PMS) Scheme: To enhance the marketability of products and services in the MSME sector and to promote new market access initiatives, create awareness and educate the MSMEs about various marketing relevant topics.

International Cooperation (IC) Scheme: Supports MSMEs by way of participation in international events for exploring export opportunities, access to international business networks, technology up-gradation/modernization, improved competitiveness, awareness of better manufacturing practices etc.

Micro & Small Enterprises Cluster Development Programme: (MSE-CDP) to support the sustainability and growth of MSEs by addressing common issues such as improvement of technology, skills & quality, market access, creation of common facility centres including plug & play facilities. Support for infrastructure development projects including flatted factory complexes.

Scheme of Fund for Regeneration of Traditional Industries (SFURTI): To organize the traditional industries and artisans into clusters in order to make them competitive and provide support for their long- term sustainability and also support traditional artisans to provide sustainable employment.

Scheme for Promotion of Innovation, Rural Industries and Entrepreneurship (ASPIRE): To set up a network of technology centres and incubation centres to accelerate entrepreneurship and promote innovation to further strengthen the competitiveness of MSME sector.

ZED Certification Scheme: To enable MSMEs for manufacturing of quality products by inculcating Zero Defect & Zero Effect practices in manufacturing processes, ensure continuous improvement thereby supporting the Make in India initiative.

Lean Manufacturing Competitiveness for MSMEs : To enhance the manufacturing competitiveness of MSMEs through the application of various Lean Manufacturing (LM) techniques by Reducing waste; Increasing productivity; Introducing innovative practices for improving overall competitiveness; Inculcating good management systems; and Imbibing a culture of continuous improvement.

Design Clinic for Design Expertise to MSMEs :To provide expert advice and cost-effective solutions on real-time design problems for the MSMEs in India and to enhance

their competitiveness in the global markets through new product development or value addition for existing problems.

Digital MSME to promote Information and Communication Technology (ICT) in MSME Sector by adopting ICT tools and applications in their production and business process. The scheme is also aimed at creating awareness, supporting developments and e-platforms, creating literacy, training and promoting digital marketing in MSME sectors.

In addition to the above mentioned schemes/programmes the Ministry of Micro Small and Medium Enterprises is also undertaking the following:

1. Entrepreneurial and Managerial Development of SMEs through Incubators.
2. Awareness on Intellectual Property Rights (IPR).
3. Entrepreneurship and Skill Development Programme (ESDP) Scheme.
4. National SC-ST Hub.
5. Assistance to Training Institutions (ATI) Scheme.
6. Coir Industry Technology Upgradation Scheme.
7. Skill Upgradation and Mahila Coir Yojana.
8. Interest Subsidy Eligibility Certificate (ISEC).
9. Work-Shed Scheme for Khadi Artisans.
10. Rojgar Yukt Gaon.
11. Mahatma Gandhi Institute for Rural Industrialization (MGIRI).

CHAPTER 4 MAJOR CHALLENGES

The 14th Five-Year Plan is being proposed in an economically turbulent time and has the following important factors to take consideration of:-

1. The post COVID changes.
2. Industry version 4.0 (transformation of industries through intelligent networking of machines).
3. Increased market potential geographically.
4. The changing business trends in all functions of business management.
5. The technological changes like automation, block chain technology, etc.
6. The changes in financial availability and possibilities.
7. Enhanced connectivity with 5 G.
8. The work force up-skilling/new skilling.

Kerala had been hit by severe natural disasters during the past 2-3 years like cyclones and floods. This combined with the onset of COVID-19 pandemic induced lockdowns virtually closed the trade and production in manufacturing sectors and services like tourism sector.

Micro segment of the MSME play a significant footprint on the food processing industry. Many micro enterprises currently dominant in the food products both ready to eat segment, semi cooked, raw material and intermediates. However, partly due to the lockdown and job losses consumption plunged disrupting the demand side of the economy. Loss of market in many geographies has resulted in goods being struck in inventory without movement which affected the economy adversely.

Further, remittance from abroad, which form a big chunk of financial inflows also got reduced creating a new type of unemployment. The international travel ban and restrictions did not help the matters here. The global dimension of the pandemic did affect the NRIs in the Middle East, North America, Europe and Africa. The MSME sector dominated by micro level enterprises was forced to cut their operations. During the lockdown only the essential sectors were permitted to operate. The exodus of the migrant labour and the supply chain disruptions created production issues. The agriculture dominated by cash crops also took a beating both by the weather and labour exodus.

