CHAPTER - II

TOURISM INDUSTRY AND KERALA FINANCIAL CORPORATION

- AN OVERVIEW

This chapter contains three sections as mentioned below:

Section A deals with tourism industry in India

Section B deals with tourism industry in Kerala and

Section C deals with profile of Kerala Financial Corporation and its role in tourism sector.

SECTION – A

TOURISM INDUSTRY

Tourism has been an effective instrument for generating employment, earning revenue and foreign exchange, enhancing environment, preserving culture and tradition. It can ensure an overall development in a sustainable manner. Economic diversification and technological improvement have created a conducive environment for tourism development in the present age of globalization.

The concept of tourism as a phenomenon involves the movement of people within their own country or across the national borders. Man’s thirst for travelling has increased from time immemorial. Tourism or travelling opens up horizons, complements our personality, helps to differentiate between harmonies, and encourages contacts between various cultures and countries. While travelling, a traveller’s mind must move and react, race and pause, and move on again. Travelling helps not only to reflect on the life and
times of the world, it also helps to mix East with West, culture with culture and people with people. Our mind and view broadens, as we see that people are the same everywhere.¹

Tourism involves basically three elements, namely, man (human elements as the creator of the act of tourism), space (the physical element to be necessary covered by the act itself), and time (the temporal element which is compared by the trip itself and the stay at the destination).

**IMPORTANCE OF TOURISM IN INDIA**

India is a multifaceted country with a vast potential for tourist attraction. It has a rich architectural legacy dating to an ancient past. There are timeless monuments, magnificent temples and breathtaking sites. No doubt India is endowed with an imperishable wealth of land that all men desire to have seen. India is one of the major South-Asian tourist destinations with the diversity of natural attractions and rich tapestry of cultural heritage delineating the varied tourism products it can offer to the entire world at large. A 5,000 year history, culture, religion and alternative medicine fascinate both budget and luxury travellers alike. India has vast geographical spread and great historical and cultural heritage, which are excellent condition for growth in tourism sector.

According to WTTC Report, 2007, India’s travel and tourism is expected to grow at 7.95 percent over the coming decade, showing the third fastest growth in the world in terms of travel and tourism. India has won many international acclaims including the World Travel Awards various categories as Asia’s leading destination, Asia’s Leading Tourists and Conventions Bureau and also the World’s Leading Destination Marketing
Award for the Incredible India Campaign. India is now the fastest growing tourist economy where tourism has made significant contributions to India’s foreign exchange earnings.

The tourism industry in India plays a significant role in transforming the society and economy. As an instrument for development, it contributes to sustainable human development through poverty alleviation, employment generation and environmental regeneration in remote and backward areas. The Indian tourism industry is poised for a major breakthrough in the new millennium due to infrastructural development, spread of telecommunication network and the importance of the service sector in nation building. An integrated approach with a multi-pronged strategy alone can yield rich fruits in the tourism sector in the years ahead.

Tourism has potential to bring about social and cultural development. It is also essential to take advantage of information technology to develop tourism. A well thought out plan should be in place to harness the potential of various media of communication.

WTO has estimated that there will be 1.6 billion international tourists by the year 2020 and Asia will emerge as the second region to be the most visited in the world. India being rich in cultural and natural heritage is likely to experience its share in global tourism. India, however, faces two major challenges in the globalised world, i.e., exploitation of tourism potential and designing strategies for tapping such potential. Therefore, the Tourism 2020 Vision document has identified the following priorities:

1. Strategic marketing

2. Product differentiation and quality improvement

3. Sustainable tourism development
4. Private – public partnership

5. Improving brand image and positioning

6. Strategic planning and management of resources

7. Development of new destinations

8. Use of electronic and internet services for facilitation and database preparation.²

It has been estimated that India’s travel and tourism potentials can provide its economy substantial resources in the coming years. It is expected that tourism has potential to provide 7 million new jobs, provided that potential of tourism resources is effectively exploited.

Tourism is a collection of activities, services and industries that delivers a travel experience, including transportation, accommodation, eating and drinking establishments, retail shops, entertainment businesses, activity facilities and other hospitality services provided for individuals and groups travelling away from home.³ Tourism is an amalgam of various productive sectors of the economy, like agriculture, large and small cottage industries, transport, communication, accommodation, entertainment, etc.⁴

The two main industries that comprise the activity of tourism are hospitality and travel industries.⁵ For many developing countries, tourism is a main source of income, employment and foreign exchange. Outbound tourism from developing countries is also rising gradually and developing countries expenditure on tourism in other countries doubled between 2000 and 2006.⁶

Tourism is a tool for economic development and employment generation, particularly in remote and backward areas and this has been very well recognised world all
over. The United Nations Conference on International Travel and tourism held in Rome in 1963, noted that tourism was important not only as a foreign exchange earner, but also as a factor of development of less developed regions.7

There are several factors that can influence the level of tourism activity. One important factor is that the disposable income continues to rise in the industrialised countries. European workers have longer vacation periods than their American counterparts. Japanese workers are now beginning to have more leisure time. Another factor is that the travellers are now seeking new adventures away from their traditional vacation spots. The international airfares have become very competitive and are enticing increasing number of travellers.8

In India, the huge gap between demand and supply of hotel rooms drove up occupancy levels and average room rates (ARRs) to new heights. Hotels generally cater to foreign visitors, corporate business clients and high-end Indian travellers, as hotel accommodation is out of the reach of the average Indian. Indians are increasingly seeking world-class facilities, such as clean and comfortable accommodation, internet connection, and perhaps even fitness facilities, at local prices. The rising middle class is also becoming increasingly affluent, mobile and more sophisticated in terms of what is demanded in terms of tourism products and services, and more importantly the price they are willing to pay for it. Until recently, not much emphasis had been given to the maintenance and development of the tourism destinations in India, which resulted in a large number of tourists staying away from these. However, the Indian government’s increasing investment in the upgrading and modernisation of infrastructure will translate into better facilities, amenities and access to the leading tourist attractions and sites. Many of the states in India are formulating policies and programmes to cater to the growing demand of inbound tourism.
India has yet to realise its full potential from tourism. According to WTTC Report, by 2020, the Government of India expects travel and tourism to contribute Rs. 8,500 billion to GDP, almost four times the value in 2005. The travel and tourism industry holds tremendous potential for India's economy. It can provide impetus to other industries, create millions of new jobs and generate enough wealth to help pay off the international debt.

DEFINING TOURISM

The definition of tourism has varied considerably over the years. One of the simplest definition given is that it is about people being away from their own homes, on short term, temporary visits, for particular purposes. According to Hunziker and Krapt,9 Tourism is “the sum total of phenomena and relationships arising from the travel and stay of non-residents in so far as it does not lead to permanent residence and is not connected to any earning activity”.

The UN Conference, Rome considered recommendations put forward by IUOTO, the WTO, and agreed to use the term ‘visitors’ to describe “any person visiting a country other than that in which he has his usual place of residence, for any reason, other than following an occupation remunerated from within the country visited.” In the definition two classes of visitors are included. One is tourists, who are classified as temporary visitors staying at least 24 hours who travel for leisure, business, family mission or meeting. The second is excursionists, who are classified as temporary visitors staying less than 24 hours but excluding people in transit. This definition recognises the day visitor but fails to take into account the domestic tourist.

McIntosh and Goldener (1990)10 defined tourism from various perspectives by considering various groups that participate in the tourism industry. Thus defining,
“Tourism is the sum of phenomena and relationships arising from the interaction of tourists, business players, host governments and host community in the process of attracting and hosting those tourists and other visitors.” The major groups identified in this definition were the tourists, business providing goods and services to tourists, the host community and the government.

Cooper (1996) argues that this definition is not strictly technical definition, though it does convey the essential nature of tourism. It defined tourism in two angles: demand side and supply side. Therefore conceptually the essential nature of tourism includes the various aspects. Tourism arises out of a movement of people to, and their stay in various places or destinations. The journey to the destination and the stay (including activities) are the two elements in tourism. Journey and stay take place outside the usual environment or normal places of residence and work. The movement is temporary and short term in nature. The purpose of journey should not be for taking up permanent residence or employment. The technical side of the definition for statistical purpose has to take into account certain factors. This presumes that the tourist should spend at least 24 hours in a destination. The maximum length of stay can be up to one year. The purpose of visit should be one among the internationally recognised categories of purposes. Moreover the travel has to be away from the usual environment. Cohen E. (2003) the definition for tourism as laid down by WTO and UNSTAT (1994) is that “Tourism is the activities of the persons travelling to and staying in places outside their usual environment for not more than one consecutive year for leisure, business and other purposes.” Tourism is defined as the activities of people, travelling to and staying in places outside their usual environment for not more than one year for leisure, business and other purposes not related to an activity remunerated from within the place visited.
**TOURISM AS A SYSTEM**

The tourism process can be considered as a system. Leiper N. (1990)\textsuperscript{13}, has suggested a system model for the tourism, which has three important elements, functioning in various environments such as human, socio-cultural, economic, technological, physical, political and others. The elements identified by him are tourists, geographic elements and tourism industry.

The first element, the tourist, is considered the main and most important of the system. The second element is the geographic element, which in turn has three sub-elements such as traveler generating region, tourist destination region and transit route region. The traveller generating region is the region where the tourists are emerging from. The tourist destination area is where the tourists are attracted to and going to. Transit route region represents the area between tourist generating area and the destination area. The third element is the system which is an amalgamation of many industries. Tourism industry is the range of business and organisation involved in delivering the tourism products.\textsuperscript{14} Different sub-industries are airlines, hotels, shopping centres and others. All the elements of the system interact with one another in delivering the tour products, transacting the products, etc.

Tourists serve as the focal point for all tourism activities and form the centre of the model. Radiating from the focal point are three large bands containing several interdependent groups of tourism participants and organisations. Individual tourists may deal directly with any of these tourism service suppliers, but they often rely on the professional services provided by the tourism promoters, such as travel agencies and tourist boards, provide information and other marketing services. Moving to the next band of the model are the tourism suppliers who provide transportation, accommodations, and
other services required by travellers. Tourism suppliers may provide these services independently and at times they may compete with each other. They may also team up to provide co-operative packages.

**ECONOMIC IMPACTS OF TOURISM**

According to the World Tourism Organisation, an important indicator of the role of international tourism is its generation of foreign exchange earnings. Tourism is one of the top five export categories for as many as 83 percent of countries and is a main source of foreign exchange earnings for at least 38 percent of countries.\textsuperscript{15} Tourism Vision 2020, the World Tourism Organisation’s long term forecast, international tourist arrivals will grow during 1995 to 2020 at annual growth rate of 4.1 percent.\textsuperscript{16}

The factors like the level of disposable income, available leisure time, destination attractiveness, relative travel costs and local exchange rates should be kept in mind as countries seek to attract even more individuals to participate in international travel and tourism activities. The number of arrivals at a destination and average expenditures per visitor are important for the countries in assessing the estimates of tourism activity.

Many towns and cities, states and provinces, even entire nations, have determined that development of their visitor-inducing resources can add to the economic well-being of local residents. Tourism may have a comparative advantage over other industries in two ways. First, the region may be especially appealing to tourists because it has features that are highly attractive, easily accessible to many potential tourists and has necessary infrastructure and an abundant labour force to serve in the tourism industry. The area may have the necessary ingredients for both the demand and supply of tourism. Secondly, tourism may be the best industry to develop if there are no other industrial alternatives.
Hence for a state like Kerala with stunning beauty and less industrial alternatives, tourism has a comparative advantage.

One of the most important factors influencing the level of international tourism to a country is the relative exchange rate of its currency for other currencies. When international travellers decide to visit a foreign land, they need to trade their currency for the currency of the nation they will visit. Another important economic impact of tourism is the multiplier concept. Money is added to an area when someone from outside its borders buys a good or service produced within the area. In addition to this, new money generates additional value. The multiplier concept applies to domestic travel also. The multiplier effect occurs from three levels of impact created by tourism purchases. These effects are called direct, indirect and induced effects. Direct effects or first round effects come directly from tourist spending, such as the increase in the number of employees and the amount of wages paid to restaurant employees due to tourists spending in the restaurant. Indirect effects or secondary effects are created from the increase in purchases by tourism suppliers to serve tourist needs, such as increase in food and beverages purchased from suppliers by a restaurant. Suppliers in turn will have to increase their purchases. Induced effects are other increases in the economic activity, employment, taxes, etc. generated within the area’s economy at large due to the existence of tourism.

Tourism is usually a good source of new money for an area because visitors travel to the area and leave their money behind as they buy goods and services during their visit. Most countries desire international visitors because tourism services sold to foreign travellers are considered exports. Multipliers are an indicator of the economic independence of a country. The higher the multiplier, the more economically self-sufficient the country.
Another positive economic benefit of tourism is that it can provide stability in an economy. When recessions severely affect all industries, historically tourism has been seen as less affected. Tourism provides economic diversity. A stable economy is one that provides jobs and revenues from a variety of industries. Tourism can be added as another economic engine to the industry mix. Unlike many other industries, tourism provides a wide variety of job opportunities like the entry level employment for relatively unskilled and semi-skilled workers, positions for highly skilled crafts persons, such as chefs and artists and many professional level career opportunities for well-educated decision makers. Tourism provides the incentive to improve the infrastructure that can be enjoyed by residents as well as tourists. Another additional positive impact of tourism is that tourism business can be started in the form of a small business encouraging entrepreneurial activity. Small retail shops, restaurants, bed and breakfast homes, guides and taxi services are a few of the many tourism-related small business opportunities. Hence tourism has many economic benefits.

STAGES OF TOURISM DEVELOPMENT

Stages that a tourism destination may go through from beginning to decline as suggested by Butler, R.W. (1980) are as follows:

*Exploration stage*

Small number of visitors discover the destination area.

*Involvement stage*

As the number of visitors increases, more host community members become involved in serving the needs of the tourists.
Development stage

As the tourists arrivals increase rapidly and outside developers build large facilities to serve the seemingly endless demand tour operators add the destination to tours.

Consolidation stage

When the growth in the number of visitors ceases, the destination loses its distinctiveness. Professional managers focus on controlling costs and gaining from tour groups. Some environmental and cultural problems begin to appear.

Stagnation / Decline stage

When the area has reached full capacity, the business tries to maintain tourist numbers and revenues by decreasing prices. Maintenance of facilities declines and the resort area begins to look dated. All of the environmental and social problems of tourism appear.

World Tourism Organisation has realised the importance of linking tourism with poverty, one of the most important social problems of the world. WTO launched an initiative called Sustainable Tourism Elimination of Poverty (ST-EP) to creatively develop sustainable tourism as a force for poverty alleviation. But at the same time attention was placed on the impact of tourism on different spheres of life especially on the physical and human environment of destination.

Travel and tourism is one of the world’s leading industries in terms of revenue generation. Tourism has been pivotal in social progress as well as an important vehicle of widening socio-economic and cultural contacts throughout human history. A wide array of interests like entertainments, sports, religion, culture, adventure, education, health and
business drives tourism. With the advancement of telecommunication, transport and improvement in other facilities the demand for tourism has increased tremendously. The development, promotion, management and administration offer varieties of opportunities for tourism employment in the public and private sectors.

