

MICRO, SMALL, AND MEDIUM ENTERPRISES (MSMES) IN KERALA - AN EVALUATION

Sibi Natuvilakkandy

Assistant Professor of Economics, Government College Nedumangad,
Thiruvananthapuram, Kerala, India

Swapna Kumar K

Assistant Professor of History, Government College Nedumangad,
Thiruvananthapuram, Kerala, India

ABSTRACT

The MSME sector has been recognised as an engine of growth worldwide. Micro, Small, and Medium Enterprises (MSMEs) are essential to the growth of every economy, and it frequently serves as incubators for new ventures. The MSME sector has been recognised as an engine of economic expansion and as a crucial tool for advancing equitable development. They contribute significantly to economic growth through their entrepreneurial mentality, which is productive, economical, flexible, and imaginative. The study examined the growth of MSMEs in Kerala and evaluated Kerala's small-scale industries' growth trajectory with those of its neighbouring states. Kerala's MSME sector helps the state's economy thrive, creates jobs, and has a well-balanced regional development. It has the potential to develop into an economically significant, dynamic, and globally competitive industry for the State. At the same time, this sector has been confronted with several problems- both internal and external, which necessitates a growing concern for the careful handling of the Small-Scale Industrial /MSME sector in Kerala in the wake of Globalization.

Keywords: Industrialisation, Micro, Small, and Medium Enterprises (MSMEs), Economic Growth, Industrial Backwardness, and Sunrise Industries.

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1. INTRODUCTION

Kerala is renowned for its outstanding social accomplishments and relative industrial backwardness. Although Kerala's model of development is frequently questioned due to its low per capita income and the industrial sector's minimal contribution, the state's outstanding accomplishments in social domains have garnered broad and well-deserved worldwide recognition; its developmental indicators are significantly higher than that of Indian states, and they are comparable with developed countries. Additionally, the state is dealing with issues including a rising rate of young educated unemployment, a decrease in labour emigration, notably from the southeast of Asia, and their extraordinary return because of upheaval in other countries. Policymakers and academics should pay close attention to developing small company segments to avert the worst of these disasters. In recent years, there has been a growing understanding that the state's industrialisation process has to be accelerated to address the issues of sluggish development and severe unemployment. The small industries are considered as the breeding ground for providing men and materials and other infrastructure for the growth and development of big industries.

Micro, Small, and Medium Enterprises (MSMEs) are essential to the growth of every economy, and it frequently serves as incubators for new ventures. They contribute significantly to economic growth through their entrepreneurial mentality, which is productive, economical, flexible, and imaginative. Industrial production, jobs, and trade are only a few of the economic indicators that the MSME sector significantly influences. It also provides the strongest employment growth and makes up a sizable portion of industrial production and exports. The MSME sector has widespread recognition as an engine of economic expansion and as a crucial tool for advancing equitable development. The study examined the growth of MSMEs in Kerala and to evaluate Kerala's small-scale industries' growth trajectory with those of its neighbouring states.

2. REVIEW OF LITERATURE

The literature review discussed how important it is to support small enterprises and their contribution to economic growth in particular.

The growth of SMEs is viewed as a means of accelerating the fulfilment of more general socioeconomic objectives, such as reducing poverty (Cook & Nixon, 2000). A small business sector that is well-funded and strengthened is probably going to keep participating in the process of economic growth in the same manner that large firms do, and small businesses compete with large counter partners to create jobs (Abraham, 2003). Spreading small businesses is crucial since there is no growth if most people are excluded and only a tiny minority profit from economic advancement (Todaro & Smith, 2003).

Compared to First World nations, Third World countries where SMEs dominate economically active firms place a far higher value on SMEs' prosperity (Rwigema & Karungu, 1999). It has long been argued that SMEs are essential to economic growth and job creation, especially in nations with high unemployment rates, like South Africa, where it is believed that jobless rates can reach 40%. (Friedrich, 2004; Watson, 2004).