Key Challenges in the MSME Sector of Kerala

1. The M to S to M (i.e., Micro to Small, Small to Medium) transition of Enterprises is not taking place among the MSMEs in Kerala. There are about 1.50 Lakh registered MSMEs in the State and out of this 1.20 Lakh units are Micro Enterprises. This remarks the importance of augmenting the transformation process of enterprises in Kerala.
2. Service sector provides immense opportunities for the State. However, it is found that the MSMEs are not utilizing the opportunities with full potential. Hence, new start-ups may be encouraged in the service sector over and above those in software.

3. The reachability of the technology to the entrepreneurs is another major problem faced by the State. Entrepreneurs should adapt to the technological change and the Government may facilitate it.
4. The two professional agencies of the Department of Industries and Commerce engaged in supporting, facilitating and handholding MSMEs i) Kerala Institute for Entrepreneurship Development (KIED) and ii) Kerala Bureau of Industrial Promotion (K-BIP) are required to be strengthened.
5. Shortage of good business ideas is another important issue faced by the entrepreneurs in Kerala. Initiatives may be undertaken by the Government to create a pool of ideas, which helps to sustain in the market and to access the resources.
6. It is essential to develop and enhance entrepreneurial attitude among the youth in Kerala. Institutional system such as ED Clubs and incubation centres may be introduced to help them nurture their passion from childhood.
7. Industrial infrastructure is another important requirement for MSMEs to flourish. Kerala has around 150 industrial parks and there is a need to promote more such industrial parks. Private industrial parks may also be set up.
8. Training and handholding for MSMEs is another area in which the Working Group should look into. The Government may facilitate a mechanism to monitor the progress (physical as well as financial) of MSMEs on a continuous basis.
9. The strategy and approach with respect to Clusters/Individual Enterprises/Parks/Industrial Corridor need to be reviewed.
10. A good teamwork is essential for facilitating industrial growth. Government, Kerala State Planning Board, Industry organisations like CII, FICCI, MSME Associations, SLBC, etc. may work together for the improvement of MSMEs.

Opportunities

1. The reset of the industry and digitization possibilities therein the business conduct modalities have undergone a transformation. Both in B2B and B2C segments the online enablement has brought in the challenges of Technology and adaption. This has changed the scope and reach of businesses to a new level. Kerala and Keralites being skilled and adaptive to new technologies can look at this as a new opportunity.
2. Markets are expanding with the online enablement and competition is of global dimensions with more players entering the same field. The archaic way of doing businesses in the traditional segment will have to change in order to survive. This also is an opportunity to bounce back afresh with better ideas and products.
3. The new practices emerging on the business enablement like AI, ML, block chain throws in challenges to the techno-ramus segment. The justification of doing businesses the digital way is no more a choice but a compulsion.
4. The expanded or new markets and improvement in sourcing, production processes and optimization of resources will better the product in a revolutionary manner. The exposure is bewildering for the less educated and the fear of the unknown can be deterring. The fallout can be the enterprise facing a shutdown.

5. Willingness to adapt is the mantra of survival and success. We need to accept the world as it is evolving. The accelerated rate of digitalization during and post covid scenario will push all including MSMEs into a connected intelligent world.
6. All possible information will be in demand by the market and the product/services will have to re-establish themselves in a connected virtual manner. The marketing will be a pull based mechanism using the new world web communication techniques and media.
7. Kerala has wonderful unique products in MSME – like those in Handloom and Handicrafts. A good number of them are unique to this part of the world and has a reputation in the markets already. This fact will have to be retold and re-enacted in the virtual intelligent connected live web by suitable techniques.
8. The necessary skills are already exist for enabling the concept of digitization by outsourcing in domestic market itself and still growing with an ever growing community of service providers covering all functions.
9. The State and Central governments may have to drive, support and nurture this activity as a priority to convert the so called threat into a wonderful opportunity. The product is there and the market also was /is there, it is only a matter of going for re-positioning digitally a new way of meeting the old friends and making new friends too.
10. The entire focus is on the performance and the geography and logistics wise Kerala is well poised. The product knowledge coupled with market knowledge and the right approach can take any product/service anywhere.
11. The measurability of all efforts, at all levels monitoring and variance analysis live coupled with easy and quick corrections make the new way of doing things a lot better. The only challenge is the learning and adaption curve.