TOURISM SECTOR IN INDIA

Tourism is an economic and industrial activity in which many individuals, firms, corporations, organisations and associations are engaged and is directly concerned with many others. It is economically important as it provides a source of income, provides employment, brings infrastructural improvements and may help regional development. According to Sunil Gupta and S.P. Bansal (2008),¹⁸ Tourism is the mainstay of economies of many countries and a major foreign exchange earner for several others. India has been a late starter in tourism. Immediately after independence the focus was on key areas like agriculture, industry, irrigation, infrastructure and the social sectors. Tourism started achieving attention in the last two decades. The flow of overseas visitors to India is extremely elastic and events around the globe and in the subcontinent have an immediate impact on foreign traffic. However, domestic tourism has displayed greater buoyancy and resilience. In the last 10 years, visits by domestic tourists have increased at a faster pace. From a figure of 63 million in 1990 it increased to 234 million in 2001. The share of India in international tourist arrivals has progressively increased from 0.46% in 2004 to 0.52% in 2006 and 0.55% in 2009.¹⁹

Tourism makes a significant contribution to India’s foreign exchange earnings, which grew from US $ 6.17 billion (Rs. 27944 crores) in 2004 to an estimated US$ 11.96 billion (Rs. 49413 crores) in 2009. The share of India in world earnings from tourism registered an increase from 0.98 per cent in 2004 to 1.21 per cent in 2009.²⁰
Finance Corporation of India (TFCI) was set up to meet the finance requirements of tourism industry in the country.

**NATURE OF TOURISM IN INDIA**

India receives the largest number of overseas tourists from the United Kingdom, which is its largest source market, followed by the United States, Sri Lanka, France, Germany, Canada, Japan, Australia and Singapore.

India is often referred to as a legendary country and a mysterious destination for foreign travellers and tourists. India is one of the few nations in the world that has age-old history and culture. It is identified and positioned as an important place in the cultural map of the world. India is rich in various architectural styles, wherein influences of various religion and dynasties find due expressions. Taj Mahal, Khajuraho temples, palaces and a variety of ancient monuments, fairs, festivals, hill stations, forests are all important tourist attractions. India has a vast array of protected monuments with 22 world heritage sites and they provide great opportunity for cultural tourism.

Geologically and graphically too, India is a land of diversity. The Himalayas pose the greatest challenge to the most adventurous mountaineers. In the Himalayan Region, hill stations with facilities for mountaineering, spectacular wildlife sanctuaries and parks are favourite destinations of tourists from India and overseas. Bordering the North–West frontier is the Thar Desert, distinguished as the Thar Desert National Park. The Peninsular Coastline, including the islands of Andaman and Nicobar islands and Lakshadweep islands measures about 7517 kilometers. The interior of the Indian subcontinent comprises the fertile plains in the northern part, rivers, religious centres, shrines, rich biodiversity and various other attractions. History too has been generous in its endowment of living
cultures and antiquities. The result is a unique and vibrant mosaic that includes pre-vedic archaeological ruins of the Indus Valley civilization, the palaces and temple art of the Hindu Maharajas, the Buddha and Jain temples, the forts architecture of Rajputs, Muslim and Mughal dynasties, the heritage of the British rule etc. which provide inexhaustible tourism resources, which are unique.

India is the second most populous country, but is amongst those which have the youngest demographic profile in the world. The demographic dividend is expected to extend over the next few decades in this millennium. India is unique in its culture, in pluralism of languages, religion, ideologies and traditions, spread over twenty eight states and seven federally governed union territories, each with its distinct identity and socio cultural ethos. The Constitution of India recognise 22 languages as the official languages. India is well-endowed with natural resources, human resources and varied climatic regions. The institutional architecture is unique with flexible federation, democracy with universal adult suffrage and coexistence of public and private sector.

India, blessed with diverse terrain, with mighty mountain ranges, long coastline, thick forests and lakes and rivers, is a perfect playing ground for a host of adventure sports like river rafting, paragliding, hot air ballooning, skiing, mountain biking, scuba diving, hiking, trekking, rock climbing, etc. States like Himachal Pradesh, Uttaranchal, Ladakh district in Jammu and Kashmir and to some extent Karnataka, are positioning and promoting themselves as adventure tourism destinations.

The National Tourism Policy of 2002, in India, aims to foster understanding between people, to create employment opportunities and bring about socio-economic benefits to the community, particularly in the interior and remote areas and to strive
towards balanced and sustainable development and to preserve, enrich and promote India’s cultural heritage. The salient features of the National Tourism Policy 2002 are:

- Position tourism as a major engine of economic growth.
- Harness the direct and multiplier effects of tourism for employment generation, economic development, providing impetus to rural tourism.
- Focus on domestic tourism as a major driver of tourism growth.
- Position India as a global brand to take advantage of the burgeoning global travel and trade and vast untapped potential of India as a destination.
- Acknowledge the critical role of private sector, with government working as a proactive facilitator and catalyst.
- Create and develop integrated tourism circuits, based on India’s unique civilisation, heritage and culture in partnership with states, private sector and other agencies.
- Ensure that the tourists to India gets physically invigorated, mentally rejuvenated, culturally enriched, spiritually elevated.

Tourism can be a key ingredient in the development of any country like India or a city like Kerala. Tourism is not an end in itself. It is a component of the development of ‘whole places’ which implies full of life, diverse and distinctive in their built form, natural environment, and social networks and empowering of their residents. Tourism is a means to an end, not an end in itself. The tourism industry shares with local residents, government and all people with the obligation to protect and maintain the natural and
cultural heritage resources of India, which are required both to sustain the economy and to be passed on unimpaired to future generations.

SECTION B

TOURISM IN KERALA

Kerala, the lush green strip on the south west coast of India lies snuggled between the vast Arabian Sea on its west and the Western Ghats in the east. This tropical paradise with its spectacular and diverse natural attractions has long attracted holidaymakers from across the world. A 600 kilometres long coastline stretching across 11 out of its fourteen districts, emerald backwaters, exotic wild life, beautiful waterfalls, historic monuments and misty hill stations has made it one of the most acclaimed tourism potential state in the world.

The centuries old holistic medicine of ayurveda, the unique boat race that is the largest team sport in the world, the ride through the winding waterways in a cosy houseboat or the colourful and exotic festivals, Kerala offers a multitude of experience to the tourists. The land’s natural beauty is further enhanced by a rich tradition of music and arts dating back over a thousand years, making Kerala truly God’s Own Country.

The present-day state of Kerala was created in 1956 from Travancore, Kochi and Malabar. Malabar was formerly part of Madras state. Kerala is one of the most progressive, literate and highly educated states of India. Kerala state lies in the southern most strip of India and is situated between the Arabian Sea and the Western Ghats. It is located in the north latitude between 8° 18’ and 12° 48’ and east longitude between 74° 52’ and 77° 24’. The breadth of the state varies from 11 kilometers to 121 kilometers. The total area of the state is 38864 square kilometres which is only 1.18 percent of the total area of
India. According to the 2001 population census, it has a population of 32 million, which is 3.12 percent of India’s population. The state comprises of three regions, the coastal low lands, the fertile midlands and the highlands. The low lands of Kerala are networked by endless backwaters and the deltas of forty four rivers. The midlands are rich with cashew, coconut, areca nut, tapioca, banana, rice, ginger, pepper, sugarcane, and vegetable plantations. The forest highlands abound in tea, coffee, rubber and spice plantations and wild life reserves.\textsuperscript{27} Kerala’s culture is thus a composite and cosmopolitan culture to which several people and races have made their contributions. Kerala’s unique cultural characteristics are reflected in its music, dance, architecture, festivities, languages spoken, traditional beliefs, customs and foods of Kerala.\textsuperscript{28}

Kerala offers an intriguing blend of cultures and some unusual opportunities for travel. It offers some of the best and most picturesque beaches in India. Unlike in other part of the country, in Kerala, tourism is not a seasonal activity since the state has some event or the other which is being celebrated in regular intervals that covers almost eight to nine months in a year. Many religious functions are being celebrated in a big way to attract overseas and inland tourists. In addition to these, many beautiful hill stations, world famous beaches, backwaters and nature destinations do attract thousands of tourists into the state every year. Today, Kerala’s ‘Backwaters’ and ‘Ayurveda’ are globally identified and uniquely positioned. In the recent past, tourism has emerged as Kerala’s core competency sector. Kerala is today the most acclaimed tourist destination in India with its distinctive ‘God’s Own Country’ branding. Kerala is increasingly rated as one of the must-see destinations, not only by the discerning foreign tourists, but also by the domestic tourists.\textsuperscript{29} In Kerala, where unemployment among the educated youth is a burning problem, tourism is considered to be a major employment generating industry.
Tourism would not be a focus of economic development strategy based on its job creation potential, turnover for local companies and millions of capital investment, but it also has a deep impact on the social and cultural life of any country or city.

**KERALA TOURISM INDUSTRY**

Tourism traffic to Kerala shows an increasing trend over the past few years. The Kerala Tourism is witnessing an enviable advantage in tourist arrivals during the year and the number shows an increase of 16.11 per cent over the previous year. During the last year Kerala has contributed 11.6 per cent of the total foreign tourist arrivals to India. The number of domestic tourists arrived also shows an increase of 14.28 per cent over the previous year.30

The Department of Tourism, Government of Kerala had registered that maximum number of foreign tourists arrivals is in December-January and they keep coming till February which is the peak tourist season while the major share of domestic arrive is in December.31 The most fascinating and unique attraction about Kerala as a tourism destination is that it has everything a traveler looks for and much more to discover. Nature has not blessed any too many spots like it did Kerala with temperate climate throughout the year to make it the destination “where the season never ends”. Thus the State is endowed with the immense potential for the growth and development of tourism industry in an international perspective.

**STATE ECONOMY AND TOURISM**

Tourism is considered to be the biggest contributor to the growth of service sector in Kerala. According to the WTTC Report,32 travel and tourism in Kerala is expected to grow by 11.4 per cent per annum in real terms between 2004 and 2013. The
state could emerge as the top brand in world tourism by positioning and maintaining tourism as a core competent sector of state priority. New and varied exciting tourism products offered by the state include health tourism, farm tourism, beach tourism and cultural tourism. Apart from being a tourist destination, Kerala is also India’s most advanced society, cleanest and most peaceful state. A state where investments are rare to come by, it is the tourism sector, which has been the main stay of Kerala’s economy.

Ever since tourism was declared as an industry in 1986, several incentives which were available to the investors in other industrial sectors have been extended to the tourism sector as well by the State government. During the early 1980s and the first half of the 1990s the state had a financial crisis that affected almost all the state-sponsored developmental activities. But it was the tourism sector that enabled the state to come out of the crisis and improve the economic position. The economic liberalization and reform process of the 1990s, enabled the tourism sector to attract investment for tourism related infrastructure development. The National Tourism Policy of 2002 envisages to acknowledge the critical role of private sector with government working as a pro-active facilitator and catalyst. During the last few years, Department of Tourism along with the State government has concentrated in the development of basic infrastructure for the promotion of new tourism products for tapping the tourism potentials of Kerala. As the State has identified new and exciting tourism destinations, the variety of tourism potential areas is spread throughout the state. Accordingly, the investment has to be spread out to new destinations in all seasons. Strategies such as the infrastructure development with respect to accommodation and supporting facilities has to come from the private sector. Development of small and medium enterprises in tourism will enhance the situation in this
regard. As per the recent Kerala tourism statistics there is considerable demand for heritage resorts, home stays, house boats, etc by the foreign tourists visiting Kerala.

The state government, either directly or indirectly has to take further initiatives to encourage private investment in providing tourism infrastructure at all potential tourist destinations. The private sector will be encouraged to participate only if the financial assistance and basic amenities such as quality access, water, power, communication and waste management facilities are provided at places where the tourism infrastructure is to be provided. The support of the Central and State government should be in the form of a facilitator by providing investor friendly atmosphere, policies and initiatives.

INDICATORS ON ECONOMIC IMPACT OF TOURISM

Tourism sector happens to be one of the largest earners of foreign exchange in the world, and has acquired tremendous significance in recent years. The sector is growing at a fast pace, especially in the developing countries. The tourism industry is a major contributor to the State’s economy. It is found that the foreign exchange earnings during the year 2009 is Rs. 3066.52 crores which recorded a growth of 16.11 per cent over the previous year. The total revenue generated from tourism comes to Rs 13130 crore, showing an increase of 14.84 per cent over the last year and the tourism contribution to State’s GDP is 7.70 per cent.

The following are the indicators on the impact of tourism

1. Foreign Exchange Earnings during the year is Rs 3066.52 crores.
2. Total revenue generated from tourism comes to Rs 13,130 crores.
3. Tourism’s contribution to State’s GDP is around 7.7 per cent.
4. The average per day expenditure of a foreign tourist is Rs 3200.

5. The average per day expenditure of a domestic tourist is Rs 1500.

6. The average length of stay of a foreign tourist is 16 days.

7. The average length of stay of a domestic tourist is 6 days.

GLOBAL ECONOMIC RECESSION AND KERALA TOURISM

The global economic downturn has been affecting the international tourist arrivals across the world. Kerala Tourism also faces the challenges of the after effects of this situation. It is assessed that the net impact would be around 30 per cent reduction in business turnover due to cancellation and forced price reduction a drop of about 25 per cent in domestic business and roughly 35 per cent in international business. The houseboat industry is foreseeing difficult times ahead. There were no chartered flights operations to Kerala during this year, considering the fact that, in the previous year up to 7000 tourists have come to Kerala in chartered flights spending an average of ten days, the impact of tourist can be assessed.

TOURISM SATELLITE ACCOUNTING RESEARCH (TSA) IN THE STATE

Kerala was the first state in India to be accorded the status of Partner State of the World Travel and Tourism Council (WTTC) in 2000. Kerala Tourism Department and the WTTC jointly conducted a Tourism Satellite Accounting Research (TSA) in the State. The TSA is the accepted measure of the economic impact of tourism in a defined area. Kerala has now joined in the exclusive club of sub-national economies that have implemented TSA, along with Hawaii and South Carolina. The following are the result of the Kerala TSA:
• Kerala travel and tourism demand is expected to grow by 11.6 per cent per annum over the coming decade. This is the highest recorded growth rate in the world pushing Turkey back into the second place, where India was earlier. This figure shows high levels of consumption of the tourism products in the state by both domestic and foreign tourists.

• Kerala registered a record growth 23.5 per cent in terms of visitor exports (tourism receipts) or external account earnings from travel and tourism over the next ten years. India’s estimates for this period is 14.3 per cent while the world average is only 6.5 per cent.

• In 2001, while India’s visitor exports suffered a decline of 4.8 per cent as a result of 9/11 events in US, Kerala visitor exports actually increased by 11 per cent over the 2000 results. This point to visitors feeling more secure in Kerala than in other part of the country.

• Government expenditure is expected to grow only 1.1 per cent of the total, reflecting the apathetic attitude of Government towards investing in travel & tourism sector. Over the next ten years the WTTC forecast suggests that Kerala will nearly triple its current level of travel and tourism economy employment. Increased investment in travel and tourism will obviously have enormous spin off results for the economy and the people.

The problems are to be addressed in a scientific manner keeping in view the long-term perspective developments of the state. Any infrastructure development activity such as transportation, power, water supply, housing, health etc. take more time to implement and hence it is always better to plan in advance and implement the same.
Ecotourism is implemented through the Forest department and it is observed that there is good demand in this sector. Cultural tourism programme is becoming increasingly popular among the foreign tourists. Under the package, tourists are taken to various Kalaries, Koothambalams and Art Galleries. In the initial stage cultural tourism did not get the desired publicity among the foreign tourists. However, with the growing popularity, the programme is expected to be an important source of revenue for the Government. Kerala Tourism Department can make use of this opportunity for promoting tourism within the state. However what Kerala has caught the world’s attention for is not just its stunning natural beauty. It is also for its magnificent progress it has made in profoundly improving its quality of life. For the model state is India’s best in human development indices like public literacy, health, life expectancy, population control etc. and compares well with the richest countries.

