

Trend, Pattern and Determinants of Manufacturing Exports in Kerala

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Abstract Following the new tariff reductions, India has emerged as one of the world's low protection and open industrial economies. The positive impulses of high economic growth rates mainly came from the trade sector in the country. Whereas the benefits of trade liberalisation has unevenly distributed across the Indian states, one of the states thus remained backward is the regional economy Kerala which is acclaimed all over the countries for its high social and human development. This paper studies the export performance of manufacturing sector in the region and its contribution to the economic growth of Kerala. The trend analysis reveals that in terms of commodity-wise diversification of exports, Kerala exhibits a poor picture. The Ordinary Least Square (OLS) method is applied to measure the determinants of manufactures export in Kerala. The Augmented Dickey Fuller (ADF) estimates reveal that there is no problem of non-stationarity. Hence, we have drawn the inference that Kerala manufacturing exports are mainly dependent on growth of State Domestic Product (SDP), as evidenced by sign of the coefficient and statistical significance. However, the negative coefficient of industrial production is an area of concern. The low level of capital investment also throws deeper insight into the process of industrialisation and export performance in Kerala.

Section 1 - Introduction: India implemented rigorous economic reform policies since early 1990s. The main focus of economic reform policies is to open up the Indian economy. Following the new tariff reductions, India has emerged as one of the world's low protection and open industrial economies (Pursell et al 2007). The opening up of the trade sector and foreign investment sector in the country registered significant economic performances. The performance of trade sector contributed to the growth of Indian economy in a significant level. The annual growth rate of Gross Domestic Product (GDP) remained at a very high level of 7-8.7% since the early 1990s. The positive impulses of these economic growth rates mainly came from the trade sector in the country. Whereas the benefits of trade liberalisation has unevenly distributed across the Indian states. When some particular states have reaped the gains due to trade, some other states have lagged behind in terms of economic growth. One of the states thus remained backward is the regional economy Kerala which is acclaimed all over the countries for its high social and human development.

The southern part of India, Kerala had got its own historical legacy in trade and cultural exchange with the rest of the world from time immemorial. The economic leverage out of these legacies induced emigration of people from the region to the rest of the world giving large space to trade and related activities. Even in the spectrum of growth experience, the regional economy's performance is the most robust and lucrative outcomes, viz manufacturing is appeared to be the developing world (such as Korea, China and Asian Tigers) have all had normal economic growth by focusing more on the manufacturing sector when export is more tangible and where most of innovations are firstly generated (Khan 2014). In the backdrop, a study on the performance of the manufacturing