CHAPTER 5 FINDINGS AND RECOMMENDATIONS

Research and Development & Technology Induction

R&D is typically risky and expensive and MSMEs need to look at institutional support. To sustain innovative activities, academia backup is crucial. Therefore, to carry out the sustained research various labs are established in many educational institutions with focus on material science, applied physics, electrical and mechanical testing.

R&D should be based on the industry demand on one side and at the same time it should follow, emulate and adapt to the global trends. Reengineering of good products and material should be followed after suitable identifications. R&D should have much stronger interaction with the target beneficiary group. The knowledge management in R&D must involve native talent and knowledge base which help to reduce the turnaround time and faster adaptability.

The cost of technology transition with respect to the returns may be borne in mind as well as raw material availability and the adaptability by the target beneficiaries. Best practices to be adapted and insisted upon in case of Technology services. The State Government and the Centre must work in unison or synchronization for technology transformation.

New Policies/Programmes

1. Earmark a fund called 'Technology Fund' - if someone buys a new technology, support him/ her with a subsidy of 50 per cent of the cost of new technology limiting to Rs.10 lakh for MSMEs.
2. Start a new 'Seed Funding' scheme - where any non IT start-up will be provided with a seed fund of 50per cent of their fixed capital limiting to Rs. 10 lakhs per start up.
3. Encourage private industrial parks - earmark at least Rs. 100 crore for incentivising private parks. 30 per cent of the development cost of any private industrial parks (of area up to 15 acres) limiting to Rs. 2 crore per park should be provided.
4. Facilitate participation in at least 20 national/ international trade fairs/ B2B and that will help in securing more markets. Funds may be set aside for the same.
5. Develop a policy of internships - If students are willing to opt for short term internships (3 months) with MSMEs in Kerala, government may support students with Rs. 10,000/- per month stipend for 3 months.
6. Set up funds for 'MSME clinics' in all districts/ blocks so that any MSME in trouble can get consultancy (make a panel of experts in finance, marketing, infrastructure etc. so that MSMEs can consult). The cost of consultancy can be subsidised.
7. Identify 100 MSMEs as champions in the first year, and in the second year increase it to 200.
8. Conduct a survey and identify availability of raw materials locally (or market gap) to inform entrepreneurs about potential areas for starting an enterprise. Funds may be provided for this bottom up planning. Also, top down data (data on global markets/ global requirement) can also be clubbed with this.

9. Select 10 sectors (For example: food processing, handicraft, engineering manufacturing, etc.) and develop a panel of experts (successful exporters/ entrepreneurs) to provide consultancy in regular intervals to all enterprises in the State in this sector to ensure continuous handholding.
10. Permanent marketing outlets for MSME - Provide a dedicated shelf space in all supermarkets for MSME products from Kerala. Start 1 dedicated store (branded retail store of MSME products) in each tourist destination. Make a brand of 'Made in Kerala' and if any MSME wants to use it, allow them.

Industrial entrepreneurship

1. Industrial entrepreneurship creates values, incomes, modern skilled employment and has the potential to relieve employment of the worst forms of drudgery.
2. A structured programme is recommended by co-ordinating entrepreneurial support programmes of various departments, agencies and other industrial stake holders and driving the industrial eco system right from identifying potential sectors/sub sectors as well as prospective entrepreneurs and facilitating them with viable projects, industrial infrastructure, technology, management skills, finance, implementation support, marketing and other demand –supply side business services.
3. The focus will be integration of field level industrial support programs of various departments/agencies and other industrial stakeholders with special focus on co-ordination of activities of Industries Department and LSGD in driving the industrial ecosystem.
4. The objectives will be:
 1. To create employment opportunities in rural and urban areas through new self-employment ventures /projects/micro/nano enterprises.
 2. To mobilize youth, women and returnee NRK's and identifying employment opportunities.
 3. To provide sustainable employment to a large segment of people to overcome Covid -19 pandemic linked economic crisis.