**EXPANDING TOURISM PORTFOLIO IN KERALA**

In order to develop itself as a world class tourist destination, Kerala has successfully adopted the following measures:

a. Strong Brand Positioning

b. Thinking out of the Box

c. Product Differentiation

d. Model Public / Private Partnership

e. Tremendous political Support; and

f. Public Acceptance
NATURE TOURISM

Tourists show an inclination for tours that connect beaches, backwaters, and the hills. Water is Kerala’s mascot. Washed by the Arabian Sea in the east, its coast boasts of a multitude of pristine beaches. Blessed by 44 rivers, large inland lakes and languorous backwaters consisting of a network of canals, lagoons and estuaries, have endowed Kerala a unique place in the heart of a global traveller. A land with pristine beaches, sylvan surroundings and backwaters, Kerala has always been an enigma to visitors from far and near.

Kerala, with its stretches of virgin forestland, houses many fascinating wild life reserves. The enchanting mystery of the jungle with its tropical evergreen forests attracts tourists from all over the world. Also dominated by the Western Ghats on one side Kerala has many majestic hill stations. With plantations of tea and coffee that stretches across the valleys, these popular hill stations offer a lot of scope for investment.

BEACH TOURISM

India’s finest beaches are in Kerala. For virtually its entire 600 km length, the Kerala coast is lined with sandy beaches, rocky promontories and coconut palms. Water is Kerala’s mascot. Renowned for its long coastline Kerala’s palm fringed beaches are a favoured destination for tourists, offering tremendous scope for the development of accommodation and recreational facilities. Kovalam, the internationally known beach near Thiruvananthapuram, has drawn sea-surfers from all over the world for years. The serene and quieter Varkala has emerged as another favourite beach destination. A spew of newer and virgin beaches too have caught the discriminating tourist attraction in recent years which includes Muzhappilangad in Kannur, the country’s longest drive-in beach.
BACKWATER TOURISM

Kerala’s biggest USP is its exclusive backwaters. The backwaters in Kerala are a chain of brackish lagoons and lakes lying parallel to the Arabian Sea coast (Malabar Coast). Kettuvallams or the Kerala houseboats in the backwaters are one of the prominent attractions in Kerala. Travelling by houseboats along the backwaters is one of the highlights of a visit to Kerala and has been attracting hordes of visitors. Alleppey, the “Venice of the East” has a large network of canals is also a major tourist spot in this regard. Based on the Kerala tradition, facilities and services offered, the state has positioned the ‘house boat’ concept in an attractive manner for tourists. Vallamkali held every year in August is a major sporting attraction. No wonder backwaters–rich zones like Alappuzha or Kumarakom have emerged as the most sought after destinations patronised by the likes of the former.

MONSOON TOURISM

Though closer to equator, the climate of Kerala is moderate throughout the year. The diversity of the geographical features of the state has resulted in a corresponding diversity in the climate. Kerala experiences seasonal rainfalls and the average rainfall is quite high when compared to other Indian states. Kerala is blessed with two monsoons, the South West monsoon or Edavapaathi which occurs from June-August and the North East monsoon locally called Thulavasam which occurs in October-November.

ECO-TOURISM

Thenmala Eco-Tourism Project features a tourist facilitation centre, shop court, garden, plazas, picnic area, nature trail, rock climbing, river crossing, amphitheatre,
restaurant, suspension, bridge, lotus pond, musical dancing fountain, sculpture garden, deer rehabilitation centre, boating, and battery-powered vehicles.

KERALA WILDLIFE TOURISM

a. Kerala Wildlife Sanctuary :

Marayoor, 40 kilometres from Munnar, is the only place in Kerala that has a natural growth of sandalwood trees with a sandalwood factory of the Forest Department.

b. Idukki Wildlife Sanctuary

It is about 40 kilometres from Thodupuzha, Idukki district, central Kerala.

c. The Periyar Wildlife Sanctuary (Periyar Tiger Reserve)

This is in Thekkady, about 4 kilometres from Kumili in Idukki District. The cruise through the artificial lake in the sanctuary provides a rare opportunity to see diverse wildlife like herds of wild elephants, sambhar deer, gaur, etc.

d. Chinnar Wildlife Sanctuary, Idukki

Rich in wildlife, the mixed deciduous forests are ideal for trekking and scenic beauty. It is 60 kilometres away from Munnar, Idukki district.

e. Aralam Wildlife Sanctuary

It is 35 kilometres from Thalasserry and 60 kilometres from Kannur town.

f. Sheduruny Wildlife Sanctuary Green Adventure:
g. **Parambikulam Wildlife Sanctuary**

It is 110 kilometres from Palakkad. It is between Anamalai ranges of Tamil Nadu and the Nelliyanpathy ranges of Kerala.

h. **Peppara Wildlife Sanctuary**

It is 50 kilometres away from Thiruvananthapuram city enroute to Ponmudi.

i. **Peechi-Vazhani Wildlife Sanctuary**

It is in Thrissur district and is one of the oldest wildlife reserves with extensive botanical gardens and cascading fountains.

j. **Muthanga Wildlife Sanctuary, Wayanad**

Part of the Nilgiri biosphere, the bio rich sanctuary is contiguous to the Nagerhole and Bandipur sanctuaries of Karnataka on the northeast and Mudumalai sanctuary of Tamil Nadu in southeast.

k. **Begur Wildlife Sanctuary**

It is about 20 kilometres east of Manathavady, Wayanad district.

l. **Nagarhole Wildlife Sanctuary**

40 kilometres away from Manathavady, Wayanad district.

**FARM TOURISM**

Kerala, being an agriculture-dominated State, has tremendous potential for developing farm tourism in a big way without much additional investment. The State has more than one-third of its cropped area under tea, coffee, rubber, pepper, cardamom,
ginger plantations, etc. and another one-third under coconut plantations. About 3,50,000 lakh hectares land is under paddy cultivation. With minimum interventions these can be converted into tourist attractions in order to transfer the benefits of tourism directly to the farmers. As a step towards this, Kerala tourism has launched ‘Green Farms Kerala’. This is an exclusive venture that aims at preparing the farms, plantations in the state to receive tourists. The project will revitalise the agriculture sector, while enhancing tourists arrivals to God’s Own Country.

Green Farms Kerala opens a world of opportunities. From conducting farm tours to enabling tourists to be part of the daily activities in the farm, from showcasing and selling farm produces to offering visitors a taste of the local cuisine, the project helps investors to generate additional income from farm and plantations.

ART AND CULTURAL TOURISM

Kerala has a rich cultural heritage. It has a composite culture that got enriched through ages with the contributions of people and race. Cultural tourism programmes are becoming increasingly popular among the foreign tourists. Under the package, tourists are taken to various Kalaries, Koothambalams and the art galleries. In the initial stage, cultural tourism did not get the desired publicity among the foreign tourists. However, with the growing popularity, the programme is expected to be an important source of revenue for the Government. Kerala Tourism Department can make use of this opportunity for promoting tourism within the state.

Like the art and culture the evolution of the culinary style of a region or country can be traced to history, geography, demography and culture of the land. Since the Kerala society is a melting point of different cultural influences Kerala cuisine has a multitude of
both vegetarian and non-vegetarian. The influence of the visitors to the state from ancient times is visible in the dishes.

Kerala is a land of festivals. Besides the major festivals there are a number of local festivals too. Festivals dot the calendar throughout the year. They represent and reflect the cultural diversity of the state. Most of these festivals have rituals associated with them and have some connection with religions. They are celebrated by people from all faiths which speaks volumes about religious harmony that prevails in Kerala society. Onam, Thrissur Pooram, Vishu, Maha Sivarathri, etc are colourfully celebrated. Kerala’s rich cultural past finds expression in dance forms like Kathakali and Mohiniattam, while Kalaripayattu, the traditional martial art form of Kerala, has been practised for ages.

Kerala’s lovely state of swaying palms and surf-washed beaches is the home of several dance, music and arts forms, some of which have originated in the region and some of which have been adopted from other areas and over the centuries transformed into a local expression typical to Kerala.

Kathakali is perhaps the only dance form in which the entire body is used to portray a story.

Koodiyattam is the form of Sanskrit drama which is associated with temple rituals and is perhaps the oldest form of classical arts in Kerala.

Theyyam, the dance form glorifying the goddess and its themes revolve around the triumph of the goddess over the demon Daruka and other evil characters.
KERALA CULTURE TOUR

From the ancient times of Kings, the classical rituals and performing artisans received rich patronage, which has been the major reason for the grandeur and creativity of Kerala’s performing art forms. Kerala has a fascinating heritage of art and culture. Kathakali, a rhythmic dance based on ancient epics, and Kalarippayattu, the world’s oldest martial art, are known all over the world. Kalarippayattu is said to be the origin of all other martial arts in this world. Tourists flock the shores of Kerala to learn these arts. Some of the other art forms are Koothu, Koodiyattam, Mohiniyattam, Ottamthullal, Bharathanatyam, Ottam Thullal (dramatic form) and so on.

KERALA ARTS TOURISM

Kerala is famed for its carvings, cast bell metal work, jewellery, granite idols, pillars, coir, coconut shell products, carvings in wood, especially rosewood or sandalwood, snake boat models and other figurines. Drums like “Chenda”, “Maddalam”, “Mridangam” and “Edakka” are carved out of single piece logs. Accessories for Kathakali and other popular dance forms are made out of wood or papier-mache.

Polished coconut ashtrays, lamp stands, flower vases, coir carpets and floor mats, reed mats, purses, bags and carved wooden furniture are also in vogue.

The particular centre for the Art Form Mannar, in Alappuzha District, specialises in a variety of cast bronze, bell metal, copper and brass handicrafts like the puja lamps statues, brass inlaid flower vases and bowls. The district is also very popular for its coir products. The intricate Aranmula Mirror, cast from an alloy of copper and tin is made in Aranmula in Pathanamthitta district. Chengannur near Pathanamthitta excels in granite carvings, idols, pillars, households and other equipments. Craftsmen in
Thiruvananthapuram make conch and seashell items like paper weights and lamp shades besides rosewood elephants. Thalasseri specialises in the making of parasols, which add colour to festivals.

In Kasaragod, people make bags and bangles with glass beads. Caparisons for elephants and other festival paraphernalia are made in Thiruvankulam in Ernakulam district and the adjoining areas of Thrissur. Handloom weaving is centred mainly in Balaramapuram in Thiruvananthapuram and Chennamangalam and Kuthumpally in Northern Kerala.

HERITAGE TOURISM

Kerala has a rich tradition in classical and folk art forms. There are ritual as well as performing art forms. Kerala tourism is focusing on branding the rich classical and folk-art forms on national and international destinations. Kathakali, Mohiniyattam, Koodiyattom, Ottamthullal, Kalaripayattu, Theyyam, Padayani, etc. have gained international popularity. In respect of fine arts, the state has an abounding tradition of both ancient and contemporary art and artists. Temples in Kerala have a distinct architectural style. They are the most ancient monuments of the state and are architectural and historical treasure troves. The traditional Kerala murals which date back to 9th to 12th centuries are found in ancient temples, churches and palaces across the state.

PILGRIMAGE TOURISM

Religious diversity is very prominent in Kerala and includes Hinduism, Christianity, Islam and smaller proportions of Jainism, Judaism, Sikhism and Buddhism. Recognising the potential of tourism in the diversity of religious faiths, related festivals and structures, many projects have been formulated by the tourism department. Some of
the well-known pilgrim tourism attractions include Sabarimala, Guruvayur, Pooram, Malayatoor, Paradesi Synagogue and Attukal Pongala.

1. Erumeli Sastha Temple

An important meeting place in the pilgrimage of Sabarimala, is very famous. Ayyappa devotees go to Sabarimala after worshipping at these two places, which seems as a symbol of the Hindu-Muslim unity. The pilgrims go to Sabarimala after Pettathullal at Erumeli. Pilgrimage to Sabarimala without Pettathullal and worship at the above mentioned temples is not traditional.

2. Pandalam Valiyakoyickal Temple

According to the legend, Ayyappa as a baby was found lying on the banks of the river Pampa, by the Raja of Pandalam. The Raja had no children and the child was considered as a God-given gift. Sree Dharma Sastha of Pandalam Valiyakoyickal Temple is Dharma Deva to King of Pandalam.

3. Kulathupuzha Sasta Temple

The Sastha Temple at Kulathupuzha is very ancient. The idol at Kulathupuzha is called manikantan. It is believed that the temple was constructed by the Raja of Pandalam. Feeding of the fishes in the nearby river is an important custom in the temple.

4. Achankoil Sastha Temple

Achankoil Sastha (Arachan) Temple is a sacred place of worship where pilgrims from Kerala and Tamil Nadu come in group by group throughout the year. According to legends God gave darshan to a worshipper who entered into a long term penance at
Kandamala where the temple is situated. The main festival season here comes during Mandalam.

5. Aryankavu Sasta Temple

The legend is that the Ayyappa of Aryankavu is similar to that of Sabarimala Sree Dharma Sastha. The only differences between the two are that Sastha was brought up by the Pandi Raja of Madura and not the Raja of Pandalam. There is a beautiful waterfall known as Palaruvi in the dense forest area about two kilometres away from the temple premises.

HEALTH TOURISM

Health tourism in Kerala mainly includes ayurveda, naturopathy and siddha. It also includes yoga, meditation and many other mental and physical exercises and treatments that are beneficial for health and rejuvenation. Visit to ayurveda shalas, meditation classes and spa resorts for mental calmness and ultimate realisation of pure bliss.

AYURVEDA

Ayurveda, an ancient system of natural and medical healing, originated in India more than 10000 years ago, is believed to be the oldest healing science in existence, from which all other systems emerged. Ayurveda gives a total approach to health, healing and longevity. Ayurveda has been a part of Kerala lifestyle. Climatically and naturally Kerala is suited for practising ayurveda. Kerala and aurveda have virtually become synonymous with each other. The traditional medicine of Kerala was positioned internationally for rejuvenation and therapeutic purposes. It is the popularity of ayurveda that has succeeded in increasing the international tourist duration of stays being positioned as ‘monsoon therapy’.
Ayurveda is the USP of the tourism sector in Kerala. Ayurveda is promoted by the state government through the establishment of hospitals and teaching institutions in different parts of the state. In the private sector also there are a number of well reputed institutions providing excellent service. A lot of people, especially from outside the country visit the state to experience the ‘Ayurveda Holidays’ here. The state also enhanced repeated tourists arrivals during one of the most difficult seasons in Kerala. The state has brought in substantial increase in the ayurveda centres in all major tourist destinations in the state. To ensure sustainability of this traditional offering, Kerala has introduced the ‘Olive Leaf’ and ‘Green Leaf’ certification of ayurvedic centres in the state to ensure evaluation of the appropriate service standards and safety.

