

Unleashing the Economic Potential of Kerala

A Strategic Approach Towards Entrepreneurship-Led Economic Growth

A Policy Paper Prepared for the Chief Minister of Kerala

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Executive Summary

Kerala has solved the hardest problem in development and failed at an easier one. It has produced, per capita, some of the most capable human beings in the world, people who are literate, healthy, ambitious, and globally mobile, and then, decade after decade, it has watched them leave the State. Our greatest export has never been spices or cashew or coir. It has been our own people. The remittances they send home now equal roughly a quarter of the State's economy. That is a measure of how little opportunity we have built for them here.

This paper makes a single argument, and everything in it hangs from that one spine: *Kerala's real endowment is human talent, and its real failure is that it exports that talent instead of converting it into enterprise at home.* The strategy that follows is a ten-year plan to reverse that failure, to make Kerala a place where a young person with an idea can build a company, employ others, and create lasting value, rather than a place she must leave in order to do so.

The timing is not accidental. Four windows have opened at once. The Gulf migration model that carried us for fifty years has plateaued. Kerala is ageing faster than any Indian state, and the demographic clock gives us perhaps a decade to build a productive economy before the burden of an older population makes it far harder. At the same time, some of the assets for a different economic model are falling into place: the Kochi and Vizhinjam deep-water ports are operational, the Kerala Startup Mission has been ranked India's best performer, and a Global Capability Centre policy and India's first state ESG investment policy are on the table. And the almost annual floods since 2018 and the 2024 Wayanad landslides have made one thing non-negotiable, that whatever we build must be resilient, low-footprint, and matched to the ecology of a fragile land.

The strategy is organized as a matrix of four pillars, namely **Capital, Talent, Institutions, and Policy**, across three time horizons: quick wins in Years 0 to 2, institution-building in Years 3 to 5, and scale in Years 6 to 10. It leads with three focus industries where Kerala can plausibly win within a decade: tourism and the creative economy, health and life sciences, and high technology, artificial intelligence, and Global Capability Centres. Beneath those focus industries sit three force-multipliers unique to Kerala, the educational system, the ports of Kochi and Vizhinjam, and the global Malayalee diaspora.

The plan draws on what has actually worked elsewhere, not the myth of Silicon Valley, which cannot be copied, but the replicable entrepreneurial success of three Indian tier-two cities, three European cities, and three American city-regions. It also draws on live Indian proof: Karnataka's Digital Economy Mission, the district coalitions of the Global Alliance for Mass Entrepreneurship, and the diaspora network of The Indus Entrepreneur (TiE).

None of this is a new vision document. Kerala does not lack visions. The missing pieces are design, alignment, and action. The measure of this paper is whether it gives the

government a small number of nameable, fundable programmes that can show results in the first year and compound over ten. That is what follows below.

1. The Paradox and the Premise

At the international airport in Kochi, a little after midnight, you can watch the future of Kerala board a plane and leave. Picture a young woman from Kollam, the first in her family to finish nursing college. Her parents sold five cents of land they had inherited to pay the coaching fees. Tonight, she has a job offer from a hospital in the Gulf, two suitcases, and a face that is trying very hard not to cry. Her family is proud, and they are right to be. She will send money home every month. In a few years there will be a better house, and a wedding for her older sister, and a younger brother in an engineering college. This is a success story. It is the quintessential Kerala success story, repeated over decades across the state in millions of households.

And it is also, if we are honest, the story of our failure. Because that young woman is not leaving in spite of Kerala's achievements. She is leaving because of them. We gave her the health, the schooling, and the ambition to compete anywhere in the world, and then we gave her no reason to stay.

For over half a century, minds more nimble than mine have grappled with this puzzle: that for a land so blessed, with a rich trading heritage, a highly educated people, a vibrant diaspora, and a fierce political awareness, Kerala has, as a State, persistently underperformed its own economic potential. The successes of individuals of Kerala origin, in almost every field and in almost every corner of the earth, are remarkable. The uncomfortable truth is that, collectively, we have not built at home an economy worthy of those individuals.

As has been well chronicled, by nearly all measures of human development, Kerala leads India and measures up to much of the developing world: near-universal literacy, life expectancy approaching that of wealthy nations, low poverty, and strong indicators for women's health and education. Per-capita income, at roughly 1.9 lakh rupees in 2024-25, stands about forty percent above the national average. These are real achievements, the fruit of decades of investment in people, that deserve credit.

And yet there are hardly any jobs generated in Kerala. Youth unemployment, for those aged fifteen to twenty-nine, stood at close to 30 percent in the most recent national survey, and for young women at 47 percent. There is the paradox in a single statistic: *the most educated state in India cannot find work for its educated youth*. We have built world-class human capital and a labour market that cannot absorb it.