Small businesses have fewer capital expenses involved with employment generation and are more labour-intensive than bigger ones. They are essential for ensuring financial security, employment, and economic expansion (Liedholm and Mead, 1987; Schmitz, 1995). When Jawaharlal Nehru declared, "Real growth must eventually depend upon industrialisation," he was expressing the necessity correctly. Planners and visionaries have viewed industrialisation as the primary means of raising people's levels of life (Gupta & Singh, 1978). The necessity for the growth of the small sector was also stated by V.P. Singh at the National Development

Council meeting in 1990 when he said that the small-scale industry has increased our exports and provided a significant number of jobs.

MSMEs should get enough assistance in terms of a policy framework, incentives, and other pertinent aids since they play a significant role in expanding the domestic economy and creating jobs. Infrastructure improvements, the creation of various industrial parks and technology incubators under MSME cluster development programs, the encouragement of entrepreneurship and management competency, the funding of R&D investments, and the advancement of technology are a few examples of actions that could benefit the sector. However, due to rising competition, Indian MSMEs are having trouble selling their goods in both home and foreign markets. Indian MSMEs must improve their technology and prioritise innovation if they want to make their products competitive on a global scale (Kumar et al., 2009).

The creation of jobs, economic progress, and inclusive growth are all facilitated by Kerala's MSME sector. It has the possibility to develop into an economically significant, dynamic, and globally competitive industry for the State. Due to various favorable industrial infrastructures like good connectivity, skilful labour and communication networks, Kerala is ideally suited for the flourishing of MSMEs.

3. OBJECTIVES

1. To examine the role of MSMEs in Kerala's economy.
2. To evaluate Kerala's small-scale industries' growth trajectory with those of its neighbouring states.

4. METHODOLOGY

The structural growth of MSMEs in Kerala is primarily examined. The averages for all of India and the performance of MSMEs in nearby states like Tamil Nadu, Andhra Pradesh, and Karnataka are also compared. The results of the Economic Survey, the results of the All India SSI/MSMEs Censuses, and other secondary data sources are heavily cited in this analytical and descriptive research. This discussion's main focus is on the relative importance of MSMEs in Kerala and their potential for expansion. Information on MSMEs in neighbouring states and across India gives a greater understanding of how MSMEs operate in Kerala. The structure and growth trend of MSMEs in Kerala have been evaluated by analysing the data gathered from various sources using descriptive statistical methods.

5. MICRO, SMALL, AND MEDIUM ENTERPRISES (MSMES)

Kerala's manufacturing industry consists of large enterprises as well as micro, small, and medium-sized enterprises (MSME) according to the level of investment. Large Scale Industries are the industries which require huge infrastructure and workforce with an influx of capital assets. In India, large-scale industries have fixed assets of more than one hundred million rupees or Rs. 10 crores. These industries usually produce capital and basic goods (instruments, machines, chemicals, etc.). In 1991, there were a total of 511 Large and medium-scale industries in Kerala. Among them, 19 are central sector units, 62 come under the state government, 16 are cooperative sector units, 385 are private sector units, and the rest 29 are joint sector units. In 2002, the large and medium industries in Kerala had increased to 642. Among them, 19 were under Central Government, 63 were under State Government, 16 were cooperative sector units, 29 were joint sector units, and 515 came under the private sector.

A micro-enterprise is a small business which sells goods and/or services to a local area or a local market. It employs less than ten people generally and is geographically restricted. Typically, a micro-enterprise starts with some form of funding – known as microcredit or microfinance. A

micro enterprise is an enterprise in the business of providing services where the investment in equipment does not increase by ten lakhs. In case the enterprise is in the business of manufacturing goods, then the such investment is less than 25 lakhs.

Small-scale industries (SSI) are those industries where small- or micro-scale goods, services, and manufacture are carried out having an investment of more than 25 lakhs and do not exceed five crores in the case of the manufacturing sector. In the case of the service sector, it is more than 10 lakh and does not exceed two crores. Small-scale industries play an important role in the social and economic development of a nation. These industries invest once in factories, infrastructure, and machinery, which could be on an ownership basis, hire purchase or lease basis. However, it does not exceed Rs. 1 Crore. Medium-scale industries have an investment of more than five crores but do not exceed ten crores in the manufacturing sector, and it is more than two crores but does not exceed five crores in the service sector.