NEW INITIATIVES OF KERALA TOURISM

Green Farms Kerala

Kerala, being an agriculture dominated State, has the tremendous potential for developing Farm Tourism in a big way without much additional investment. The State has more than one-third of its cropped area under the cultivation of tea, coffee, rubber, pepper, cardamom and ginger plantations, and another one-third under coconut plantations. About 3,50000 lakh hectares of land is under paddy cultivation. With minimum intervention and of investment, these can be converted into tourist attractions in order to transfer the benefits of tourism directly to farmers. As a step towards this, Kerala Tourism has launched ‘Green Farms Kerala’, an exclusive venture that aims at preparing the farms / plantations in the State to receive tourists. Additional income from the farm could be possible through farm visits, trekking, boating, fishing, canoe rides, elephant rides, bicycle tours, bird and butterfly watching, participation in farm activities, sale of farm produce and value-added products, sale of local products, food counters, etc.
My Village Tourism or Tourism Friendly Village

By inspiring farmers and plantation owners to open up the rustic village experience for the growing number of travellers seeking to touch the heart of Kerala and unveil its very soul. This scheme is in association of Department of Tourism with the Local Self Government Department presents existing opportunities for the villagers and tourists alike. The scheme aims at promoting new tourist centres, inspiring products and innovative activities like adventure tourism right within the village, enabling the tourists to enjoy the authentic experience of Kerala in its hamlets while providing greater employment opportunities for the villagers.

In the villages of Kerala one can enjoy true Indian hospitality, where the guest is God. The colours of the turbans and the saris of the women are in stark contrast to the often parched backdrop of the landscape. One will be amazed by the elegant way these village women carry myriads of pots on their heads, and at their incredible dresses. The women cover the outside of their houses with mud and then paint them with intricate designs, using only their hands and a paste made of lime. Accommodation is so comfortable for the traveller. Many houses previously owned by the local gentry are now being run as small hotels. Even though modern amenities are provided, they have lost nothing of their originality and charm.

Thrissur Pooram, the pooram of all poorams, falls in April every year. It is different from other national festivals like the Kumbha Mela of Uttar Pradesh, the Vijayadashami pageantry of Mysore or the Rath Yatra of Orissa. It is intrinsically a people’s festival in all respects. The unique catholic nature of Pooram can be traced to its genesis two centuries ago when Saktan Thampuran, the very architect of Thrissur.
the ruler of the erstwhile state Kochi, when the Prince Rama Varma (1751-1805) was enthroned as the ruler, the fortunes of the state were at its lowest ebb.

Thrissur Pooram, the mother of all temple festivals in the state, is essentially one of spectacles. The two devaswams, Thiruvampadi and Paramekkavu, explore and exploit every source at their command to make this annual festival a memorable one. It is celebrated with a colourful procession of caparisoned elephants, parasol exchanges, drum concerts, display of pyrotechniques and refreshing scenes of public participation. During the festival season, Thrissur, popularly known as the temple town, turns into a town of colour, music and mirth.

HANDICRAFTS TOURISM

The traditional dresses of Kerala are the treasured items of any tourist visiting Kerala. The gold jewellery of Kerala is a world apart and rich in variety and design with strong traditional etiquette. The traditional dresses of Kerala are the treasured items of any tourist visiting Kerala. Each community or caste has its own traditional designs. The crafts festival and handicraft mela are held annually at many places in Kerala to promote these products. Most of the handicrafts items are available at the SMSM Institute, a state-owned emporium in Thiruvananthapuram. In addition to this there are souvenir shops and handicrafts emporium at various locations in the State.

KERALA SPORTS TOURISM

The Kerala Sports Council at Thiruvananthapuram holds a number of sports events including aquatic sports. Cricket, hockey, football, baseball and tennis are the popular games played. Alleppey is the best place in the world for backwater cruises and boat races. It is from here that the backwater cruises take off through a network of canals, on the
shores of which there are villages against the backdrop of thousands of coconut trees. There are fantastic boat races, with 30 metre long snake shaped boats, and hundreds of oarsmen singing loudly as they tug at the oars, competing for the highest prize in these parts. If the boat races are pure adrenalin, the backwater cruises are no less.

AGRI-TOURISM PROJECT TO BE LAUNCHED IN ALAPPUZHA

The Alappuzha district agri-horticultural society will launch an agri-tourism project to attract tourists to the rural areas of the district, and make them familiar with the agricultural practices in the State.

SPICES TOURISM

Kerala’s spice and herb blends cannot be compared to anything else. The high ranges of Kerala are home to endless stretches of spice plantation. The State produces a variety of spices which include pepper, cardamom, cinnamon and clove. Kottayam has several outlets selling spices and condiments. The Tea Garden of Kerala, Munnar has the best quality tea than elsewhere in the state. Aromatic oils like eucalyptus, lemon grass, citriodara are also available in the shops. Thekkady is the heartland of spices and one can buy the best of spices from any of the shops at Thekkady.

CINEMA TOURISM

Kerala boasts of one of the most cine-literate and discerning audiences in the world. Cinema and politics are two abiding passions of the people of Kerala. Bizarre experiments in the medium, with few takers elsewhere, find vociferous votaries here. Tucked away behind the serene backwaters and the swaying palm fronts, even in the remotest areas, are scores of very active film societies. To satisfy their quest for the best
and the latest in the medium and to counter the effects of crass commercialisation, the Department of Cultural Affairs of the Government of Kerala created in August 1998, an autonomous institution called the Kerala State Chalachitra Academy. The Kerala State Chalachitra Academy (Motion Picture Academy of the Kerala State), the only Academy for Motion Pictures in India, works for the promotion of cinema as a cultural expression. The Academy is guided by the motto that cinema should contribute to the total development of man, both as an individual and as a social being.

KERALA BACKWATER TOURISM

It is an intricate network of innumerable lagoons, lakes, canals, estuaries and the deltas of forty four rivers that drain into the Arabian Sea. Vembanad Lake flows through three districts and opens out into the sea at the Kochi port. Thiruvallam and Veli are other examples of backwater areas in Thiruvananthapuram. Backwater tourism is flourishing well in the State of Kerala.

KERALA BEACH TOURISM

Most of India’s finest beaches are in Kerala. Kerala enjoys an extraordinary kinship with the sea. Mythically born from it, Kerala’s bond with the sea is that of a child and mother. Kovalam, Varkala, Alleppey, Kappad and Bekal are the main beaches in Kerala attracts tourists from in and abroad.

KERALA KETTUVALLM TOURISM

Kettuvallams, the stitched boats, provide the best way to experience the colourful backwaters of Kerala. Kettuvallams or the houseboats of Kerala, dot the serene palm fringed backwaters of Kerala.
GRIHASTALI: THE HERITAGE PROTECTION SCHEME

Grihastali is a well thought out scheme to preserve our traditional architecture by converting them into excellent accommodation options with modern facilities. In addition to offering a taste of the authentic Kerala lifestyle which is becoming popular across the world, Grihastali will also inspire public participation in the promotion and development of tourism in the State. The Department of Tourism has designed an exclusive package of incentives and financial assistance to projects which are approved. The financial assistance proposed has been arranged in collaboration with the Kerala Financial Corporation and nationalised banks.

Kerala will have to launch new tourism products, target new markets and continue its innovative marketing to retain its position as the forerunner of tourism in the country. In short tourism is a major mission and has a tremendous potential of growth in this beautiful territory, which is nature’s special manifestation. The State has to think differently to devise new strategies in promoting tourism among the domestic and international tourists. Also state has to foster an investor friendly climate with respect to the emerging tourism portfolio in Kerala. For this the government, tourism department and financial institutions should join hands for encouraging public private partnerships in setting up of the various new and emerging investment opportunities which are enlisted as follows: 

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### Table 2.1
TOURISM INVESTMENT OPPORTUNITIES IN KERALA

<table>
<thead>
<tr>
<th>Sl. No.</th>
<th>Tourism attractions</th>
<th>Investment opportunities</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Transportation</td>
<td>Operation of aircrafts, luxury coaches and cars, boats, steamers, etc.</td>
</tr>
<tr>
<td>2</td>
<td>Accommodation</td>
<td>Hotels, resorts, bed &amp; breakfast, guest houses, homestays, camping facilities, caravans, heritage homes, house boats, etc.</td>
</tr>
<tr>
<td>3</td>
<td>Travels and Tours</td>
<td>Travel agencies, tour operators, tourist taxi and transport operators</td>
</tr>
<tr>
<td>4</td>
<td>MICE facilities</td>
<td>Meeting hubs, convention centres in backwaters, beach hill resorts, trade fairs, event organisers, etc.</td>
</tr>
<tr>
<td>5</td>
<td>HRD Institutions</td>
<td>Manpower training centres, guide training centres, management training institutes, etc.</td>
</tr>
<tr>
<td>6</td>
<td>Souvenir shops</td>
<td>Handicraft shops, souvenir shops, ethnic boutiques, traditional jewellery centres, manufacturing units.</td>
</tr>
<tr>
<td>7</td>
<td>Information facilitation</td>
<td>Information kiosks, guide agencies, publishing of maps, guides, etc.</td>
</tr>
<tr>
<td>8</td>
<td>Science tourism</td>
<td>Planetariums, Science &amp; Technology museums, theme show theatres, 3D motion stimulators, 4-screen multiplex, amphitheatre, etc.</td>
</tr>
<tr>
<td>9</td>
<td>Film shoot facilitation</td>
<td>Production houses, location scout teams, light equipments, unit/production vans, crew/man power agencies.</td>
</tr>
<tr>
<td>10</td>
<td>Wayside amenity centres</td>
<td>Restaurants, motels, pay-and-use toilets, snack bars, utility shops</td>
</tr>
<tr>
<td>11</td>
<td>Wellness centres</td>
<td>Ayurveda centres, wellness spas, health clubs, treatment centres, exclusive packages, etc.</td>
</tr>
<tr>
<td>12</td>
<td>Beach side entertainment</td>
<td>Waterskiing, surfing, snowboarding, canoeing, yachting, diving, underwater aquarium, recreational boat industry, sea food restaurant, etc.</td>
</tr>
<tr>
<td>13</td>
<td>Backwater amenities</td>
<td>Backwater cruises, resorts, floating restaurants, floating cottages, water sport facilities like skiis, speed boats, yacht &amp; cruisers, recreational facilities like angling and fishing.</td>
</tr>
</tbody>
</table>
GOVERNMENTAL INITIATIVES FOR TOURISM DEVELOPMENT

Kerala tourism, which has become a major contributor to the state’s economy, deserves the backing of the Union Government. The state of Kerala is one of India’s largest developed tourism destinations. The major components of tourism industry in Kerala are identified as restaurant, transportation, houseboat, health, ecotourism and tourist shopping. In Kerala, Department of Tourism, Government of Kerala is the nodal agency promoting tourism-related activities within the state. The Government’s policy is to promote tourism in a big way since Kerala has the potential to attract people from all over the world. Tourism has emerged as a more powerful catalyst for economic development than the manufacturing, construction and service industries. Kerala tourism has made a steady growth during the past 15 years. The state witnessed an appreciable increase in the arrival of tourists during this period. The tourism sector provides employment to one million people in the state, and the number is expected to increase in the coming years. The foreign exchange earned by Kerala during 2006 reached Rs. 19,880 millions.

TOURISM POLICY – SALIENT FEATURES

Kerala is one of the earliest states in India to announce industry status for tourism in 1986 and announce various incentives and subsidies to attract investment. These early

<table>
<thead>
<tr>
<th>14</th>
<th>Hill station facilities</th>
<th>Herbal gardens, plantation tours, tree houses, golf courses, angling, cycling, boating, paragliding, rock climbing, recreational facilities like rope ways/cable cars.</th>
</tr>
</thead>
<tbody>
<tr>
<td>15</td>
<td>Jungle attractions</td>
<td>Environmental friendly accommodation, tree houses, multi-cuisine restaurants, plantation tours, wild life safaris, spice tours, boat cruises, elephant safaris, bird watching, etc.</td>
</tr>
</tbody>
</table>
efforts were aimed at creating the investment friendly atmosphere for tourism in the state needed for the industry to grow. This increased the investment opportunities for potential investors. Main lending institutions in Kerala like Kerala Financial Corporation (KFC), Tourism Financial Corporation of India (TFCI) and Kerala State Industrial Development Corporation (KSIDC) play an important role in funding the tourism projects. State also adopted many proactive measures to stimulate investment in tourism industry like a system for fast track clearance of tourism projects, subsidies, technical guidance, marketing assistance and support in availing loans (GOI, 1998). The shift in emphasis of tourism department to a more proactive role of tourism development and marketing and promotion of the destination started since the early nineties. (Kokkranikal and Baum, 2002).

Tourism Policy 1995

The key emphasis of the Tourism Policy highlights focus areas for the state:

- Promoting tourism with the tourist and the pilgrim as the focus.
- Providing special facilities to the traveller
- Improving efficiency of the industry.
- Ensuring participation of stakeholders, including the travel trade and tourism industry.
- Providing quality services to all consumers and stakeholders.
- Improving, diversifying and expanding the marketing of the tourism products.
The Government of Kerala, Tourism Policy 1995 highlights the major direction for growth in the industry. The priority areas identified were infrastructure development, human resource development for tourism, marketing and product development.

As underlined by WTTC in its Kerala Report, “The 1995 tourism policy remains the basis for much of the state’s progress over the last eight years, whether in terms of infrastructure and product development or tourism performance.” Thereafter this tourism policy remained the basis for much of the state’s progress over the last 10 years whether in terms of infrastructure, product development or tourism performance.

The key role played by private sector in all these areas was identified in addition to defining the role of state as a facilitator creating the suitable condition for investment by creating the basic infrastructure for tourism to grow. The manner of growth needed as also envisioned in the 1995 tourism policy for promoting destination more as quality destination and attracting high spending tourists than going for mass tourism numbers. This conscious strategy of taking the destination Kerala away from mass tourism to a destination with a boutique image attracting tourists of a specific taste required developing new tourism products and new destination regions. Diversifying to new products was also a part of the strategy of differentiation especially when other nearby states and nearby regions like Sri Lanka and Maldives offer the same kind of products of superior value. So in addition to beaches, Kerala as a destination started developing and promoting varied tourist products like backwater with house boat attractions and ayurveda rejuvenation holidays attractions. The Government of Kerala’s first tourism policy also highlighted the need for creating human resources of good quality to serve the growing needs of the industry to promote quality tourism. According to the policy, the stated objective of the state government is to promote Kerala more as quality destination, attracting high
spending tourists than going for mass tourism chasing numbers. Tourism policy of Kerala, 1995 has helped the state to acquire a unique image in the international and domestic markets. Despite setting the direction for growth in the tourism industry, the initial tourism policy framework of the state was not sound and it lacked in providing a detailed action plan for the destination to grow.

NEW POLICY INITIATIVES

The new initiatives of Kerala Tourism during 2008-2009 are as follows:

1. New policy initiative on responsible tourism

2. Formulation of destination management committees in every tourist destinations

3. Initiated schemes for promoting souvenir industry

4. District Tourism Promotion Council reconstituted

5. Initiated Schemes for promoting adventure tourism

6. Initiated schemes for promoting ethnic food tourism

7. Comprehensive development of Alapuzha heritage city

8. Comprehensive development of Kerala Kalamandalam

9. Development of Ashtamudi cruise circuit

10. Kadinamkulam Backwater project

11. Bridging the merit of IT for the tourism industry

12. Launching of a series of online initiatives branded login Kerala
13. Partnership with Google

Tourism Vision Statement

"To make Kerala, God’s Own Country, an upmarket high-quality tourist destination through rational utilisation of resources with a focus on integrated development of infrastructure sector, conserving and preserving the heritage and environment and enhancing productivity, income, creating employment opportunities, alleviating poverty, thereby making tourism the most important sector for the socio-economic development and environment protection of the State."

Tourism Vision 2025

Tourism Vision 2025 is to serve as a guiding force to provide a clear vision and direction for optimizing tourism potential of the state in sustainable manner.

- To increase earnings from tourism at the rate of 10 per cent annually
- To achieve an annual rate of growth of 7 per cent in foreign tourist arrivals and 9 per cent growth in domestic tourists.
- To create employment opportunities of 10,000 every year.
- To add required hotel rooms in star categories every year
- To innovate and promote at least one new tourism product/destination every year.

