

SUMMARY, CONCLUSIONS, POLICY IMPLICATIONS AND SUGGESTIONS

A.C.Rajan “A study of the Industrial Development Pattern of Kerala in the Context of Information Technology Revolution and the Emerging Cyber Society” Thesis. Department of Library and Information Science , University of Calicut, 2006

Chapter VI

SUMMARY, CONCLUSION, POLICY IMPLICATION AND SUGGESTIONS

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CHAPTER - VI

SUMMARY, CONCLUSIONS, POLICY IMPLICATIONS AND SUGGESTIONS

6.1 Statement of the Problem

The problem is stated as “A Study of the Industrial Development Pattern of Kerala in the context of Information Technology Revolution and the Emerging Cyber Society”.

6.2 Objectives of the Study

The major objectives of the Study are the following:

1. To study the pattern of industrial development of Kerala since 1956.
2. To examine the role of Information Technology in the industrial development pattern of Kerala.
3. To formulate alternative strategies and policies for the industrial development of Kerala in the context of IT revolution and the emerging cyber society.

6.3 Hypotheses

- i) There is a set pattern for industrial development of Kerala.

- ii) Information Technology has a significant impact on the industrial development of Kerala.
- ii) Kerala is fastly emerging as a cyber society.

6.4 Methodology in Brief

The methodology of the present Study comprises of a combination of different approaches, such as historical, state of the art, and projection of the future.

For data collection, various tools and techniques such as search of historical documents, questionnaire and interview techniques have been employed. Data has also been generated from a field study.

The primary data has been collected from the small, medium and large scale industrial units working in Kerala. Name and addresses of the industrial units are collected from various Government departments, agencies and from their websites. Secondary data has been collected from books and reports published by the government departments and agencies like State Planning Board, Directorate of Economics and Statistics, IT Mission-Kerala, KSIDC and Websites of various departments.

Questionnaires have been sent to selected 200 industries - 50 units from each type of industries – traditional, manufacturing, service and IT. Out of the responses received, 25 numbers from each type of industries were taken

for further study. From the 100 industrial units so segregated, industrialists of selected units in 7 districts out of the 14 districts in Kerala - Trivandrum, Kollam, Alappuzha, Ernakulam, Palakkad, Kozhikode and Kannur were contacted to canvass the required data or information.

The present Study is an attempt to find out the nature of industrial development after the formation of the Kerala State in 1956. Interview has been conducted with the help of a schedule to draw out views and ideas of Govt. officials, policy makers, industrialists, and political leaders, including legislators and from the academicians. Documentary sources such as Annual reports, brochures, house journals and other relevant literature have also been consulted.

The data collected has been separately analysed using appropriate statistical techniques. Observations made during the field study are also interpreted with the help of relevant studies. The inferences drawn from the analysis are listed below:

6.5 Inferences

1. The present condition of the service and IT sector in Kerala is prosperous or progressing.
2. There is not much difference between small or medium and large units with regard to industrial relations. It is satisfactory and cordial in

service and IT sector units and unhealthy in most of the units in the case of traditional and manufacturing sector in Kerala.

3. There is a general agreement that there is enough scope for IT to be used in the traditional and manufacturing industries. But almost all traditional units are not applying IT in their plant and operations, marketing, administration etc.
4. Since most of the service and IT units have plans for capacity expansion, these industries expect a bright future.
5. Industrialists in all sectors view that the ICT will have a positive impact on their respective units.
6. Most of the industrialists in Kerala are aware of the emergence of a cyber society
7. There is a marked difference in the thinking of units in traditional and service sectors regarding the benefits that they get from modernisation by using IT.
8. The IT and service sectors will flourish in the present decade and thereafter.
9. The share of primary and secondary sectors in the state economy is declining or increasing only at a lesser rate while the share of tertiary sector continues to go upward.

10. Of the units assisted by KSIDC, the percentage share of service and IT units is increasing at a phenomenal rate outpacing the manufacturing sector.
11. Among the KSIDC assisted units, the employment potential of IT units is now more than that in the service sector units.
12. The outlay and expenditure of funds by the State Government for the five year plans have tended to increase in favour of the service sector.
13. Kerala will emerge as a cyber society within 15 years.
14. Knowledge and IT products and services will get prominence in the cyber society.
15. ITES and service industries will flourish in the State.
16. Keralites are considering IT as the best, or one of the best suited, industries for the State.

6.6 Major Findings

From the analysis of data and further interpretations, the following findings have emerged:

- 6.6.1 A steady decline in the share of the primary sector can be noted in the Kerala economy since 1950 to the extent of 17% in 2005 from its original share of 56% in 1950.