The District Level Task Force is recommended as an umbrella mechanism to oversee all industrial /entrepreneurial support activities of various industrial stake holders. The main role of the task force is to co-ordinate, guide, integrate and monitor various entrepreneurial support.

The Business/ Industrial Facilitation Centre (B-IFC) is suggested as an overarching mechanism / common platform and nodal point for driving various activities in the entrepreneurial ecosystem pooling resources earmarked for industrial facilitation activities of various agencies under Industries Department and other departments/agencies.

A State Level Task Force is recommended to monitor the programme in 14 Districts to ensure meeting state level targets and deliverables with periodical reviews based on the feedback from District Level monitoring and evaluation mechanisms.

General Recommendations

1. Kerala is committed to the industrialization by the MSME sector due to the encouraging results in 13th FYP taking up initiatives in this direction. There is a need for a Policy Framework in the MSME sector to help identification of industries, prioritization based on geography, sourcing of funds, supply chain & logistics evaluation and market exploration and product positioning.
2. Sectoral focus may be applied on suitability of the industry with respect to Kerala. The locally available resources for production have also to be analysed along with logistics of business and trends as well as skill sets.
3. The Working Group has suggested Food Processing, IT/ITES, Trading, Medical supplies, Health industry, etc. as the focus areas to start with and expand thereby.
4. The lack of transition of MSMEs from Micro to Small/Medium in the State is a major concern. The vast majority of the registered enterprises stagnate at the micro level. This stagnant scenario has to be augmented efforts by concerted efforts in transforming micro enterprises in Kerala.
5. Service sector is growing at nearly the same stage globally as the manufacturing and National Policy is heading towards removal of the segmentation on this criteria. However, this segment has not performed well in the MSME segment in Kerala.
6. The delivery of Technology Enablement to MSME is another concern to be addressed. This is an important aspect to be covered to increase the survival of MSMEs. A unified multi prong synchronous action plan with a live online knowledge and information flow needs to be enabled to grow the MSME sector.
7. Shortage of good business ideas due to lack of imagination and information needs to be addressed. It is essential to develop and enhance Entrepreneurial drive in Kerala youth.
8. Financing forms a very important part of MSME growth. Traditional bank borrowing needs to be supplemented by new forms of finance. New sources of finance need to be explored.
9. A higher proportionality in investment subsidy can help investors improve the commitment in this segment. The practice adopted by the neighbouring States need to be emulated and adopted.
10. A proactive role on an aligned path with Central Government Schemes by the Kerala State can yield many benefits to Kerala MSME. The Government of Kerala can be very constructive partner in getting the enterprises in the State their dues from national support schemes for MSMEs.
11. There is network of knowledge and testing facilities base in the way of research institutions and a good network of research facilities where many industrial solutions are available and possible. This infrastructure must be made use for R&D, testing and skill up-gradation.
12. The imports must be substituted with domestic production. This is a strong element with national policies too currently with schemes like Make in India, Local Focal and Glocal etc.

13. Promote the champions of MSME every year for showcasing as well as to motivate and entice other likely aspirants.
14. Kerala needs to modernize all aspects of the business and upgrade the skills and outlook. A digital connected world is opening up immense possibilities of enhanced range of products with market access to the whole world.
15. There should be some incentives for the Export oriented MSMEs. The Public Procurement Policy for Micro and Small Enterprises (MSME) order 2012 has mandated every Central Ministry/Department/PSU/State Government shall set an annual goal for procurement from the MSME sector at the beginning of the year, with the objective of achieving an overall procurement goal of minimum 25 % of the total annual purchases from the products or services produced or rendered by MSMEs. Out of 25% target of annual procurement 4% is exclusively reserved for MSEs owned by SC/ST and 3% for MSEs owned by Women entrepreneurs.
16. Similar to the Central Government PSUs, the State Government PSUs should also implement Public Procurement Policy for MSMEs.
17. Setting up a portal for MSMEs under Industries Department to upload the purchase requirement for MSMEs under Central & State PSUs and regularly updating it. The MSMEs registered in the portal, can check the status regularly and also participate in the tender process. The portal can be also outsourced to any professional agency who could act as a link for connecting MSMEs with PSUs.
18. Give wide publicity to Gem Portal and TReDS Portal.
19. Industries Department should take steps to ensure that MSMEs in Kerala register in the portal.
20. More Participation at Virtual Trade Fairs & Exhibitions- during COVID times.
21. Department of Industries need to create more awareness among MSMEs in Kerala to take advantage of Digital Marketing tools to expend their Marketing activities.
22. E Commerce platform for MSMEs in Kerala for selling their products.
23. Undergraduate/PG students should be given least three-month's training for entrepreneurship at KEID or any other centres with sessions by experts and reputed mentors, this would help in creating a new entrepreneurship culture in Kerala.
24. The state has to move towards greater efficiency in the use of energy resources. Power efficiency of machinery and equipment has to be ensured. This would lead to savings on energy charges, which forms a key input for production.
25. While new MSME units are provided facilities on the one hand, it is equally essential to focus on sustainability of new and existing units. The case of large number of units closing down dampens the spirit of entrepreneurship. Support for existing units has to be ensured.