OBJECTIVES OF KERALA TOURISM VISION 2025

1. To make tourism Kerala’s core competency sector

Tourism has emerged as the global industry and has been playing a lead role in economic growth. In Kerala, tourism has played a significant role in terms of employment
and economic growth. In view of its potential in creating employment, enhancing production and productivity and contribution towards the development of the state, a growth model led by tourism will take the state to the pinnacle of socio-economic development.

2. To generate employment and enhance productivity

Tourism in Kerala has recorded remarkable growth in the last few years. The number of foreign tourists and domestic tourists visiting the state has crossed 2 lakhs and 50 lakhs respectively. Total employment generated both direct and indirect in this sector is about 7 lakhs and the total revenue generated in the economy due to tourism is nearly Rs. 4,000 crore which is 6.29 per cent of the G.D.P. With the accelerated investment in tourism sector, there should be direct employment opportunities for over 10,000 persons every year.

3. To promote and market Kerala tourism products at national and international level thereby making Kerala a premier global tourism destination

Promotion and marketing are important components for the development of tourism. Kerala tourism will take steps to develop and implement effective market strategies to get better mileage and value for the money spent. This will be based on the market analysis and the consumer preferences.

4. To define and endorse the role of the Government as a catalyst and facilitator for the growth of tourism industry

Tourism is basically a private sector activity. The state will play the role of catalyst and facilitator. The state will work towards inter-governmental co-ordination, rationalised
and mild taxation policies, regulating growth in a sustainable manner and providing safety to tourists. In order to define the role of the Government, the Tourism Vision will be brought out by the Government.

5. To rationalise tourism related legislations and policies of the Government so that it is tourism friendly and promotes tourism growth.

As tourism is a multi-sectoral activity and it is affected by many other sectors in the economy, the state has to play a lead role in enacting tourism-friendly legislations. The existing legislations like KLU Order, Rent control act, Labour Acts, Building Tax Act, Excise Law etc. will be reviewed in order to facilitate growth of tourism.

6. To create awareness and tourism consciousness among the people in general and among the taxi drivers, policemen, bus conductors, porters, customs and emigration officers, and others with whom tourists interact thereby removing prejudices and misconceptions and to make Kerala society a tourism friendly society.

One of the most important components in the development of tourism is the host population. The host population or the local community, which is tourist-friendly, will send the right message and that leads to a higher growth. Government should therefore initiate programs for creating awareness about tourism, culture, art and heritage of the State and to inculcate among the host population positive and helpful attitudes towards tourists.

7. To develop and improve roads, drinking water supply, electricity and power supply, sewage and sanitation systems, signage’s, transport systems like roads, rail, sea, inland water and air for selected tourist centres
An important component for the development of tourism in any state is the basic infrastructure facilities. The state has to ensure that the basic facilities like motorable roads, clean drinking water, uninterrupted electricity and power supply, efficient waste disposal systems, good transport facilities and signage systems are in proper place at least in important tourist areas. The Government should have a mechanism for coordination with other departments like PWD, water authority, irrigation, transport and forest etc. The state will make special efforts to welcome investment in infrastructure sector from NRIs, NRKs and international funding agencies.

8. To promote sustainable and eco-friendly tourism in the State based on the carrying capacity of the destinations

The strength of Kerala tourism is its excellent natural resources in the form of beaches, backwaters, hill stations and wildlife sanctuaries. Having understood the need for looking into the sustainable development of these destinations, Kerala tourism focuses on the conservation of ecology and preserving the pristine environment to reduce the negative impact of tourism and intend to promote development of tourism based on the carrying capacities of the destinations. Development of the tourist destinations will be controlled and regulated based on the guidelines formulated through area development plans.

9. To conserve and preserve the art, culture and heritage of the state

Kerala is immensely rich in its unique art forms, culture and heritage. The tradition of classical and folk arts in Kerala dates back over a thousand years. Koodiyattom, one of the oldest art forms of Kerala, and the only surviving form of the ancient Sanskrit drama, was recently selected by UNESCO for proclamation as an oral and intangible world heritage. Kathakali, Mohiniyattam, Thullal, Theyyam, Thira etc. are unique in their style
and forms. The architectural monuments in the state maintain a unique character. The state should hasten the process for the preservation and conservation of these heritages.

10. To develop and promote new innovative tourism products, lesser-known destinations, art forms, cuisines, monuments and handicrafts.

Tourism in Kerala is now concentrated in the southern parts of the State. Considering the fragile nature of ecology and environment, it is necessary to disperse the activities to lesser-known destinations to avoid overcrowding and exceeding carrying capacities. It is also necessary to develop and promote new products to sustain the positioning. Constant and continuous innovation will be the route to ensure the top slot for Kerala tourism in the hearts of discerning travelers.

11. To identify, conserve and preserve special tourism zones

Tourism in Kerala is mainly nature-based and unless the developments are controlled / regulated based on special guidelines formulated for identified special tourism zones, the destination will not sustain for long. Hence, guidelines will be formulated for the conservation, preservation and growth of Special Tourism Zones.

12. To develop and promote KITTS, KIHMS and IHMCT into institutions par excellence in India and regulate the syllabi and training facilities of other institutions to maintain the Quality Standards.

Human Resource Development is an important sector to be developed for effective promotion and development of tourism in the state. In this regard the existing institutions like KITTS, KIHMS and IHMCT will be developed into institutions of excellence. The
other institutions offering tourism-related courses will be regulated to maintain quality standards.

13. To involve PRIs and NGOs in the development of tourism infrastructure and tourism awareness.

Any scheme / project in the field of tourism can only become successful if it is implemented through local participation. The strong Panchayati Raj Institutions and NGOs in the State can contribute greatly in building up tourism infrastructure and necessary basic amenities. Creation of awareness on the benefits of tourism in terms of economic, physical and social development, traditions of Indian hospitality and importance of providing assurance on safety and security to tourists cheating, to prevent harassment to tourists will be done through the PRIs, NGOs and youth centres.

TOURISM PROMOTION AGENCIES IN KERALA

The following are the tourism promotion agencies in Kerala:

1. Department of Tourism

2. Kerala Tourism Development Corporation (KTDC)

3. Kerala Institute of Tourism and Travel Studies (KITTS)

4. District Tourism Promotion Councils (DTPCs)

5. Tourism Resorts Kerala Limited (TRKL)

Kerala Tourism Development Corporation (KTDC)

The KTDC is involved in running hotels and wayside amenity centres throughout Kerala. It promotes and conducts tours all over the state and maintains a high-tech
reservation system. The Kerala Tourism Development Corporation owned by Kerala state government has star hotels, budget hotels, restaurants, etc. and also operate conducted tour services. During 2006-07, 208933 domestic tourists and 37484 foreign tourists stayed in the hotels of KTDC was below 55 percent except in the Tea County Hotel Munnar, where occupancy rate 77.85 percent.

**District Tourism Promotion Councils (DTPCs)**

The District Tourism Promotion Councils under the Department of Tourism are mainly concentrating on tourism activities such as improvement of hygiene at tourist destinations by working along with local bodies, coordination of tourism clubs for creation of tourism awareness and preparation of host community, promotion of homestay scheme, local basic infrastructure like boat jetties, tourist facilitation, pay and use toilets, development of parks, promotion of tourist clubs, holiday awareness campaigns and developing basic infrastructure, etc.36

The DTPCs have undertaken the responsibility of creating and marketing local tourism products and opportunities. They are constantly improving the quality of these tourism products and services through surveys and other data collection means. The DTPCs also monitor and supervise the levels of sanitation in tourist areas. Other related activities of the DTPCs are the creation of awareness of the facilities and services in their specific area as well as the development of tourism clubs and the dissemination of tourism specific information.

**Tourism Resorts Kerala Limited (TRKL)**

Tourism Resorts Kerala Limited, a subsidiary of KTDC acts as a nodal agency for attracting private investments in tourism sector in Kerala and activities include investment
in joint venture companies and Land Bank projects. The TRKL researches, develops and assists in the implementation of joint venture products within the state of Kerala. It also oversees the local Land Bank Scheme. Tourism Resorts (Kerala) Limited has been specially incorporated as a subsidiary of the Kerala Tourism Development Corporation to enter into joint venture partnership with the private sector. TRKL has already formed several joint ventures for this purpose including the joint venture with TAJ (Taj Kerala Hotels and Resorts Limited) and Oberoi (Oberoi Kerala Hotels and Resorts Ltd). There are four hotels under TRKL at Cochin, Kumarakom, Varkala and Thekkady. The Bekel Resort Development Corporation is the agency created for development of Bekel Beach Resort.

**Kerala Institute of Tourism & Travel Studies (KITTS) and Food Craft Institute (FCI)**

These institutes are actively included in the recruitment, training and placing of quality staff in the tourism sites throughout Kerala. All aspects of human resource development for the tourism and hospitality sectors are taken care of by KITTS and FCIs by establishing and monitoring the quality regulations of the tourism and travel training institutes.

**Bekal Resort Development Corporation (BRDC)**

The BRDC was developed specifically to benefit tourism and tourists attractions in Bekal and its surrounding impact areas. Their main focus is to provide marketing resources and to be actively involved in local, regional, and statewide marketing promotions.
Directorate of Eco-Tourism

One of the most progressive groups active in Kerala today is the Directorate of Eco-Tourism. Charged with the developing and creating new eco-tourism destinations throughout the State of Kerala, this office is also active in the development and maintenance of wild life sanctuaries as tourist attractions.

ROLE OF GOVERNMENT AND DEPARTMENT OF TOURISM IN PROMOTING TOURISM IN KERALA

The following are the roles played by the Government of Kerala and the Department of Tourism:

1. Promotion and marketing
2. Infrastructure development at tourist destination
3. Facilitation to private sector for investment in tourism
4. Development of new tourism centres
5. Providing tourist information and facilitation
6. Human resource development and capacity building in tourism
7. Ensuring cleanliness and hygiene at tourist destinations
8. Upgradation and development of tourism products
9. Development of wayside facilities
10. Conservation of nature, heritage and culture
11. Promotion of local cultural programmes
12. Promotion of rural tourism, ecotourism, farm tourism, adventure tourism etc

13. Linking traditional industrial and agricultural sectors to tourism

14. Responsible tourism initiative to ensure tourism benefiting the local population in economic, social and environmental aspects.

15. Co-ordination of local tourism developments through DTPCs

16. Approval / Classification of tourism units including home- stays

17. Tourism impact studies

18. Awareness creation

19. Application of IT in tourism

20. Tourism legislation

21. Safety and security of tourists; and

22. Management of guest houses, residential bungalows and tourism garages.

IMPACT OF TOURISM INDUSTRY IN KERALA

Kerala has tremendous potential for promoting tourism in the state, which will provide employment, increase business and earn foreign exchange for the country. But this can be made practicable only if the State is taking proper care in addressing all issues connected with this sector. The focus of Kerala tourism now is on creation of quality infrastructure at the tourist destinations and enroute, especially in transportation and road infrastructure.
Tourism’s greatest impact is on the generation of employment. Such employment generation may cover areas of direct interaction with the tourists, such as persons employed in hotels, airlines, tour operators, restaurants, retail, leisure and entertainment. However, the employment impact spreads over a larger area of the economy, covering jobs associated with the input industries such as suppliers, government agencies and manufacturers of supplied commodities. Hence, the direct and cascading effect of tourism on employment generation is significant in Kerala.

**ROLE OF STATE FINANCIAL INSTITUTIONS IN PROMOTING TOURISM**

Financial institutions playing the role of a financial intermediary provide the means and mechanism of transferring command over resources from those who have an excess of income over expenditure to those who can make use of the same with a view to adding to the volume of productive capital. Diversification and expert investment knowledge ensure steady and regular earnings for the companies and a share in the general prosperity.

Financial institutions play the role of a catalytic agent to bring about economic and social change in a country through dynamism and innovativeness in their operations. In fact rate of growth of an economy depends upon the speed with which financial institutions respond to the infrastructural demand of the country.

Financial institutions, apart from playing the role of intermediary and catalytic agent, create money and thus act as catalyst in the process of money supplier.

Entrepreneurship is one of the important signs of economic growth of a country. There is dearth of entrepreneurship in underdeveloped countries basically because of lack of social, cultural and demographic factors. So to accelerate the pace of growth of such a country, it is imperative to assess growth potentialities of various regions of the country in
the light of natural resources, and infrastructural facilities, identify specific project ideas, evaluate these ideas so as to determine their feasibility in financial and non financial terms.

Financial institutions also play significant role, though indirectly, in accelerating the pace of growth, by advising corporate enterprises on when to exit a business and how to manage their portfolio. As a friend, philosopher and guide, financial institutions consult corporate borrowers regarding selling off assets not needed for the organisational success, building optimal investment portfolio, effective portfolio monitoring, identifying potential non performance early and expeditious remedies and foreclosure to minimize.

Basu (1957)\textsuperscript{37}, in his study on “Place and Problems of Small Scale Industries in Calcutta” makes an attempt to examine the financial problems of small scale industries and assess their place in the country’s second five year plan. The study highlights the role of SFC in financing small-scale industries. Suresh Chandra Jain (1973)\textsuperscript{38} in his work analyses in detail the problems of institutional finance for small-scale industries. He analyses the need for greater co-ordination of financial institutions and non-financial institutions and agencies engaged in the promotion of small-scale industries. Sharma (1973)\textsuperscript{39} in his study explains industrial financing by national level financial institutions. He also discusses the role of the state financial institutions in financing industries of Bihar. He suggests that the financial institution should act as a guide philosopher and promoter of industries and recommend the setting up of small industries bank. Jit Singh Chandran (1976)\textsuperscript{40} observed that there is very little effort on research and development in industries for traditional items. The glaring needs in management are in respect of training in capital investment and costing and budgetary control. Pareek (1978)\textsuperscript{41} in his report examines the role of financial institutions and state agencies in extending credit to small- scale units. He
states that financial institutions have to tune their policies in concordance with the needs of industrial sector in general and small-scale units in particular. Natarajan (1983)\textsuperscript{32} has made an attempt to understand the trends in institutional financing to industries in Andhra Pradesh for over a period from 1970 onwards. Radhey Shyam Singh (1986)\textsuperscript{43} in his study examines the various institutional sources of finance to the small scale sector. The study examines the various aspects of the functioning of the financial institutions for the growth of the small scale sector. Agarwal (1987)\textsuperscript{44} reports that the Indian banking system has failed to extent appropriate amounts of loan for SSI. He is of the opinion that lending institutions should be more practical and flexible in their attitude rather than strictly legal with a view to enabling the borrowing units to overcome any temporary difficulties. Raghurama (1991)\textsuperscript{45} tries to analyze the problems faced by industrial units while availing themselves of bank finance. The problems faced by the bankers and the procedures adopted by the bank in extending finance are also examined.