6.6.2 The secondary sector could not play a major role in the economy during the last 50 years. This sector registered a very slow growth. In 1950 its share is 16% whereas it is only 22% in 2005.

6.6.3 The tertiary sector has recorded an impressive growth since 1950. The percentage share went up from 28.6% in 1950 to a remarkable level of 61% in 2005.

6.6.4 The Compound Growth Rate (CGR) of service sector is 18.3% during 1990-2005; the CGR of Information Technology sector is 13.6% and for the manufacturing sector it is only 5% during this period.

6.6.5 From the study of the plan outlay, during the 1st to 10th plans, the following trends are identified.

- (i) A steady decline of the primary sector
- (ii) A slow and steady growth of the secondary sector
- (ii) A steady and fast growth of the tertiary sector

6.6.6 The small, medium and large-scale units in the traditional sector have a common pattern of performance, industrial relations, IT usage, etc.

Likewise, units in the manufacturing sector also have a common pattern in their performance, industrial relations, IT usage, modernization etc., irrespective of their size of investment.

A common pattern exists in the small, medium and large scale units in the service sector also regarding their performance, industrial relations, IT usage, modernization etc.

The small, medium and large IT units also have a same pattern in their performance, industrial relations, programmes for capacity expansion/ diversification etc.

But, there exists a clear difference between the traditional and manufacturing sector or the traditional and service sector or the traditional and IT sector.

6.6.7 Within different categories of industries, both the traditional and manufacturing industries have recorded a declining growth trend. The service and IT sectors recorded an upward growth trend.

6.6.8 Unhealthy industrial relations exist in the traditional and manufacturing industries in Kerala. On the other hand, the service and IT industries maintain a healthy and cordial industrial relations. In the traditional industries, personnel management lacks professionalism. Employees are also mostly less educated or non-

professional. Mobility of labour lacks in traditional sector. In the IT sector, employees are committed to work and not to the institution. But in the traditional and manufacturing industry, employees are committed to their institution.

6.6.9 The application of IT in the traditional and manufacturing sector are almost insignificant.

6.6.10 Almost all IT units have future expansion / diversification / modernization plans. Over 76 percent of the units in the service and manufacturing industries have expansion/ diversification plans. But only 46% of the traditional industries have future expansion /diversification / modernisation plans.

6.6.11 Globalisation and liberalisation have a positive impact on traditional sector, service and IT industries. On the other hand, about 50% of the manufacturing industries have been adversely affected by globalisation and liberalisation.

6.6.12 It is held that the performance of the industrial units in the traditional, manufacturing and service sectors can be improved substantially by the application of information communication technology.

6.6.13 Industrialists in Kerala are aware of the emerging cyber society in Kerala.

- 6.6.14 With out governmental support, traditional and manufacturing industries could not survive, especially in the wake of globalisation.
- 6.6.15 Almost all industrialists in IT and service industry expect that their businesses would flourish in the next five year period and thereafter.
- 6.6.16 Kerala will transform into a cyber society within the next fifteen years.
- 6.6.17 Information technology and services industry will have a major stake in the cyber society.
- 6.6.18 Information Technology is the best, or one of the best, suited industries for Kerala.

6.7 Implications

1. The Study reveals that the service and IT industries are more suitable to Kerala compared to traditional and manufacturing industries, on the basis of their growth trend and industrial relations.
2. In order to revive the manufacturing and traditional industries, steps must be taken to modernise them, especially with the application of Information Technology, and with Governmental assistance so as to make them globally competitive.

3. The Study reveals that IT industries will attain a major growth. Next come, the service and manufacturing industries. Most of the traditional industries would be wiped out unless they are modernized and made competitive.
4. In order to make the entrepreneurs and professionals aware of the new areas; in-service courses, training programmes, seminars, workshops and symposia have to be organised on a regular basis, even by inviting international experts. Theoretical, applied and policy studies must be encouraged.
5. Since large scale cultivation in Kerala is not possible due to small land holdings and that the traditional industries have lost their charm due to low wages and the affinity of Keralites for white collar jobs, the solution for the economic ills of the State of Kerala is to become part of the Global economy. The State has a competitive edge in the services sector. So, long-term strategy may be drawn for sectors such as Health, Tourism, Education, etc. and for the development of Human resources. Requisite policies should be framed and implemented like Technology Policy, Tourism Policy, Trade Policy and Education Policy.

6. Necessary facilities must be set up to ensure global marketing. The whole society must be made aware of the challenges and opportunities of the service sector.
7. Since Kerala is enriched with brain power and knowledge bases, it is more suitable for knowledge industries and provision of knowledge products and services globally.