CHAPTER 6 ROADMAP FOR 14TH FIVE YEAR PLAN

Policy Framework” A revised framework with inclusion of the revised resource bank and the possibility of automation and intelligence addition to the MSME sector need to be evolved. The revised National Education Policy and the new sets of skilling in Education and Training possibilities out of this and the technological changes set in Industry Version 4.0 needs to be incorporated into this framework.

Sectoral focus

Sectoral focus application on the MSME segment needs to be pursued. The knowledge development and adoption to this segment with modern business techniques has to be promoted. To reduce mutual competition more of unique niche needs to be created providing for healthy growth of the chosen industry segment. Development of robust online communities on digital platforms needs to be enabled providing for better communication system, which in turn will provide better informed decision making. Marketing also has to be strengthened and expanded providing for assured business for the unique products so created.

The concept of networks and online community with all possible support by experts and specialists to be enabled to ensure support and knowledge transfer of the essential type. Kerala will have an inherent advantage in the adoption of creating a knowledge based MSME sector due to the highly skilled population. Integration of digital technologies will ensure faster decision making, market expansion and timely remedies in the process of industrialization of the State in MSME sector.

Value Addition

The state of Kerala has a burgeoning consumer market and in some white goods and FMCG segments we are the national leaders as consumers. Despite this huge market potential domestic manufacture of these products and services is practically dismal. Many food products, some IT/ITES services and medical products etc. mostly come from neighbouring States or elsewhere. Kerala’s contribution to Value Addition Chain needs to improve. The price competition is primarily due to raw material sourcing and higher cost of operation can be mitigated partly by automation and other part by pooling and sharing. The very outlook has to evolve to the global levels where the domestic products match the best in the market and adhere to global standards.

In case of food products a focus on the higher value segment will help improve the price competition. The intermediaries, precooked and ready to eat segments are currently doing well in market and based on the market potential and business logistics there can be many such products added to this segment due to the changing consumption habits.

Information Technology

In case of IT/ITES Kerala has a tremendous market in both B2B segment as well B2C. The automation support to domestic industry and providing security solutions fall in the two sub segments respectively. Lower cost of the skills and high quality of the same can help

Kerala excel in this sector. Due to reasonably good connectivity IT/ITES stands to perform better and Kerala can be a backend hub for many support functions of technical and other nature.

Service Sector

Service sector has high employment elasticity. It has a very high potential for growth and generate highly productive jobs with high revenue generation. Kerala has relatively high level of technical literacy. The service sector primarily depends on specific skills and development of such skills can give further fillip to the growth of this sector.

Ideation Process

Lack of ideation process can be the end or extinction of the product and services from the marketplace. Ideation in product development and market development are essential for survival of any industry. The market demands keep changing and thinking one step ahead of the market is the success mantra.