6. PERFORMANCE OF MSMES IN KERALA

Kerala is one of the main centres of MSMEs in the country. The Bureau of Public Enterprises (BPE), the Kerala State Industrial Development Corporation Ltd. (KSIDC), the Kerala Industrial Infrastructure Development Corporation (KINFRA), the Public Sector Restructuring and Internal Audit Board (RIAB), and the Center for Management Development are the departments and organisations that deal with medium-sized and large industries (CMD). The Department of Industries and Commerce, the Directorate of Handloom and Textiles, the Directorate of Coir Development, the Khadi and Village Industries Board and Capex are the organisations that deal with MSME and traditional industries.

Department of Mining and Geology also comes under this area. Kerala is well suited for the expansion of the MSME Sector due to its great accessibility, communication system, supply of suitably trained people, and adequate industrial infrastructure. The MSME sector employs young people and members of socially and economically disadvantaged groups, including the SC, ST, women, and physically disabled people and aids in the industrialisation of rural and underdeveloped regions. The industry helps the state's socioeconomic growth. The development of Kerala's conventional industrial sectors and MSME sector is supported by the Directorate of Industries and Commerce (DIC). The Directorate's subordinate organisations include the Khadi and Village Industries Board, the Directorate of Coir Development, and the Directorate of Handloom and Textiles.

The MSME sector has been recognised as an engine of growth worldwide. Many countries in the world have established SME Development Agency as the nodal agency to coordinate and oversee all Government interventions in respect of the development of this sector. In the case of India, too, the medium establishment has for the first time been defined in terms of a separate Act, namely the Micro, Small and Medium Enterprises (MSME) development Act, 2006 (which came into force from 2nd Oct 2006).

The Indian government carries out All-India small business or MSMEs censuses to evaluate the performance of industries. The census is thorough since it considers a number of significant characteristics, including output, involving the use of raw resources, fuel consumption, investments, borrowings, exports, and capacity. The census's executive summary provides a solid foundation for a database of Indian MSMEs and aids in formulating future promotional policy initiatives that may assist MSMEs in flourishing. Table 1 shows the growth of MSMEs in Kerala, and Table 2 shows the comparison of Kerala's performance with its neighbouring States. Findings are depicted as percentages and figures; the percentage is the proportion of each state's total share in India.

Table 1 Growth of MSMEs in Kerala

MSME Census	No. of Units (In Lakh)	Employment (In Lakh)	Investment (In Lakh)	Production (In Lakh)
First Census (1972-73)	0.06 (4.44)	1.26 (7.65)	4408 (4.17)	11565 (4.44)
Second Census (1987-88)	0.26 (4.42)	1.69 (4.61)	38751 (4.16)	113691 (2.65)
Third Census (2001-02)	4.53 (4.30)	11.14 (4.30)	702286 (4.55)	815760 (2.89)
Fourth Census (2006-07)	12.94 (6.51)	26.98 (6.59)	1068903 (11.27)	5069908 (13.71)
NSSO 73rd Round (2015-16)	23.79	44.64		

Source: Various All-India censuses of MSMEs

The first census revealed that there were only 0.06 lakh small business units in Kerala, which contributed 4.44% of all businesses in India and ranked eighth among all Indian states. The second census revealed that there were now 0.26 lakh units; however Kerala's proportion in the national MSME market was just 4.42%, which is 0.2% less than the first census. It may be said that Kerala's small business sector has expanded greatly, yet this development resulted from the nation's overall tendency toward small company expansion. Therefore, despite the sharp increase in numbers, the size of the country's small-scale enterprises has not improved. After 12 years since the second census, the third census (2001), which considers both registered and unregistered units, demonstrates a thorough expansion of the sector. The total number of units was 452,826, representing 4.30% of all operational units in India. It might be said that the Indian small-scale industry saw a balanced expansion in various states between the time of the second and third censuses (1988 to 2001). The MSME Act of 2006 changed the definition of the small-scale sector into MSMEs by adding the service sector to the list, according to the most recent census of 2007, which was done after the act's passage.