6.8 Testing the Hypotheses

6.8.1. Hypothesis 1

THERE IS A SET PATTERN FOR INDUSTRIAL DEVELOPMENT IN KERALA.

The findings presented at section 6.6.5 and 6.6.6 based on the analysis in section 5.1 and 5.2 in Chapter V supports this hypothesis.

6.8.2. Hypothesis 2

INFORMATION TECHNOLOGY REVOLUTION HAS A SIGNIFICANT IMPACT ON THE INDUSTRIAL DEVELOPMENT OF KERALA

The findings presented at section 6.6.12 and 6.6.15 based on the analysis in section 5.2.8 and 5.3.2 establishes this hypothesis.

6.8.3 Hypothesis 3

KERALA IS FASTLY EMERGING AS A CYBER SOCIETY

Findings presented in section 6.6.13 and 6.6.16 based on the analysis in section 5.3 in Chapter V lead to the acceptance of this hypothesis.

6.9 Conclusion

The Study reveals that the contribution of the primary sector to income and employment generation has been declining steadily. The secondary sector has continued to remain almost static without much change during the last 55 years. The tertiary sector shows a steady upward trend of growth. Within the services sector, IT registered a phenomenal growth.

Industry-wise, the traditional and manufacturing industries in Kerala do not have a bright future whereas, service industries, especially ICT, will register a substantial growth in the future.

In the conventional view, Kerala is a sick or weak economy because of stagnant or slow growth in primary and secondary sectors. Kerala cannot improve in those sectors because of the limiting factors like small land holdings, environmental pollution factors, physiographic conditions of the land, locational disadvantages of the State in the country etc. However, this

can be compensated by opening new avenues through globalization and liberalization, exports of IT products and services, development and marketing of manpower resources, tourism, health etc.

6.9.1 Future Trend

Based on the present trend one is forced to reach the conclusion that the role of primary sector including agriculture in the Kerala Economy would be reduced considerably with regard to income and employment, say, to a level of less than 10%.

6.10 Suggestions for Further Research

On the basis of the study, the following suggestions are made for further research.

1. A study on the role of Information Technology in the service sector may be undertaken in Kerala.
2. A very detailed study on the impact of five year plans on various sectors of the economy, especially on IT sector in Kerala may be studied.
3. A study of the changes in industrial and IT policies of the Left Democratic Front and the United Democratic Front in the State and

their impact on the growth of various areas of industry may be undertaken.

4. A detailed study on the application and impact of IT on Agriculture, traditional industries and manufacturing industries in Kerala may be carried out.

6.11 Strategies and Policy Formulations

- Since the primary and secondary sectors of Kerala do not prosper, the only alternative for the State is development of the tertiary sector, especially IT, which has a competitive edge over others. To develop the service sector, it must be modernised and made competitive in the global context. Therefore, requisite Government policy should be framed. Infrastructure for the service sector should be built up. More investments and latest technologies should be acquired or developed. Entrepreneurship has to be developed. To develop the required manpower, world-class educational institutions and training programmes should be launched, for which excellent educational institutions should be set up.
- Since Kerala has high level digital connectivity and highly educated manpower, service sector and IT development should not be limited to one or two points like Technopark in Trivandrum or Infopark (Smart City) in Ernakulam. The development should be spread to all cities

and towns of Kerala so that Kerala can be developed as a single township without any regional imbalances.

- The rapid transition of the economy requires a massive investment. This can be mobilized by setting up a Global Company, say; the Kerala Growth Fund Ltd. Funds from Keralites in and outside the State and Non-Resident Indians (NRIs) can be attracted. The State should promote foreign direct investment (FDI) and Technology transfer. Government should offer a fair return and employment to Non-Resident Keralites for their investment in the Growth Fund. An Employment Guarantee Scheme in the IT and Service sectors for the unemployed youth will attract more funds from their parents in Kerala.
- By considering all the above noted suggestions, both the State and Central Government must formulate suitable policies and implement them.
- Since the very peculiarity of the IT sector is that most of its products will become outdated in every five years, there is a need for formulating and implementing strategies and policies for them in a rapid way, and that too have to be reviewed on a regular basis. Kerala must undertake world-class research and development activities in Information Technology and knowledge industries.
- Since the traditional and manufacturing sectors are not equipped to meet the challenges of IT revolution and globalisation, there is an

urgent need to make them competitive by applying modern technology, marketing techniques etc. and they may be brought under various industrial clusters with common brand names and maintaining standardization and quality control.

- Kerala need not bother much about manufacturing industries. This beautiful strip of land can be transformed into a pollution free area with organic farming and knowledge industries. Service industries including tourism, healthcare etc. will prosper in this State.