The process has been identified in previous plan and many ideation and initiatives have been created and have given reasonable success stories. But there is much more required. Some possibilities are mentioned here:-

1. Catch them young is the catch technique to start with ideation process in any community. Kerala has one of the best schooling systems. An interaction and incentivization can provide many good ideas and innovation locally relevant. There can be suitable rewards for the selected ideas from here to be commercially assessed and the IP rights goes back to the creator in case it is adapted or accepted or bought. The ever present native knowledge base also can be chronicled and adapted from these interactions. State wise awards and all can create a big momentum to such an effort.
2. Similarly idea and innovation generation can be accelerated by addressing professional technical and medical courses by running online contests.
3. The idea generation to be industrially and commercially viable. The new ideas and innovation or modification in process or material to be assessed well in all business parameters. The idea creators and innovators to be educated and trained on the proto development, commercial skills etc. to save on the go to market lead time.
4. There has to be considerable promotion online at this stage for ideation and innovation. There has to be a concerted mass media effort to enable a good participation from the originators. The concept of intellectual copyrights and patent revenue possibilities and operation of IP business must be communicated well to the target audience of the young and young at hearts. This will help mitigate two difficult areas of Entrepreneurship in MSME –
 - (i) enhanced youth involvement and
 - (ii) new enterprises in a new area of Knowledge Business.

Use of Modern Technology

For engaging and motivating the target MSME units into modern technology the following activities are suggested with all the stakeholders forming groups locally or at individual

levels based on the ability or capacity to learn.

Step 1:- Get all the individuals and groups on to the smart phone utilization. This will need a subsidized support in certain sub segments mostly from traditional group. Telecom companies may be made partners for service provisioning.

Step 2:- Get them all on to social media platforms to enable two way communications in a current live manner

Step 3:- The supporting agencies to give information on development possibilities from technology to operations, Access to the technology providers to the beneficiaries and put in place a community strong and effective as well as efficient.

Step 4:- A centralized monitoring system for efficient and effective fulfilment of the objectives and to continue developing this platform.

WFinance

The reasons for lack of enterprise growth could be due to various reasons. The primary reasons are lack of empowerment at entrepreneur level which in turn can be lack of finances, awareness of the opportunity and the risk taking capacity. Continuous supporting measures like training, educating and motivation and incentives can help them.

Finance is most limiting factor for any business most of the time. The institutional lending by all Banks together in Kerala in MSME segment is Rs.57,000 crores. (This is 14 per cent of total lending by them). Banks prefer supporting the lending in manufacturing for better Development Index. The over dependence on Nationalized Banks and scheme based funding in MSME needs to reform. The concepts of VC funding, Angel investing, Equity participation, Cooperative Financing, etc. needs to be explored. To attract both retail and institutional financings, the valuation process has to be set in.

Appendix I

Industries Sector - Working Group 2

PROCEEDINGS OF THE MEMBER SECRETARY STATE PLANNING BOARD

(Present: Sri Teeka Ram Meena IAS)

Sub: - Formulation of Fourteenth Five Year Plan (2022-27) – Constitution of Working Groups on **Micro Small and Medium Industries**- reg.

Read: -1. Note No.297/2021/PCD/SPB dated: 27/08/2021

2. Guidelines on Working Groups

ORDER No. 951/2021/SPB/I&I/ DD Dated: 23/09/2021

As part of the formulation of Fourteenth Five Year Plan, it has been decided to constitute various Working Groups under the priority sectors. Accordingly, the Working Group on **Micro Small and Medium Industries** coming under industry sector is hereby constituted with the following members. The Working Group shall also take into consideration the guidelines read 2nd above in fulfilling the tasks outlined in the ToR for the Group.

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Members

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Convener

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Mob: 9447000868

Co-Convener

Smt.Salini, Research Officer, Industry and Infrastructure Division, State Planning Board

Terms of Reference

1. Our future is in MSME. Propose specific industries that are likely to attract investors while being in consonance with our general policy objectives. Propose methods of attracting such investment.
2. Formulate an MSME policy that helps potential entrepreneurs to
 - (i) Identify products;
 - (ii) Identify industrial locations;
 - (iii) Identify sources of finance;
 - (iv) Identify and evaluate supply chains and markets;
 - (v) Receive regular expert consultancy services, particularly with regard to technology development and economic functioning, at reasonable rates.
3. Evaluate the occupancy levels and health of industries in various Industrial Parks promoted by the State Agencies. Provide inputs for developing a strategy for promotion and propose upgradation of infrastructure and other requirements to make the Parks nationally competitive.