Small-scale industries in Kerala accounted for 4.17 per cent of total fixed asset investments in India during the first census, with an investment of 4408 lakhs (Table 1). With the exception of Tamil Nadu (10.53), Kerala's small-scale sectors continued to receive an equal amount of investment; nevertheless, per-unit investment in Kerala (71,039) was considerably lower than investment throughout all of India (75,562) (Figure 2). In the second census, the MSMEs in the State invested 38,751 lakhs or 4.61% of the country's investment. Compared to the national average (1,60,000) and neighbouring states, the State's investment per unit (1,51,000) was somewhat lower. In the third census, the State reported an investment of 7,02,286 lakhs or 4.55 per cent of the sector's total national investment. Compared to investments made throughout India (1,46,707), the investment per unit in the State was significantly larger (1,55,089). The fourth census shows a relatively substantial amount of investment, 10,68,903 lakh, and makes up 11.27% of all investment in India; Kerala was second in investment afterwards Tamil Nadu. Additionally, the State's fixed asset dominance (11.29) placed third after West Bengal (11.65%) and Tamil Nadu (14.34%). The per unit investment showed a significant deprivation at all states and national levels. It is as Kerala (82,604), Tamil Nadu (66,664) and all India (51,373). All states and the federal level exhibited a considerable decline in the per unit investment. One might argue that the MSME Act of 2006's conceptual shift in small business led to a rise in sector units without corresponding growth in gross investment.

The total output or production was 11,565 lakh, according to the first census. It made up 4.44% of India's total production (Table 1). The output reported in the second all-India census was 1,13,691 lakh or 2.65% of total production in India. Kerala only produced 4.42 lakh units for every 7.38 lakh for all of India. Additionally, compared to Kerala, every neighbouring state has demonstrated a better level of productivity. Based on the third all-India census, small-scale sector output was 8,15,760 lakh or 2.89 per cent of total production in India. Kerala's Per unit output or production was 1.80 lakh at that time, which was much less than the national average of 2.68 lakhs and all neighbouring states. In the all-India fourth census, registered MSMEs produced a total of 50699.08 lakhs or 13.71 per cent of all production in India. Kerala produced more per unit during the period (3.918) than the entirety of India. The State also has the highest per-unit production among its neighbouring states.

Kerala has 12.94 lakh small business units as of the fourth census of MSME. Comparatively speaking, it is lower than Tamil Nadu and Andhra Pradesh and higher than Karnataka. Table 2 shows the performance efficiency of MSMEs in Kerala with respect to its neighbouring states.

Table 2 Performance of MSMEs in Kerala Compared with Neighbouring States

States	No of units (lakh)	Per Unit Employment	Per Unit Fixed Investment (lakh)	Per unit production (lakh)	Ratio between Investment and Employment
India	198.74	2.05	1.21	1.97	0.23
Kerala	12.94	2.08	2.09	3.9	0.39
Tamil Nadu	18.21	2.13	1.89	2.19	0.31
Karnataka	11.12	2.03	1.10	1.37	0.35
Andhra Pradesh	14.90	2.35	1.40	1.89	0.28

Source: Fourth All India Census 2007

The number of units in Kerala is acceptable when the industrial climate of the State is taken into account, despite the fact that it is frequently said that Kerala is not an industry-friendly state. With average ratios across all of India and in Karnataka, the per-unit employment ratio has demonstrated a reasonable development. The fixed investment and original value of equipment and machinery per unit in Kerala industrial units are far more than in all of India and all neighbouring states, including Tamil Nadu, where huge industries are operating. Kerala's MSMEs have a larger production capacity (3.9 lakhs) than the national average and neighbouring states. Furthermore, it may be inferred that Kerala's small enterprises are more effective than those in India's other neighbouring states and the country as a whole. In comparison, Kerala has a greater rate of investment and employment (0.39), whereas the reference states and all of India lag considerably behind Kerala. It might be inferred that Kerala's investment increases jobs. It is obvious that Kerala's MSME sector helps the state's economy thrive, creates jobs, and has a well-balanced regional development. It has the potential to develop into an economically significant, dynamic, and globally competitive industry for the State.

