

## **EXECUTIVE SUMMARY**

The Minor Research Project entitled 'Role of State Industrial Development Corporations in Economic Development: A Case Study of Kerala State Industrial Development Corporation Ltd.(KSIDC)' was conducted to find out the role played by KSIDC in the economic development of Kerala. The objective of the study and summary of the study are mentioned below.

The main objectives of the study are:

- To identify the major projects of KSIDC.
- To study the extent of financial assistance granted by KSIDC to the industrial sector in Kerala.
- To evaluate the performance of KSIDC.
- To analyse the employment potential created by KSIDC.
- To unearth the criteria followed by the Corporation to provide financial assistance to firms.

Both primary and secondary data were used for conducting the study. Operations of both Thiruvanthapuram and Ernakulam offices were covered under the study. Primary data were collected through direct personal interview method and structured questionnaire. Secondary data were collected from both published and unpublished sources like books ,magazines, annual reports of KSIDC, study reports ,websites etc.

### **Summary of the Study**

After independence, especially under the impetus of economic planning, Indian economy witnessed far reaching developments in the industrial sector in India. The major reason for this quick pace of development can be attributed to the establishment of specialised financial institutions. These institutions provides wide range of services to the entrepreneurial class and which empower the industrial base in the country by creating diversified consumer and capital goods industries in India.

State Industrial Development Corporations (SIDCs) were set up in 1960 to serve as a catalytic agent to accelerate the process of industrialisation in concerned states. SIDCs main focus area is medium and large scale industries. In addition to providing financial assistance, they are also involved in developing industrial infrastructure like industrial estates, industrial

parks and setting up industrial projects, which have a key role for propelling India's economic development.

Kerala State Industrial Development Corporation was established in 1961. It provides financial assistance in different ways such as investment in share capital of industrial concerns, granting loans, underwriting the issue of share capital etc. Besides providing financial assistance, KSIDC offers different types of services such as developing business ideas, identifying viable projects, conducting feasibility study and providing guidance for implementation of the project. Its term loan assistance is limited up to maximum of Rs. 35 crore for a single project which is considered to be inadequate for meeting large enterprise financial needs. KSIDC was set up at a time when capital inadequacy was a major reason for starting new ventures in Kerala. But now commercial banks have wide resources to engage both working capital and fixed capital needs of firms. They lend purely on commercial principles. This necessitates a rethinking on the authorities to reorient the Corporation to the changed circumstances.

As a nodal agency for industrial promotion in Kerala, KSIDC took initiatives for the development of so many industrial concerns in Kerala which include enterprises in the central sector, state sector, private sector and in the joint sector encompasses all fields like Brahmos Aero space, Cochin International Airport, Geojit financial Securities, KIMS hospital, Reginal Cancer Centre, Hindustan latex limited, Malabar cements, Kerala state drugs and pharmaceuticals, Kerala Gail Gas Ltd etc.

After the new economic reforms, KSIDC's promotional role got much significance, in the development path of Kerala. 'Emerging Kerala' was a pro-development initiative of the Govt. of Kerala to showcase Kerala as an investment friendly destination but most of the investment proposals in the programme could not be implemented properly due to lack of political consensus. 'Young Entrepreneurs Summit' was an innovative programme to instil the entrepreneurial spirit among youths in Kerala. And 'WE mission' was initiated to foster women entrepreneurs. Arguments against these promotional functions performed by development institutions are many as it causes flow out of resources from state exchequer without creating immediate direct benefit.

Out of the different types of financial assistance including refinance term loan, short term loan, interest fund account, equipment loan, the study found that the majority of existing assistance are in the form of refinance term loan and 86% of KSIDC assisted units are in the

private sector. Even though number of units assisted in the medium enterprises is high, the percentage of investment done in the large scale industries with an investment of more than Rs.100 crore is higher (36%) than others.

The study reveals that KSIDC's assistance were mainly availed by firms in Ernakulum District and industrially backward districts like Wayandu, Idukki, Malappuram and Pathanamthitta got only a meagre assistance. Tourism sector and textile sector is considered as thrust sectors and employment opportunities generated by these two sectors ranks high. But in recent years, KSIDC generated more employment opportunities in the IT Sector. Since its inception, KSIDC have generated more than 75000 job opportunities in the state which is undoubtedly a prodigious matter in a state like Kerala in which a large number of educated unemployment still persist.

In recent years, KSIDC with other promotional bodies or solely undertake so many projects for industrial developments like setting up of life Science Park, Electronic Hub, Light Engineering Industrial Park, Supplementary Gas Infrastructure Project, Kochi Metro Rail Project, High Speed Rail Corridor, Cheemeni Power Project, Trade and Convention Centre, Industrial Growth Centres , Coconut Industrial Park, Kochi-Palakkad NIMZ etc. After the new economic reforms, the promotional role of KSIDC has increased. KSIDC was established for industrial promotion of concerned states and now in the economy of Kerala, there is a much scope for business incubation centres and Start-ups. Through the promotion of Business incubation centres and Start-ups, a society with mere employees can be transformed in to a society with job providers. New Industrial and Commercial Policy of Kerala (2015) aims to transform Kerala into a vibrant entrepreneurial society through inclusive, eco-friendly and sustainable economic growth and for attaining that State level financial institutions will have to perform a major promotional role in the coming years.