Terms of Reference (General)

1. The non-official members (and invitees) of the Working Group will be entitled to travelling allowances as per existing government norms. The Class I Officers of GoI will be entitled to travelling allowance as per rules if reimbursement is not allowed from Departments.
2. The expenditure towards TA, DA and Honorarium will be met from the following Head of account of the State Planning Board '3451-00-101-93'- Preparation of Plans and Conduct of Surveys and Studies.

(Sd/-)

Member Secretary

To

The Members concerned

Copy to

PS to VC
PA to MS
CA to Member (Sri.V Namasivayam)
Sr. A.O, SPB
The Accountant General, Kerala
Finance Officer, SPB
Sub Treasury, Vellayambalam
Accounts Section
File/Stock File

Forwarded By Order

Sd/-

Chief (Industry and Infrastructure Division)

APPENDIX II MAJOR INDUSTRY GROUP

Sl. No.	Industry Group	Number of Units
1	FOOD PRODUCTS	38339
2	OTHER NON-METALLIC MINERAL PRODUCTS	29303
3	TEXTILES	17699
4	FABRICATED METAL PRODUCTS, EXCEPT MACHINERY AND EQUIPMENT	16632
5	RUBBER AND PLASTICS PRODUCTS	14585
6	OTHER INDUSTRIES	13543
7	MACHINERY AND EQUIPMENT N.E.C.	13179
8	CHEMICALS AND CHEMICAL PRODUCTS	12902
9	BASIC METALS	11789
10	WEARING APPAREL	11331
11	ELECTRICAL EQUIPMENT	7755
12	PAPER AND PAPER PRODUCTS	7387
13	MOTOR VEHICLES, TRAILERS AND SEMI-TRAILERS	6350
14	PHARMACEUTICALS, MEDICINAL CHEMICAL AND BOTANICAL PRODUCTS	5161
15	LEATHER AND RELATED PRODUCTS	4768
16	WOOD AND PRODUCTS OF WOOD AND CORK, EXCEPT FURNITURE	4678
17	PRINTING AND REPRODUCTION OF RECORDED MEDIA	4358
18	OTHER MANUFACTURING	3750
19	TOBACCO PRODUCTS	3472
20	COTTON GINNING, CLEANING AND BAILING AND SEED PROCESSING FOR PROPAGATION	3275
21	COMPUTER, ELECTRONIC AND OPTICAL PRODUCTS	2452
22	BEVERAGES	2240
23	OTHER TRANSPORT EQUIPMENT	2235
24	MANUFACTURE OF FURNITURE	1932
25	COKE AND REFINED PETROLEUM PRODUCTS	1603
26	MANUFACTURE OF FURNITURE	740
27	WASTE COLLECTION, TREATMENT & DISPOSAL ACTIVITIES; MATERIALS RECOVERY	511
28	PUBLISHING ACTIVITIES	291
29	SALT PRODUCTION BY EVAPORATION OF SEA WATER OR OTHER SALINE WATERS	135
Total		242395

Source: Annual Survey of Industries, 2018-19

APPENDIX III
TYPE OF ORGANIZATION

Sl. No.	Type of Organisation	Factories (Number)
1	Individual Proprietorship	60,567
2	Partnership	61,530
3	Limited Liability Partnership	1,534
4	Government Company - Public	973
5	Government Company - Private	667
6	Non-Government Company - Public	11,095
7	Non-Government Company - Private	65,939
8	Corporate Sector (4+5+6+7)	78,674
9	Co-operative Society	1,916
10	Others (Incl NR)	38,173
	TOTAL	242,395

Source: Annual Survey of Industries, 2018-19

Appendix IV

Gross Value Added by economic activity of India at constant (2011-12) Prices

(Rs. in Crores)