7. PERFORMANCE OF THE SMALL-SCALE SECTOR IN KERALA

In terms of creating jobs, the small-scale industry has become a key determinant of our economy's growth. This industry generates the most goods for the local and international markets, including both conventional and high-tech goods. It provides additional employment opportunities, and it helps to mobilise resources of capital and skill from various parts of the country. These industries provide a more equitable distribution of national income and provide a helping hand to large industries and facilitate them in their work. An economy's overall economic growth is significantly boosted by small-size enterprises (Ibrahim, 2018).

The SSI sector must play a significant role in creating widespread employment. Considering the SSI sector's strategic relevance to India's overall economic growth, the policy framework has emphasised the necessity for its development since the first plan. The major small-scale industries in Kerala are the Handloom industry, the Coir industry, the Cashew industry, the Handicrafts industry, the Beedi industry, the Bamboo industry, the Khadi & village industry, the Textile industry, the Power loom industry, Leather & leather goods industry. The performance of small-scale industries in Kerala from 1990-91 to 2014-15 is shown in Table 3.

Table: 3 Performance of the Small-Scale Sector in Kerala

Year	No. of Units	Employment Provided (in Number)
1990-91	8847	42,881
1991-92	10918	52,797
1992-93	11411	50,606
1993-94	14533	60,945
1994-95	15836	73,618
1995-96	16903	71,775
1996-97	17421	64,660
1997-98	19547	70,263
1998-99	19736	71,632
1999-00	20006	72,042
2000-01	20073	60,957
2001-02	18114	55,587
2002-03	258010	1173474
2003-04	5305	21,890
2004-05	4935	22,585
2005-06	5626	28,128
2006-07	1849	2,752
2007-08	11186	1,16,189
2008-09	8421	48,111
2009-10	9322	60,876
2010-11	10882	84,878
2011-12	11079	79,181
2012-13	13043	81,964
2013-14	14997	54,707
2014 -15	15455	83,500
CAGR	1.42	1.53

Source: Valsa (2007), *Economic Review 2005-2015*.

The table shows the growth of small-scale industries in Kerala in terms of the number of units and employment generated. In 1990-91, the total number of small-scale industrial units was 10918. It rose to 20073 in 2000-01 and 15455 in 2014-2015. The employment opportunities generated in the year 1990-91 was 42, 881 and it rose to 83,500 in 2014-15. The Compound Annual growth rate of MSME units over the years is 1.42 per cent, and employment generation is 1.53 per cent. These figures would suggest a better performance by SSI units in the period. This has great significance, especially in the Kerala context, as the SSI sector is one of the major sources of employment. With globalisation and free play of market forces, such units have ample scope for growth through enhanced markets while at the same time facing the risk of being wiped out due to competition from global majors. Hence, it is the need of the hour to ensure that such units are viable over the long term while also focusing on the other sub-sectors of the industrial map.

8. PROBLEMS OF MICRO, SMALL AND MEDIUM INDUSTRIAL ENTERPRISES IN KERALA

The development of any economy depends mainly on the industrial sector in general and Small Scale/ MSME Sector in particular. India is not an exception to it. In fact, its backbone is vested with the development of the SSI Sector/MSME Sector. Now, this sector has been confronted with several problems- both internal and external. These problems may also differ from industry to industry, which includes faulty management practices, marketing strategy, technological and financial constraints, government policy, globalisation and competition from other units (Oomen, 1981).

The SSI/ MSME Sector faces many problems in connection with the smooth flow of production. They are raw material problems (scarcity), underutilisation of capacity, high cost of production, lack of availability of labour and electricity problems. More serious is the problem in marketing their products. Now it is very high on account of globalisation. So new strategies should be developed for it, but it is lacking. Further, the entrepreneur of the SSI/ MSME Sector is not proficient in the field of Management. The managers must have managerial talents, especially they must know strategic management.