C. Ganesh (1993)\textsuperscript{46} in his study analyses the role of SFC in financing SSIs in Kerala. He observed that KFC has disbursed more amounts of loans and all the loans are of long term nature. The cost and terms of the loan from KFC are found to be more attractive. Also, obtaining loan from KFC is found to be less difficult process. Despite all these positive factors, it is observed that KFC has made less impact on the development of SSI in Kerala. Sharmila Dayal (1996)\textsuperscript{47} reported that the available resources of Uttar Pradesh Finance Corporation has increased manifold during the period of study yet it failed to cope with the growing needs of industrialization of the State. Vasant Desai (1997)\textsuperscript{48} reviews the institutional framework for promoting small scale industries in India. The institutional framework for the promotion of small scale industries aims at fostering the small-scale sector by solving their problem. Kulkarni and Kaveri (2000)\textsuperscript{49} examine the
need for support and extension services in accelerating its growth support and extension services include, market intelligence, marketing services, modernization, technology upgradation, quality testing, etc. It is also attempted to discuss the available institutional networks in India to provide support and extension services. Parag Pande (2000)\textsuperscript{50} in his study emphasises the need for extension of definition of small-scale industry and revitalizing the law governing small-scale industry and recommended the setting up of growth centers to provide adequate infrastructure facilities. Reji M.A. (2004)\textsuperscript{51} in his study examines the need for Small Industries Development Bank of India (SIDBI) for the development of small scale industries in Kerala. He examines the role of SIDBI in developing the small and medium scale enterprises in Kerala.

The state financial institutions like the Kerala State Industrial Development Corporation (KSIDC) and the Kerala Financial Corporation (KFC), provide various avenues for the investors in tourism related activities. For a State like Kerala, this would not only encourage private investments in tourism, but also create employment opportunities and alleviate poverty in the society. KSIDC offers a wide range of promotional support services including preparation of feasibility reports, providing funds, technology and manpower resources and project management support. It provides finance to large and medium scale industrial establishments in Kerala.

As a nodal agency since 1953, KFC has played a significant role in spearheading the phenomenal spurt in the state tourism industry. Several attractive schemes are open to the small and medium investors in tourism. These include rendering financial assistance for setting up and upgradation of hotels, motels, resorts, restaurants and outdoor catering units like Vazhiyoram as per the specifications of the State tourism department. Besides
giving loans for hotels and motels, KFC sanctions loans for ayurveda centres, houseboats and heritage resorts.

KFC also covers travel and transport services, tourist service agencies, cultural and convention centres, amusement parks, rest houses, beer parlours and shopping centres with a hotel. Since ayurveda is gaining popularity among the tourists, KFC has also formulated short-term and long-term loans for the new and existing ayurveda health centres and hospitals. As a premier financing institution, KFC gives preference for the professionally qualified entrepreneurs with sufficient experience and infrastructure, in availing loans facilities. KFC can give financial assistance to all types of industries engaged in manufacturing and service sectors. The maximum limit for sanctioning loan is up to Rs. 2000 lakhs for corporates and Rs. 800 lakhs for other units. The repayment period allowed is 5 to 10 years with 2 years gestation period. Generally KFC allows an interest rate ranging from 9.5 percent to 11.5 percent. The State government subsidy as per norms could be availed for KFC loans also. On prompt repayment, interest subsidy will be given by the Central government to hotels which are approved by the Department of Tourism, Government of India as per the eligibility norms. KFC also conducts seminars and clientele meets at various places in the state for the purpose of awareness among prospective entrepreneurs. As on now, KFC has sanctioned nearly Rs. 2,500 crores as industrial loans and industrial units in Kerala.

The main aim of Tourism policy is to serve as a guiding force to make maximum use of Kerala’s tourism potential and also to make it an instrument for social and economic growth. This policy is intended to provide clear vision and direction for realizing the growth of annual international tourist traffic from 1 lakh to 5 lakh and annual domestic tourist traffic from 10 lakh to 50 lakh in the next five years. The policy should be
able to provide various concessions and incentives to new entrepreneurs in tourism-related activities. Investment by the Government as well as private sector will have to be stepped up for infrastructure development in tourism sector.

SECTION -C

KERALA FINANCIAL CORPORATION - A PROFILE

Origin

Industrial Finance Corporation of India was set up by the Government of India by passing Industrial Finance Corporations Act, 1948 in order to provide financial support by way of medium and long term to industrial undertakings which fall outside the normal activities of the Commercial Banks.

The State Governments expressed the need of similar corporations to be set up in states to supplement the work of the Industrial Finance Corporation. State Governments also expressed the need of the State corporations to be established under special statute in order to make it possible to incorporate in the Constitution necessary provisions in regard to majority control by the Government, guaranteed by the State Government in regard to the payment of principal. In order to implement the views expressed by the State Governments, the State Financial Corporation Bill was introduced in the Parliament.

In order to provide medium and long term credit to industrial undertakings, which fall outside the normal activities of the Commercial Banks, a Central Industrial Finance Corporation was set up under the Industrial Finance Corporation Act, 1948 (XV of 1948). The intention is that the state corporations will confine their activities to financing
medium and small scale industries and will, as far as possible consider only such cases that are outside the scope of Industrial Finance Corporation.

The main features of the State Financial Corporation Bill are as follows:

- The bill provides that the state government may, by any notification in the official Gazette, establish a financial corporation for the state.

- The share capital shall be fixed by the State Government but shall not exceed Rs. 2 crores. The issue of the shares to the public will be limited to 25 per cent of the share capital and the rest will be held by the State Government, the Reserve Bank, scheduled banks, insurance companies, investment trusts, co-operative banks and other financial institutions.

- Shares of the Corporation will be guaranteed by the State Government as to the repayment of the principal and the payment of a minimum dividend to be prescribed in consultation with the Central Government.

- The Corporation will be authorised to issue bonds and debentures for amounts which together with the contingent liabilities of the corporation shall not exceed five times the amount of the paid up share capital and the reserve fund of the Corporation. These bonds and debentures will be guaranteed to the payment of interest of such rate as may be fixed by the State Government.

- The Corporation may accept deposits from the public repayable after not less than five years subject to the maximum not exceeding the paid-up capital.
• The Corporation will be managed by a Board consisting of a majority of Directors nominated by the State Government, the Reserve Bank and the Industrial Finance Corporation of India.

• The Corporation will be authorised to make long term loans to industrial concerns and to guarantee loans raised by industrial concerns which are repayable within a period of not exceeding 25 years. The Corporation will be further authorised to underwrite the issue of stocks, shares, bonds or debentures by industrial concerns, subject to the provision that the Corporation will be required to dispose of any shares and acquired by it in fulfillment of its underwriting liability within a period of 7 years.

• Until a reserve fund is created equal to the paid up share capital of the Corporation and until the State Government has been repaid all amounts paid to them, if any, in fulfillment of the guarantee liability, the rate of dividend shall not exceed the rate guaranteed by the State Government. Under no circumstances shall the dividend exceed 5 per cent, per annum and surplus profits will be repayable to the State Government.

• The Corporation will have privileges in the matter of enforcement of its claim against borrowers.

**Definition**

The following are the terms defined by the Act:

a. “Board” means the Board Of Directors of the Financial Corporation

b. “Financial Corporation” means a Financial Corporation established under Section 3 and includes a Joint Financial Corporation established under Section 3A;

c. “Industrial Concern” means any concern engaged or to be engaged in-
1. The manufacture, preservation or processing of goods;

2. Mining or development of mines;

3. The hotel industry;

4. The transport of passengers or goods by road or by water or by air or by rope way or by lift;

5. The generation or distribution of electricity or any other form of power;

6. The maintenance, repairing or packing any article with the aid of machinery or power;

7. The setting up of or development of an industrial area or industrial estate;

8. Fishing or providing shore facilities for fishing;

9. Providing weigh bridge facilities;

10. Providing engineering, technical, financial management, marketing or other facilities for industry;

11. Providing medical, health or other allied services;

12. Providing software or hardware services relating to information technology, telecommunications or electronics including satellite linkage and audiovisual cable communication;

13. Setting up or development of tourism related facilities including amusement parks, convention centres, restaurants, travel and transport
(including those at airports), tourist service agencies and guidance and counselling centres for the tourists;

14. Construction;

15. Development, maintenance and construction of roads;

16. Providing commercial complex facilities and community centres including conference halls;

17. Floriculture;

18. Tissue culture, fish culture and poultry farming, breeding and hatcheries;

19. Service industry such as altering, ornamenting, polishing, finishing, oiling, washing, cleaning or otherwise treating or adapting any article or substance with a view to its use, sale, transport, delivery or disposal;

20. Research and development of any concept, technology, design, process or product, whether in relation to any of the matters aforesaid, including any activities approved by the Small Industries Bank; or

21. Such other activity as may be approved by the small industries bank.

Thus, to empower the small and medium scale enterprises by providing financial assistance in the form of term loan each State has its own financial corporation.

**KERALA FINANCIAL CORPORATION (KFC)**

Kerala Financial Corporation, KFC was incorporated on 1st December 1953 under the State Financial Corporations Act, 1951. The forerunner of this Corporation was the Travancore-Cochin Financial Corporation which was established on 1st December 1953.
under the State Finance Corporation Act, 1951. This was later renamed as Kerala Financial Corporation consequent to the re-organisation of States in 1956. KFC has its Head Quarters at Thiruvananthapuram with Regional Offices at Thiruvananthapuram, Kottayam, Palakkad and Kozhikode and District Offices in all the 14 District Headquarters of the entire State of Kerala.

The KFC is the pioneer in industrial financing in the State of Kerala. Since its inception in 1953, as a development banker, the contribution of the Corporation in the industrialisation of the State has been significant. It has increased its activities to several folds since 1983-84 onwards. KFC has assisted several thousands of small and medium scale units spread all over the State of Kerala. Though Kerala offers the best in terms of manpower, natural resources and basic infrastructure required for industries the rate in which industrialisation has effected is not in par with the rest of the country.

KFC as the State Financial Institution is a trend-setter and path-breaker in the field of industrial finance to the Service Sector projects. It plays a major role in the development and industrialisation of Kerala by extending financial assistance to suit the requirements of the entrepreneurs. The head office is at Thiruvananthapuram, the picturesque capital city of Kerala. The KFC has 3 zonal office and 14 district offices in the state with the delegation of powers to ensure adequate support to each and every client.

The Corporation achieved the status of Category A State Financial Corporation as a result of its excellent performance during the financial year 1995-96, thus joining the elite list of the top six State Financial Corporation in the country. The range of financial assistance available from KFC was widened by the inclusion of various new schemes such as the ISO 9000 scheme and the Technology Development and Modernization (TDM) scheme. Introduced with re-finance support from Small Industries Development Bank of
India, these schemes are for existing, well performing units aimed at improving the quality of products and for making Kerala based units more competitive in the high quality demanding overseas markets. The ultimate objective is to encourage firms to aim at the high quality, high value addition product segment.

KFC now covers schemes like working capital finance and short term apart from schemes focused for the development of weaker sections of the society extending equity type assistance (National Equity Fund), Modified Revolving Fund, modernisation schemes for SSIs, tourist homes and hospitals and TV serial production. These are treated as innovative schemes introduced to suit changing customer requirements. Initially, the Corporation had only a single scheme for extending term loan assistance to the segments in the SSI or medium scale sectors. Over the years it has introduced various loan schemes to suit various requirements of promoters. Scheme has been introduced for application ranging from short term to long term and equity type assistance. The repayment span varies from 2 years to 10 years. Service sectors like tourism, transport and hospital and industrial sectors are also considered eligible for assistance under various schemes of the Corporation. Also the Corporation is engaged in developmental activities. Clientele meets are being organised regularly in the major towns and cities of the State. A series of sector specific seminars are being held in the state and these are organised by KFC. The aim throughout is to bring together academic entrepreneurs and various Government agencies so that sectors with high potential in the State are established with state of the art technology.

**OBJECTIVE OF KFC**

The principal objective of the Kerala Financial Corporation is to extend term loan assistance for establishing new industrial units or to extend credit assistance for meeting
part of the cost of expansion / diversification / modernisation of existing units, in small scale or medium scale sectors.

QUALITY POLICY

KFC is committed to extend timely financial assistance to entrepreneurs and strive for customer satisfaction through professional management and team work. KFC is also committed to comply with the requirement of the Quality Management System and improve the effectiveness.

QUALITY OBJECTIVES

The following are the objectives of the quality policy of the Kerala Financial Corporation:

1. To provide suitable financial schemes for entrepreneurs

2. To extend time bound finance to the satisfaction of the customer

3. To guide, nourish and help customers to flourish

4. To evolve and maintain appropriate HRD system and thereby improving the skills of the employees

5. To achieve customer satisfaction through team work, professional management and appropriate technologies

SCHEMES IN OPERATION

The schemes of operation of KFC are:
a. Schemes for existing well run industrial units

This scheme covers the working capital term loan for SSIs, loans for market research, advertisement, product launching, participation in trade fairs and exhibitions and Working Capital Revolving Fund loan.

b. Schemes for the service sector

Schemes for transport loan, mobile catering, shopping complex and commercial complex, mobile DG set, warehouse, convention centres, kalyanamandapam and auditorium, infrastructure projects assistance scheme, marketing of products, housing villas and apartment complexes, financing housing project, schemes for financing cinema theatre / multiplex and takeover of bank finance schemes are included.

c. General schemes

These includes term loans to small scale industries, medium industries, loans under single window schemes and information technology and software development schemes; and schemes for qualified professionals.

d. Schemes for the tourism sector

Schemes for construction of tourist home, restaurant, convention centres, tourism related activities, amusement parks, modernisation and up-gradation of tourists resorts and hotels, acquisition of existing hotel or tourist resorts and takeover of bank credit are included in it.
e. Schemes for hospital sector

This scheme includes schemes for hospital or nursing homes, veterinary clinics, pharmacies, modernisation or up-gradation of hospitals, clinics or diagnostic centres or health clinics.

f. Schemes for modernisation of SSIs sector

Schemes for textile and jute industries under technology upgradation and credit linked capital subsidy schemes for technology upgradation are covered by this scheme.

g. Short term loan schemes and simplified schemes for short term loans

These are schemes given for existing and new entrepreneurs. The details of various schemes, eligibility norms, minimum contribution by promoters and the maximum loan and its repayment are given in the Table 2.2

The table 2.2 given explains the schemes of financial assistance of KFC with respect to different industrial sectors.

KFC offers schemes for tourism. There are special schemes for hotels, resorts, convention centres, fairs and exhibitions, etc. There are schemes for modernization, expansion diversification, takeover loan facilities for entrepreneurs of tourism.
## SCHEMES OF KERALA FINANCIAL CORPORATION FOR FINANCIAL ASSISTANCE OF VARIOUS INDUSTRIAL SECTORS

### GENERAL SCHEMES

<table>
<thead>
<tr>
<th>Sl. No</th>
<th>Name of Scheme</th>
<th>Eligibility</th>
<th>Maximum Loan Amount</th>
<th>Minimum Promoters Contribution</th>
<th>Loan Repayment period</th>
</tr>
</thead>
<tbody>
<tr>
<td>a.</td>
<td>Small Scale Industries where Term Loan component is up to Rs.10 lakhs</td>
<td>New or Existing SSI Units having SSI Registration.</td>
<td>75% of the total Project Cost or 85% of the fixed assets whichever is less</td>
<td>25% of the total Project Cost</td>
<td>Upto 8 ½ years including moratorium up to 18 months</td>
</tr>
<tr>
<td></td>
<td>Small Scale Industries where Term Loan component is over Rs.10 lakhs</td>
<td></td>
<td>2/3 of the total Project Cost or 85% of the fixed assets whichever is less</td>
<td>1/3 of the total Project Cost</td>
<td>Upto 10 years including moratorium up to 24 months.</td>
</tr>
<tr>
<td>b.</td>
<td>Medium Scale Industries</td>
<td>New or existing units with paid up capital and free reserves not exceeding Rs.30 Crores.</td>
<td>2/3 of the total Project Cost or 75% of the value of industrial assets, whichever is less.</td>
<td>1/3 of the total Project Cost</td>
<td>Upto 10 years including moratorium up to 24 months.</td>
</tr>
<tr>
<td>C</td>
<td>Single Window Scheme</td>
<td>New SSI units are eligible for term loan and working capital loan Modernisation,</td>
<td>75% or 2/3 of the project cost as the case may be</td>
<td>25% or 1/3 of the Project cost as the case may</td>
<td>Upto 10 years for Term Loan and Working Capital. Loan, Moratorium 24</td>
</tr>
</tbody>
</table>
technology, up gradation, rehabilitation of viable sick units are also eligible subject to project cost not exceeding Rs.100/- lakhs.