Sl. No.	Item	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21
I.	Agriculture, forestry and fishing	1501947.32	1524288.20	1609198.30	1605715.22	1616145.93	1726004.40	1840022.90	1878598.35	1982302.90	2048031.89
	crops	982151.04	983808.58	1037059.74	998424.77	969343.82	1020257.59	1075111.44	1049211.07	1106544.54	1127574.95
	livestock	327333.71	344374.69	363558.10	390449.29	419637.29	461572.23	497830.34	540970.11	581449.54	617117.15
	forestry and logging	124436.03	124742.52	132093.42	134609.05	136960.04	144547.26	152350.68	163949.31	164415.52	165623.93
	fishing and aquaculture	68026.54	71362.41	76487.04	82232.11	90204.79	99627.32	114730.43	124467.85	129893.30	137715.86
II.	Mining and quarrying	261035.37	262608.80	263106.61	288685.46	317973.81	349247.71	329612.05	326814.57	321766.38	294024.30
III.	Manufacturing	1409985.5	1486873.26	1560709.12	1683937.55	1903849.59	2054764.34	2209427.76	2328992.20	2261293.86	2247740.01
	Food Products, Beverages and Tobacco	167524.26	154539.66	153560.43	157637.48	183149.85	202963.83	214366.25	258682.68	248140.41	257363.01
	Textiles, Apparel and Leather Products	153237.53	177397.87	216410.92	216428.79	258935.80	261079.08	280872.58	300013.49	293770.82	239573.84
	Metal Products	229227.39	238520.39	277321.67	261205.53	225306.13	285206.47	319554.55	326297.66	323404.89	329138.14
	Machinery and Equipment	334669.51	345731.25	324994.20	357017.00	429549.71	474418.39	533307.04	580846.56	554515.32	519452.88
	Other Manufactured Goods	524926.88	570684.09	588421.89	691648.76	806908.10	831096.57	861327.35	863151.82	841462.41	902212.14
IV.	Electricity, gas, water supply & other utility services	186668.00	191635.00	199601.00	214047.00	224158.00	246496.00	272650.02	294147.00	300674.92	289771.22
V.	Construction	777334.55	780050.11	800770.88	835228.62	865334.93	916444.67	964305.67	1026789.19	1038679.79	962835.40
VI.	Trade, repair, hotels and restaurants	883582.30	981620.00	1034506.00	1135841.46	1261425.84	1389322.44	1568174.66	1707780.61	1828424.81	1418045.05
	Trade & repair services	793681.47	888665.00	941941.00	1037640.18	1150121.24	1268230.24	1435983.81	1563236.99	1674209.71	1350823.07
	Hotels & restaurants	89900.83	92955.00	92565.00	98201.28	111304.60	121092.19	132190.85	144543.62	154215.10	67221.99
VII.	Transport, storage, communication & services related to broadcasting	529533.76	569523.00	617556.00	671847.88	731398.90	757056.20	800244.74	830976.68	861300.99	729634.29
	Railways	61150.00	69162.00	73685.00	80720.00	85452.00	82161.00	87885.77	91349.65	82302.81	67154.22
	Road transport	262441.93	282425.00	300563.00	320813.09	343154.74	362323.64	396401.47	417538.19	432222.77	328137.37
	Water transport	6909.84	7052.00	7345.00	7954.41	8095.19	8568.85	11914.52	12628.01	13018.14	12293.86

	Air transport	4392.80	4183.00	4550.00	5188.16	6052.79	7171.98	8372.58	9401.66	9158.94	3176.57
	Services incidental to transport	63602.04	66480.00	70172.00	75595.82	81155.63	86834.65	84350.57	89060.64	91369.26	81385.05
	Storage	5107.61	5716.00	5210.00	5529.05	6245.45	6100.35	12975.78	13783.78	13916.42	14329.40
	Communication & services related to broadcasting	125929.54	134505.00	156031.00	176047.36	201243.11	203895.72	198344.05	197214.75	219312.65	223157.81
VIII	Financial services	480226.00	529792.00	577914.00	627254.61	672787.60	695983.08	728669.63	758170.32	784671.79	824734.27
IX.	Real estate, ownership of dwelling & professional services	1050651.37	1150239.29	1289492.91	1446459.82	1621999.02	1796983.47	1808520.63	1956051.40	2112721.60	2137176.17
X	Public administration and defence	491154.78	501383.47	510045.69	543852.87	565105.92	614238.20	676507.44	722772.73	759976.03	777125.57
XI.	Other services	534826.97	568262.23	600748.16	659262.29	711690.80	781744.10	836035.02	902704.72	967662.50	855955.45
XII.	TOTAL GVA at basic prices	8106945.99	8546275.35	9063648.67	9712132.79	10491870.35	11328284.62	12034170.51	12733797.77	13219475.59	12585073.62

Source: National Accounts Statistics, 2022