The most crucial problem that small entrepreneurs face is the lack of sufficient of funds for production operations. They require working capital whenever there is a problem in marketing their products at a stretch. However, banks or other financial institutions do not provide timely working capital finance. They also find it difficult to get adequate fixed capital for expansion, diversification or new projects from banks or other financing agencies. It is interesting to find that many industries are located in rural areas and are using outmoded technology. The technology available (modern) is not within their reach because of high investment and lack of technological know-how. All these lead to low-quality products at a high cost. There are also problems related to a lack of organised marketing channels and a lack of proper assessment of market conditions.

Problems related to economic policy changes: A drastic change has occurred in the SSI / MSME Sector due to Economic liberalisation and globalisation since 1991. The effect of which is high-quality products at less price. This is made possible by those industries having that much ability to introduce new technology and adequacy of funds. However, the SSI/ MSME Sector now faces the problem of competing with those at global standards. Those industries which are having all these problems are not able to solve them scientifically and systematically; this inability will lead to sickness and, ultimately, the closure of the enterprise, whether it is Small, Medium or Large. Locking up of the state's limited financial resources, wastage of capital assets, loss of production and increase in unemployment has been the major repercussions of industrial sickness, both on Large and Small Scale.

Therefore, there has been a growing concern for the careful handling of the Small-Scale Industrial /MSME sector in Kerala in the wake of Globalization.

9. The emergence of Sunrise Industries in Kerala: The opening up of the economy was a fundamental change in India's economic policy that was more a result of compulsion than choice. This led to the creation of new frontiers of opportunities in areas hitherto unexplored. Various states found opportunities in various areas, and for Kerala, it was information technology and tourism.

(a)Information Technology

Information technology (IT) was one of the major areas to open up new opportunities in the wake of liberalisation. For Kerala, electronics has been a thrust area ever since the establishment of the Kerala Electronics Development Corporation (KELTRON) in 1972. Initially, software development was confined to a few players, and KELTRON was the pioneer in the state. With liberalisation, major institutional interventions to promote the software industry were undertaken. In this regard, the first major initiative was the setting up of the Software Technology Park of India in Trivandrum at the instance of the Department of Electronics based on the recommendations of the Eighth Five Year Plan Task Force on software development. The state was the first in the country to formulate an IT Policy of its own in the year 1998. The Policy is aimed at a PC penetration of 10 per 1000 population by the year 2000 and providing internet access to all colleges by the year 2000 and to schools by the year 2002. It was also aimed at the modernisation and integration of government functions using IT. Through carefully crafted measures of embracing IT, Technopark has emerged as one of the leading IT parks in the country. Further, the state has the advantage of low-cost skilled labour, which is a major determinant in the growth of the IT sector compared to other states.

An evaluation of the performance of the IT sector in the state in the initial years reveals that it has not accrued rich dividends. Amongst the states in south India, Kerala's contribution to software exports was negligible- about 0.56% of all India in 2001, while Karnataka had a 27.6% share in the same year. The concentration of software firms was also poor in Kerala, with most of them concentrated in Bangalore, Mumbai, Chennai and Hyderabad. A number of reasons are attributed to the IT sector's lacklustre performance in the initial years. The incentives and concessions offered by Kerala were already being provided by the neighbouring states, who also had a better record of industrialisation, making them naturally favourable destinations. Further, the required infrastructure was confined to the IT parks alone, which primarily remained as export enclaves without linkage effects. Even within the parks, the facilities provided were minimal compared to those provided in the parks of the neighbouring states.

To apply brakes on the deceleration in the IT sector and to improve efficiency in governance, the state government took the route of e-governance in the late 1990s in the right earnest. Through the application of IT, several citizen-friendly services were initiated, like Fast, Reliable, Instant, Efficient Network for Disbursement of Services (FRIENDS) and Package for Effective Administration of Registration Laws (PEARL) which sought to provide an integration point for utility payments, property tax, as also providing a public interface for registration. Internet kiosks were set up in every village panchayat ward for the citizens to adopt the internet revolution. The major agencies involved in the e-governance mechanism are the Kerala State IT Mission, Centre for Development of Advanced Computing, Information Kerala Mission and KELTRON.