<p>| | | |</p>
<table>
<thead>
<tr>
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</thead>
<tbody>
<tr>
<td>D</td>
<td>Information Technology and Software Development</td>
<td>For creation of fixed assets for new/existing units. For existing units, track record should be good. Preference to persons having expertise &amp; experience in software development and marketing.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>be.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>months for Term Loan and 36 months for Working Capital Loan.</td>
</tr>
<tr>
<td></td>
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<td></td>
</tr>
<tr>
<td>F</td>
<td>Upto 5 years including moratorium up to 1 year.</td>
<td>Existing viable units.</td>
</tr>
<tr>
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<td></td>
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</tr>
<tr>
<td>e</td>
<td>Scheme for qualified professionals</td>
<td>Professionals in Management, Medicine, Finance, Engineering &amp; Architecture for setting up new ventures (project cost up to Rs.20 lakhs)</td>
</tr>
<tr>
<td></td>
<td></td>
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<td></td>
<td></td>
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</tr>
<tr>
<td></td>
<td>existing assets of manufacturing or service sector</td>
<td>The acquirer should have adequate exposure, experience and expertise in running similar enterprises or should have a good business track record.</td>
</tr>
<tr>
<td>---</td>
<td>--------------------------------------------------</td>
<td>------------------------------------------------------------------------------------------------</td>
</tr>
<tr>
<td>1</td>
<td>Acquisition of taken over units of K.F.C.</td>
<td>Purchasers should be capable of reviving and making the units operational. The acquirer should have adequate exposure, experience and expertise in running similar enterprises or should have a good business track record.</td>
</tr>
<tr>
<td>Sl. No</td>
<td>Name of Scheme</td>
<td>Eligibility</td>
</tr>
<tr>
<td>-------</td>
<td>----------------</td>
<td>------------------------------------------------------------------------------</td>
</tr>
<tr>
<td>A</td>
<td>Working Capital term loan for SSIs.</td>
<td>Units with good track record which are in existence for the last 4 years, making profits for the past 2 years.</td>
</tr>
<tr>
<td>B</td>
<td>Market Research, Advertisement, Product launching, participation in Trade Fairs, Exhibition etc. (Project requirement up to Rs.25 lakhs)</td>
<td>Units in existence for last 4 years with increasing turn over and net profits during last 2 years, and having good track record in repayment, for embarking on new programmes for expansion / Modernisation / Diversification.</td>
</tr>
<tr>
<td>C</td>
<td>ISO – 9002 Series Certification Assistance scheme for SSI Units.</td>
<td>Units which are in existence for the last 3 years making profits for last 2 years.</td>
</tr>
<tr>
<td>D</td>
<td>Working capital</td>
<td>For existing good clients.</td>
</tr>
<tr>
<td></td>
<td>Revolving fund loan.</td>
<td>Rs.50 lakhs limited to 30% of loan sanction with a minimum of Rs.5 lakhs.</td>
</tr>
<tr>
<td>---</td>
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<td>--------------------------------------------------------------------------</td>
</tr>
<tr>
<td>E</td>
<td>Revolving Fund</td>
<td>For existing good clients in standard category.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Rs.50 lakhs / 30% of current loan whichever is less. Present principal balance and proposed limit shall not exceed the original loan.</td>
</tr>
<tr>
<td>F</td>
<td>Modified scheme of Financial Assistance for Marketing of SSI products and services.</td>
<td>Furnishing of Show Rooms and Working Capital requirements for existing clients in standard category.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Maximum Rs.50 lakhs/30% loan sanctioned. Present Principal outstanding and proposed loan should not exceed original loan sanctioned.</td>
</tr>
</tbody>
</table>
## SCHEMES FOR THE SERVICE SECTOR

<table>
<thead>
<tr>
<th>Sl. No</th>
<th>Name of Scheme</th>
<th>Eligibility</th>
<th>Maximum Loan Amount</th>
<th>Minimum Promoters Contribution</th>
<th>Loan Repayment period</th>
</tr>
</thead>
<tbody>
<tr>
<td>a.</td>
<td>Transport Loan</td>
<td>For new vehicles only</td>
<td>Upto 80% of the cost of chassis and cost of body building.</td>
<td>20%</td>
<td>Upto 72 months including moratorium up to 6 months</td>
</tr>
<tr>
<td>B</td>
<td>Mobile catering (including regular catering and flight kitchen facilities) Project cost up to Rs.25 lakhs.</td>
<td>For cost of vehicle, equipments, utensils etc. Promoters should have experience in the field, Vehicle should have fitness certificate.</td>
<td>75% in projects costing up to Rs.10 lakhs. 2/3rd in projects costing above Rs.10 lakhs.</td>
<td>25% up to Rs.10 lakhs 1/3rd above Rs.10 lakhs.</td>
<td>Upto 66 months including moratorium up to 3 months.</td>
</tr>
<tr>
<td>C</td>
<td>Shopping Complex and Commercial Complex.</td>
<td>For new units &amp; expansion of existing units.</td>
<td>60% of total project cost.</td>
<td>40% of project cost.</td>
<td>Upto 10 years including moratorium up to 2 years.</td>
</tr>
<tr>
<td>D</td>
<td>Mobile DG Set</td>
<td>New</td>
<td>Upto 75% of the cost of DG Set</td>
<td>25%</td>
<td>Maximum 5 years including up to 2 months moratorium.</td>
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<tr>
<td>E</td>
<td>Warehouses, Godowns, Convention Centres, Kallyanamandapam Auditorium etc.</td>
<td>New construction and for expansion of existing ones.</td>
<td>Upto 2/3 of the project cost.</td>
<td>1/3 of the project cost.</td>
<td>Upto 10 years including moratorium up to 2 years.</td>
</tr>
<tr>
<td>F</td>
<td>Infrastructure Projects – Assistance scheme.</td>
<td>For the development of IT Park, B.T. Park, Roads &amp; Bridges, Parking facilities.</td>
<td>66.66% of the cost of project Rs.500 lakhs to corporate sector and Rs.200 lakhs to others.</td>
<td>33.33%</td>
<td>Maximum 10 years including moratorium of 2 years.</td>
</tr>
<tr>
<td>G</td>
<td>Marketing of SSI Products</td>
<td>For construction / setting up of show rooms, warehouses, storage houses and Godowns parking facility distribution / delivery vans for marketing products, working capital for stocking goods.</td>
<td>66.66% of the cost of project. Rs.500 lakhs to corporate sector and Rs.200 lakhs to others.</td>
<td>33.33%</td>
<td>Maximum 8 years including moratorium of 18 months.</td>
</tr>
<tr>
<td>H</td>
<td>Housing Villas and Apartment Complexes.</td>
<td>(1) Firm/Co. in operation for last 5 years &amp; has completed construction of at least 5 housing, Villas &amp; Apartment Complexes. (2) Rising turn over &amp; proven profit record at least for 3 consecutive years. (3) An I.T. Assessee without over dues. (4) Prompt in repayment to FI/Banks. (5) Sanction selectively to good clients.</td>
<td>50% of estimated requirement of project subject to max. of Rs.10 Crores for corporate sector and Rs.4 Crores for Proprietary &amp; firms. Loan should not exceed 50% of average sales in previous 3 years.</td>
<td>50% of cost of project. Total value of land to be reckoned for cost of project &amp; security.</td>
<td>Maximum 5 years with 2 years moratorium.</td>
</tr>
<tr>
<td></td>
<td>Financing housing projects for new builders.</td>
<td>1) Promoters should be financially sound &amp; successful in their other ventures. (2) Should be located in Corporation/ Municipality/ Township areas &amp; on the own premises of the applicant. (3) Project should have minimum 5 residential units. (4) Sufficient parking space for vehicles commensurate with number of residential units. (5) Prior approval for the plan from local authority/PCB/ Fire Force as applicable.</td>
<td>66% of project cost with maximum loan of Rs.300 lakhs.</td>
<td>34% of project cost. Total value of land reckoned for computing project cost &amp; security.</td>
<td>4 to 8 years with 1 year moratorium period as per requirement of the project.</td>
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</tr>
<tr>
<td>J</td>
<td>Scheme for financing Cinema Theatres/Multiplex</td>
<td>For Construction and Modernisation of Cinema Theatres/Multiplex</td>
<td>66.67% of the Project cost</td>
<td>33.33% of the Project cost</td>
<td>Upto 10 years with gestation period of upto 2 years</td>
</tr>
<tr>
<td>K</td>
<td>Taken over of Bank/Financial Institution of loans</td>
<td>1. Promoters should be financially sound 2. Viability to be ensured 3. Promoters to be credit worthy 4. NPAs will not be taken over 5. Indl. units hotels/resorts and hospitals can be financed</td>
<td>66.67% of the Project cost</td>
<td>33.33% of the Project cost</td>
<td>Maximum 8 years including moratorium of 1 year</td>
</tr>
<tr>
<td>Sl. No</td>
<td>Name of Scheme</td>
<td>Eligibility</td>
<td>Maximum Loan Amount</td>
<td>Minimum Promoters Contribution</td>
<td>Loan Repayment period</td>
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<td>-----------------------</td>
</tr>
<tr>
<td>a.</td>
<td>Tourist home, Restaurant, Convention centres, Tourism related activities, Amusement Parks, Service activities related to tourism.</td>
<td>For new units &amp; expansion of existing units.</td>
<td>Upto 2/3 of total project cost. Minimum margin security prescribed is 25% on asset value.</td>
<td>1/3 of the total project cost.</td>
<td>(a) Upto 10 Years with moratorium up to 2 years. (b) In case of Loans above Rs.100 lakhs where implementation period is longer maximum loan period of 12 years with moratorium of maximum 3 years.</td>
</tr>
<tr>
<td>b.</td>
<td>Tourism Related Activity (Project requirements up to Rs.25 lakhs) - For Working Capital, accommodation and travel of tourists.</td>
<td>Experience in tourism related activities for last four years, arranging travel plans and contracts with tour operators. Rising trends of turnover, operating profit and net profit during last two years.</td>
<td>75% in projects costing up to Rs.10 lakhs. 2/3 in projects costing above Rs.10 lakhs.</td>
<td>25% in projects costing up to Rs.10 lakhs. 1/3 in project costing above Rs.10 lakhs.</td>
<td>Upto 61 months with moratorium up to 3 months.</td>
</tr>
<tr>
<td></td>
<td>Modernisation &amp; upgradation of Tourist Resorts/Hotels.</td>
<td>Existing well run profit making Hotels/Resorts.</td>
<td>90% of estimated requirement for development purpose subject to a maximum of 50% of the value of existing assets.</td>
<td>10%</td>
<td>Maximum 8 years with moratorium up to 12 months.</td>
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</tr>
<tr>
<td>d</td>
<td>Acquisition of Existing Hotel/Tourist Resorts.</td>
<td>Eligible only for well run Hotels/Resorts. The acquirer should convince the Corporation of the unit's viability. The acquirer should have adequate exposure, experience and expertise in running similar enterprise or should have a good business track record.</td>
<td>75% of the assets being acquired.</td>
<td>25%</td>
<td>Maximum 6 years with moratorium up to 6 months.</td>
</tr>
<tr>
<td>e</td>
<td>Scheme for Takeover Loans of Bank/Financial Institutions</td>
<td>Takeover of existing assets financed by other Institutions</td>
<td>66.67% of project</td>
<td>33.33% of the project cost</td>
<td>Maximum of 8 years</td>
</tr>
</tbody>
</table>
## SCHEMES FOR THE HOSPITAL SECTOR

<table>
<thead>
<tr>
<th>Sl. No</th>
<th>Name of Scheme</th>
<th>Eligibility</th>
<th>Maximum Loan Amount</th>
<th>Minimum Promoters Contribution</th>
<th>Loan Repayment period</th>
</tr>
</thead>
<tbody>
<tr>
<td>a.</td>
<td>Hospital/Nursing Homes</td>
<td>For new units &amp; expansion of existing units.</td>
<td>Upto 2/3 of total project cost. Minimum margin on security prescribed is 25% of asset value.</td>
<td>1/3 of the total project cost.</td>
<td>a) Upto 10 years with moratorium up to 2 years. (b) In case of Loans above Rs.100 lakhs where implementation period is longer maximum loan period of 12 years with moratorium of maximum 3 years.</td>
</tr>
<tr>
<td>B</td>
<td>Veterinary Clinics (Project cost up to Rs.25 lakhs)</td>
<td>For creation of fixed assets for new and existing units. Promoter should be a graduate in Veterinary Science</td>
<td>75% in projects costing up to Rs.10 lakhs. 2/3rd in projects costing above Rs.10 lakhs.</td>
<td>25% up to Rs.10 lakhs. 1/3rd above Rs.10 lakhs.</td>
<td>Upto 8 ½ years with moratorium up to 1½ years.</td>
</tr>
<tr>
<td>C</td>
<td>Pharmacies (Project cost up to Rs.25 lacs).</td>
<td>For creation of fixed assets for new units and existing units. Promoter should have prescribed qualification in pharmacy.</td>
<td>75% in projects costing up to Rs.10 lakhs. 2/3rd in projects costing above Rs.10 lakhs.</td>
<td>25% up to Rs.10 lakhs. 1/3rd above Rs.10 lakhs.</td>
<td>Upto 8 ½ years with moratorium up to 1 ½ years.</td>
</tr>
<tr>
<td>D</td>
<td>Modernisation / Upgradation of Hospitals/ Clinics/ Diagnostic Centres/ Health Clinics.</td>
<td>Only for developmental activities and for acquisition of quality equipments to modernise and upgrade the existing well run profit making hospitals.</td>
<td>90% of the estimated requirement for upgradation subject to a maximum of 50% of the value of existing assets.</td>
<td>10%</td>
<td>Maximum 8 years.</td>
</tr>
</tbody>
</table>
## SCHEMES FOR MODERNISATION OF SSIs:

<table>
<thead>
<tr>
<th>Sl. No</th>
<th>Name of Scheme</th>
<th>Eligibility</th>
<th>Maximum Loan Amount</th>
<th>Minimum Promoters Contribution</th>
<th>Loan Repayment period</th>
</tr>
</thead>
<tbody>
<tr>
<td>a.</td>
<td>Textile and Jute Industries under Technology Upgradation Fund (RTUF) Scheme.</td>
<td>Energy saving devices, R&amp;D, Technical Knowhow etc. Modernisation or expansion with state-of-the-art technology.</td>
<td>Upto Rs.100 lakhs. Maximum 80% of the Project Cost</td>
<td>Minimum 20% of the Project Cost</td>
<td>7 to 10 years with moratorium up to 2 years.</td>
</tr>
<tr>
<td>b.</td>
<td>Credit linked capital subsidy scheme for Technology upgradation of SSIs.</td>
<td>Capital subsidy of 12% would be admissible on loans advanced to SSI and tiny units for Technology Upgradation in certain select products / sub Sectors</td>
<td>75% of the upgradation cost.</td>
<td>25%</td>
<td>5 years.</td>
</tr>
</tbody>
</table>
## SHORT TERM LOAN SCHEMES

<table>
<thead>
<tr>
<th>Sl. No</th>
<th>Name of Scheme</th>
<th>Eligibility</th>
<th>Maximum Loan Amount</th>
<th>Minimum Promoters Contribution</th>
<th>Loan Repayment period</th>
</tr>
</thead>
<tbody>
<tr>
<td>A</td>
<td>Short Term Loans</td>
<td>Units in existence for last 4 years, making profits at least during the last 2 consecutive years, showing trends of rising turnover and net profits, Growth in net worth, shows a repaying capacity to pay back the loan in the stipulated repayment period.</td>
<td>Rs.100 lakhs</td>
<td>33 1/3%</td>
<td>24 to 36 months including moratorium of 2 months.</td>
</tr>
<tr>
<td>B</td>
<td>Simplified scheme for Short term loan.</td>
<td>(1) Existing/new entrepreneurs to cover all schemes in Loan Policy (except housing &amp; Apartment Complex Scheme) • (2) Should be in existence for last 3 years. • (3) Prompt in repayment to FI / Banks</td>
<td>Rs.50 lakhs</td>
<td></td>
<td>Upto 5 years in Monthly instalments With 1 year moratorium. Can be renewed within the Original 5 year period with fresh loan agreement. Option for EMI repayment.</td>
</tr>
</tbody>
</table>
**Capital structure of KFC**

The paid up capital of KFC was subscribed by the Government of Kerala, IDBI, Scheduled Banks, Insurance Companies and Private Individuals.