To make the e-governance initiatives successful, it was necessary that the citizens be e-literate. To this end, the Akshaya programme was launched to bring about universal e-literacy. The project was largely successful. Therefore, the strategy of e-governance gave a big flip to the IT sector in the state. It created local demand for IT products. As a result, many of the big names in the field, including Infosys, have established their units in the state.

(b) Tourism

Kerala, with its mix of favourable geographic setting, natural beauty, and an attractive tagline, “*God’s Own Country*”, has the right ingredients for the development of tourism. The National Geographic Traveler rated Kerala in the ‘Paradise Found’ category among the ‘50 Greatest Places of a Lifetime’ in 2000. This bears testimony to the immense tourism potential of the state. It may also be noted that tourism as a separate sector gained prominence in the nation and the state primarily in the aftermath of the liberalisation process. During this period, Kerala’s economy has been increasingly dependent on the services sector, of which tourism is also a part. Conscious efforts towards developing tourism in the state began only in the 1980s when tourism was a neglected sector.

An analysis of tourist arrivals to the state reveals that over the decade 1990-2000, the arrivals nearly tripled. Kerala’s share of international tourism increased from 3.87% in 1990 to 7.93% in 2000. Domestic tourism has also been showing a continuous increase over the 1990s. Domestic tourism has been developed as a buffer against any setbacks in international tourism, which is susceptible to external factors. Further, earnings from tourism rose from Rs 26.99 crore in 1990 to Rs 525.3 crore in 2000.

To realise the potential the state has in tourism, several agencies have been created. The Department of Tourism is the nodal agency responsible for tourism development in the state. It plays the role of a coordinator, facilitator and regulator and carries out the activities of the development of infrastructure and tourism products, destination development, marketing, etc. Other principal agencies include the Kerala Tourism Development Corporation (KTDC), Tourist Resorts Kerala Limited, District Tourism Promotion Councils, and Kerala Institute of Tourism and Travel Management, etc. which are responsible for running hotel chains, encouraging private investments in the sector and catering to the human resource needs of the sector.

Kerala has emerged as a tourism hotspot owing to several factors that include the tourism infrastructure, which involves the provision of hospitality, general communication services, and a tourist-friendly policy, which is relatively developed in Kerala. Moreover, the state has one of the highest tele- density in the nation; tourist police are deployed at important tourism centres, and Kerala has extensive coverage of medical and banking facilities; a well-developed transport sector with four international airports at Trivandrum, Cochin, Calicut and Kannur and a good network of roads and railways; accommodation facilities in the state are also of high quality, with the state-run KTDC itself catering to various economic classes of people through its budget and star hotels.

As a road map for the future development of tourism in the state, the government formulated *Tourism Vision 2025*, a vision document for the development of tourism. It primarily seeks to make the state an up-market, high-quality tourism destination through a rational utilisation of resources and conservation of the heritage and environment while also making tourism an instrument for increasing employment opportunities and alleviating poverty. To attain the objectives, an Action Plan was devised that seeks to promote tourism as an economic and development priority; promote sustainable tourism; guarantee the quality of the tourism services; stress backwaters, Ayurveda and eco-tourism as the state’s major attraction points.

Hence, the potentialities for tourism development in the state look bright. However, tourism generates highly prohibitive costs. Tourism Vision 2025 may be appreciated for its strategy for tourism development. Still, questions need to be asked of how a state whose economy's foundations are yet to be hardened can depend on the services sector in general and tourism in particular.

10. CONCLUSION

It can be concluded that Kerala, with high social achievements in the face of low to moderate economic growth, presents an interesting paradox. One of the major reasons for the low growth has been Kerala's industrial backwardness. One finds that the state's industrial sector has failed to take off at a high level over the years. Various reasons, including the radical nature of labour relations, weak industrial structure, lack of adequate electric power, etc., have been attributed to this. Despite various hurdles, it is obvious that Kerala's MSME sector helps the state's economy thrive, creates jobs, and has a well-balanced regional development. It has the potential to develop into an economically significant, dynamic, and globally competitive industry for the State.

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