**Resources of the Corporation**

The resources of the Corporation comprises mainly of refinance, equity funds, bonds and debentures, fixed deposits and plough back. The borrowings are primarily from IDBI and SIDBI. In occasions borrowings are also made from the RBI. Now the major refinancing agent is the Small Industries Development Bank of India.

**ORGANISATIONAL SET UP OF KFC**

Kerala Financial Corporation has its Head Office at Thiruvananthapuram with five Regional Offices situated Thiruvananthapuram, Kottayam, Ernakulam, Palakkad and Kozhikode. It is having 3 zonal office and 14 district offices.

The Management of KFC is vested with the board of directors which consists of 10 members all of whom were non executive directors except Managing Director with whom the day-to-day affairs are entrusted. The members of the board are nominated by the State Government, IDBI, SIDBI, Insurance Companies, banks and private share holders as per the provisions of the SFC Act, 1951.

There is also an Executive Committee consisting of Chairman, Managing Director (MD) and six directors. The MD is the chief executive of the Corporation. There is also a Settlement Committee with four members including Chairman and MD. The default review committee meets 3 times in a year and it includes MD and two other directors.
**Corporate Governance**

The Board of the Corporation consists of members experienced in various fields as envisaged the SFC Act. The Board frames, the policies and guidelines for various operational functions of the Corporation for achieving better results. The implementation of various policies resulted in remarkable performance. The Corporation has constituted Audit Committee of Executives and Audit Committee of Directors to ensure corporate governance. As directed by SIDBI, calendar of items as per the format are placed in every board meeting to enable a meaningful review of all operations.

**Right To Information Act, 2005**

The Corporation has the Finance Controller as the State Public Information Officer, a State Assistant Public Information Officer, Public Information Officers and Assistant Public Information Officers in 15 Branch Offices. The Corporation is taking prompt action as per provisions of Right to Information Act, 2005.

**Special Committee**

As per the direction of the Government, the Corporation has constituted a Special Committee to handle the cases on Sexual harassment against women in working places.

**Grievance Cell**

Public grievances are promptly addressed and effective measures are envisaged for the speedy disposal at Branch, Zonal and Head Office levels.
Corporate Social Responsibility (CSR) Cell

The Corporation has launched CSR Cell on 14th November 2007 being the Children’s Day. As a first step towards this noble initiative, the Corporation has funded the purchase of machinery for paper bag manufacturing by an Institute for the rehabilitation of mentally challenged children. The Corporation has registered a society by name KFC-CARE under the Travancore-Cochin Literary, Scientific and Charitable Societies Act, 1955.

Sanctioning Powers

There are several sections in the head office to look after different activities of the Corporation like controlling and directing the district offices, evolving business plans and promoting the various schemes of the IFCI. The Deputy General Manager in charge of the district operations section looks after the operations of the district offices. The finance department works out the business plans on routine basis for the entire Corporation and sends them to the refinancing agency for approval. The Corporation sets out targets regarding sanctions, disbursement and recovery of loans to the district section. Entrepreneurial Guidance and Public Relations (EG & PR) conducts seminars for the promotion of various financing schemes of IFCI. It also gives proper guidance to the prospective entrepreneurs through published materials like brochures and leaflets.

Procedure of Issuing Loans

The Corporation sanctions and disburses loans based on keeping the following formalities:
a. Loan Application

Existing and prospective entrepreneurs who would like to avail assistance from the Corporation has to submit their applications to the district office. The loan applications are received at the district offices and are processed there itself. The checklist of basic documents required by KFC for accepting loan application are given in appendix. These documents contain general data of the borrower details regarding industrial land, details regarding non-industrial land, proof of title to building, details of constitution of the unit and details regarding management of the unit. These documents must be accompanied by a detailed project report. But no project report is insisted upon for loans up to Rs. 10 lakhs and for vehicle loan even if the loan amount is above Rs. 10 lakhs.

b. Sanction of Loans

The applications received along with the project report is appraised in different stages. A preliminary interview is conducted by the officers of the District Level Screening Committee with the loan applicant. The committee consists of the District Manager, the Assistant Manager (General), the Assistant Manager (Legal) and the Junior Technical Officer. The General Section makes financial projections to check the financial viability of the project. Likewise the technical section evaluates the technical feasibility of the project and the legal section verifies the legal documents received along with the application. If the project is found financially viable, technical feasible and legally enforceable, sanction of the loan is effected within a week time.

The application for the loans of any amount is accepted and processed in the district office itself. All applications for loans above Rs. 15 lakhs and up to Rs. 50 lakhs are sent to the Regional Office for sanction and approval. The screening committee at the
regional office will verify the processed applications before sanction is accorded. All loans above Rs.50 lakhs are sent to the head office for sanction by the higher authorities concerned.

The appraisal and disbursement section appraises the applications before they are dispatched to the Entrepreneurial Guidance and Public Relations (EG & PR) Section. It is then presented before the screening committee with a note of this section. The members of the committee are the Managing Director, General Manager, Deputy General Manager and Senior Manager in the (EG & PR) and the Manager of the A&D Section. On approval by the Committee, the applications are processed by the General, Legal and Technical Sections. Sanction is given only after the proper appraisal of the project and the legal staff in A & D Section arranges for the execution of the loan agreement.

c. Conditions for sanctioning of loans

Applications for loans have to be presented in duplicate in the prescribed format with all the papers as per checklist available along with the application form. For all loans a service charge viz., processing fee at the rate of 0.5 per cent of the loan amount of which 25 per cent is payable at the time of preferring the application as the initial processing fee and the balance after sanction of the loan. maximum amount of processing fee is limited to Rs.50,000. Initial processing fee is non-refundable. The Corporation charges penal interest at the rate of 2 per cent per annum in case of default and gives 1 per cent rebate to all loans for prompt repayment. All schemes, interest rates and repayment periods are subject to change as per the guidelines issued by the corporation from time to time. Interest is calculated quarterly on diminishing balance method. The borrowers as well as their co-obligants should give their personal guarantee in addition to the collateral security already given.
d. Disbursement of Loans

All the relevant documents are submitted as per the guidelines of the Corporation, loan sanction communication will be issued within a few days. It contains the terms and conditions for availing the loan. Disbursement of the loan amount depends upon the type of loan availed and will be disbursed within a week or even earlier. Before availing of loan from KFC, the applicants should comply with all formalities laid down by the Corporation. The loan amount may be utilised for construction of building, acquisition of plant and machinery and purchase of vehicle. Loans are disbursed in installments and commensurate with physical progress of the project and contribution from promoters. In case of industrial units where buildings are to be constructed, disbursements takes place only when the construction reaches the basement level and is assessed by the Corporation. The borrowers has to maintain the debt-equity ratio at every stage of construction as per the stipulations of the sanction communication. However, the actual value of the fixed assets created is assessed before disbursements of loan installments. Deviation of building from the plan will not be allowed. The margin stipulated is 25 per cent, normally for SSIs the margin on security is stipulated at 15 per cent of the value of fixed assets like land and building, machinery and in the case of medium scale units hotels/hospitals the margin is stipulated at 25 per cent. Higher margins are prescribed for tools, moulds, dies, testing equipments and furniture.

For the safety and easy accessibility of the borrowers, the Corporation maintains a panel of machinery suppliers and manufacturers. If the machinery is acquired from a registered supplier, the payment for the same may be effected without prior verification and the document may be negotiated through bank. In case they are acquired from unregistered manufacturers/suppliers, the payment will be effected only after verification
of such items. For buildings, payment is effected after valuation or physical verification of expenditure. Some of the pre-operative expenses like interest paid / payable or know-how fee and architect fee may be capitalised for calculating the eligibility for disbursement. Up to date interest payable as on date shall be deducted in full at the time of disbursement.

e. Recovery of loans

The loanees are expected to remit the repayment installments of principal and also the monthly/half-yearly interest installments on the loan promptly on the due dates, as stipulated in the loan agreements executed by them in favour of the Corporation. Units which are not prompt in repayment will have to pay 2 per cent additional interest on defaulted installments of principal, interest and other amounts on compounded basis. Since the interest is compounded half-yearly, the actual repayments will be higher if repayments are not made on the prescribed dates. Further coercive steps for recovery of loans will be taken if six monthly principal installments or two half yearly interest dues are defaulted.

The loanees may remit the amounts by cash/cheque/demand draft in any one of the district offices of the Corporation. The Recovery Inspectors of the Corporation would visit the industrial units and loanees can hand over them the crossed cheques for the amount payable to the Corporation. When the loanees face genuine problems and temporary difficulties for remittance of installments, they may approach the District Managers of the Corporation well in advance of the due dates of remittance. If the Corporation is satisfied about the difficulties, it may grant time for repayment of principal or allow further installment facilities to remit the over dues.
f. Willful default

In case of willful default, the Corporation will initiate coercive action under Section 31 or 29 of the State Financial Corporation Act, 1951 (SFC Act) or under the provisions of Kerala Revenue Recovery Act, 1968. Before initiating such coercive action the Corporation normally issues notices to the loanees by registered post demanding payment of the entire balance outstanding in the loan account within a specified period. When loanees remit the over dues in the loan account on the receipt of notice, and execute an agreement to remit the balance loan as per schedule the proposed coercive action will be kept abeyance. If there is no response from the loanees on receipt of the notice or if there is no concrete and reasonable proposal for clearing the over dues or if the loanees fail to remit even the monthly installments as stipulated, the Corporation will proceed with action under Section 31 of the SFCs Act, action under Section 29 of SFCs Act or under the provisions of Kerala Revenue Recovery Act, 1968 (KRR Act).

g. Initiate action

Under Section 31 the Corporation may file a suit before the District Court within the limits of whose jurisdiction the industrial unit is located for the sale of property mortgaged / pledged / hypothecated to the Corporation or the transfer of the management of the industrial concern to the Corporation or an interim injunction restraining the industrial concern or for enforcing the liability of any security. The loanees are liable to meet all the expenses for the action taken under Sec 31. Presently Corporation does not resort to court action due to the undue delay in recovering the amount locked up in the overdue accounts.
Section 29 empowers the Corporation to take over management or possession of the industrial concerns to which the loan has been advanced and also to transfer the same for realising its dues. For exercising power under Sec 29, there should be a loan advanced by KFC and the borrower should have failed to repay the same. When there is no prompt response from the loanees even after the receipt of the notice, the Corporation will send the revenue requisition to the District Collector, Thiruvananthapuram to initiate revenue recovery action against the loanees under KRR Act. This enables the recovery of the entire loan outstanding. Revenue recovery steps will be undertaken by the concerned officers of the revenue department, including the Deputy Tahasildars of other districts who have been specifically posted for this purpose. The borrower will have to bear the entire expense of this process.

**KERALA FINANCIAL CORPORATION AIDING TOURISM PROJECTS**

The State Financial Institutions like the Kerala State Industrial Development Corporation (KSIDC) and the Kerala Financial Corporation (KFC), provides various avenues for the investors in tourism related activities. As the State Financial Institution, KFC gives financial assistance to all types of industries engaged in manufacturing and service sectors. KFC gives preference for the professionally qualified entrepreneurs with sufficient experience and infrastructure, in availing loans facilities. KFC was set up in 1951 primarily as a State level developmental financial institution for extending credit to small-scale industry. Well before tourism was accorded the status of an industry, KFC has been funding tourism related ventures for decades now. KFC has been recognized as one of the premier financing institutions by the Department of Tourism, Government of Kerala. KFC can help tourism investors by extending term loan assistance. As per the regulations in force, KFC can finance up to two-thirds of the estimated project cost for
viable projects in tourism and allied sectors. As a nodal agency since 1953, KFC has played a significant role in spearheading the phenomenal spurt in the state tourism industry. Several attractive schemes are open to the small and medium investors in tourism. This include rendering financial assistance for setting up and upgradation of hotels, motels, resorts, restaurants and outdoor catering units like Vazhiyoram as per the specifications of the State Tourism Department. Besides giving loans for hotels and motels, KFC sanctions loans for wellness centres, ayurveda centres and spas, houseboats, home stays and heritage resorts, which have been recognized as having high prospects in the Kerala tourism. The project envisaged has valid certification or star categorization when funded by state level financial institutions, it also qualifies for an interest subsidy amount through Government of India at the rate of three per cent on interest charges. On prompt repayment, interest subsidy will be given by the Central Government to hotels which are approved by the Department of Tourism, Government of India as per the eligibility norms. Since ayurveda is gaining popularity among the tourists, KFC has also formulated short-term and long-term loans for the new and existing ayurveda health centres and hospitals. KFC also covers travel and transport services, travel agencies, tourist service agencies, cultural and convention centres, amusement parks, rest houses, beer parlours and shopping centres with a Hotel. The maximum limit for sanctioning loan is up to Rs. 2,000 lakhs for corporates and Rs. 800 lakhs for other units. The repayment period allowed is 5 to 10 years with 2 years gestation period. Generally, KFC allows an interest rate ranging from 9.5 per cent to 11.5 per cent. The State Government subsidy as per norms could be availed for KFC loans also. As on 2008, KFC has sanctioned nearly Rs. 3,339.53 crores as industrial loans and financed 41,874 small and medium industrial units in Kerala. Of these, the assistance to tourism units in Kerala accounts to Rs. 905.84 crores in the hotels and other types of accommodation and Rs. 15.857 crores in the health
and wellness category. Approximately 30 percentage of assistance rendered by KFC goes to the accommodation, transportation and health projects in tourism. As on KFC finances several units in tourism it shows that KFC plays a pivotal role in developing the tourism sector in Kerala. KFC also conducts seminars and clientele meets at various places in the state for the purpose of awareness among prospective entrepreneurs. Increased awareness of the form and nature of financial assistance rendered by KFC is to be made among the entrepreneurs especially in tourism in order to exploit the untapped tourism potential of Kerala. Investment by the Government along with the partnership of private sector will have to be stepped up for infrastructure development in tourism sector in Kerala. Thus, department of tourism along with the contribution of state financial institutions like Kerala Financial Corporation can provide better avenues for the public and private partnerships and investments in tourism sector in Kerala. The role of Kerala Financial Corporation in the development of tourism industries in Kerala is given in Chapter – IV.
References