The consequence is written in the migration data. An estimated 2.2 million Keralites work abroad, and many more have migrated to other parts of India. The number of students leaving for universities in the West has doubled in five years, to roughly a quarter of a million. We educate our children at great public expense and then hand the return on that investment to Dubai, Toronto, and Melbourne.

The economy that has grown up around this outflow is a consumption economy, not a production economy. Remittances reached 2.17 lakh crore rupees in 2023, about 23 percent of the State's net domestic product and nearly a fifth of all remittances received by India. That money has built houses, funded weddings, filled shops, and lifted families out of economic distress. But remittances flow to consumption, they inflate land prices and are structurally fragile. They depend on the continued willingness of other economies to employ our people, and on conditions in the Gulf that are visibly turning against Kerala. The number of Malayalee nurses cleared to emigrate, long one of Kerala's proudest export streams, fell by roughly a third in just three years — from about 9,980 to 6,393 — as Gulf states localized their workforces. A model that looked permanent for fifty years is fading away.

Underneath all of this sits the fiscal reality that Kerala's outstanding debt is around a third of its GSDP. The State runs a persistent revenue deficit, which means it borrows to pay for its running costs, not merely to invest. Committed expenditure, such as salaries, pensions, and interest, now consumes roughly seventy percent of revenue receipts, and pensions alone take about a fifth, a number that an ageing population will push higher. This is not a platform from which the government can spend its way to a new economy. Whatever Kerala does must be leveraged. It must draw in private and diaspora capital, and it must make every public rupee pull several private ones behind it.

I will name the deeper cultural challenges, and I will name them as design problems rather than as accusations. When I was a boy in Kochi in the 1970s, if a child came up with a big idea that was even slightly outside the box, some elder would put him in his place with the same withering line: *"Who do you think you are, the son of Tata or Birla?"* I heard it more than once. It was said with affection, but it did real damage, because it taught a clever child that ambition beyond one's station was a kind of impertinence. Although things have improved, the Kerala culture still, too often, treats the secure white-collar job as the summit of respectability and treats the entrepreneur, until the day he or she succeeds, with a faint suspicion. Our tradition of hartals and the reflexive politics of confrontation impose a real and measurable cost on anyone trying to run a business. And our administrative machinery remains, in too many places, the file-pushing, permission-withholding apparatus we inherited from the British. Years ago, when I tried to register a company in Kerala, it took more than six months to complete formalities that had taken me a single afternoon in the United States. I remember thinking: *if it is this hard for me, what must it be for a twenty-four-year-old with nothing but an idea?*

None of these is destiny. Each is the product of choices, and choices can be remade. But we cannot remake them if we are not first willing to say them out loud.

The premise of this paper follows directly from the paradox. If talent is the endowment and its export is the failure, then the central task of economic strategy in Kerala is retention, training/mentoring and the creation of new ventures/jobs. *This means turning human capital into locally-owned businesses that create high-paying jobs.* Not attracting a few large factories, which our land costs and our ecology will not sustain. Not deepening our dependence on remittances, which are plateauing. Not managing decline

gracefully. Conversion. Building a strong and resilient entrepreneurship ecosystem in which a Malayalee with an idea chooses to build his or her venture here.

2. The Aspiration Gap: What Kerala's Youth Actually Want

Every year, lakhs of young Keralites sit for the Kerala Public Service Commission examinations. In the 2026 cycle, the Commission received close to 27 lakh applications. News reports indicate that for a single University Assistant post, roughly four lakh young people competed. Picture what that number means in human terms. A graduate in his mid-twenties, degree in hand, spends three or four years in a coaching centre in Thiruvananthapuram or Kottayam, memorizing general-knowledge facts for an examination he has perhaps a one-in-several-thousand chance of clearing, supported by a family that has quietly agreed he should keep trying rather than take a job beneath his qualifications. He is not lazy or unskilled. He is doing precisely what his society has taught him success looks like. *Of the roughly 22 lakh job-seekers registered with the State's employment exchanges, only about 65,000 were placed over five years — a placement rate of roughly three percent.*

This is the aspiration gap, and it is the beating heart of Kerala's crisis. *We have raised a generation to expect dignified, secure, white-collar work, and then built an economy that cannot supply it.* Economists call the result “waithood.” In the most recent national survey, roughly four in five unemployed young men in Kerala described themselves not as jobless but as waiting for a suitable job. A quarter of our young people are not in employment, education, or training at all. They are neither idle by choice nor absorbed by opportunity. They are stranded in the space between what they were promised and what exists.

It would be a serious mistake to read this as young people being unwilling to work. The truth is more precise, and more important. They are unwilling to do work they experience as beneath them, and they are right to want more than that. This is why Kerala, almost uniquely, runs a high graduate-unemployment rate and a manual-labour shortage at the same time, importing an estimated forty lakh workers from other states to do the construction and service work our own educated young decline. The lesson for anyone designing a jobs strategy is unambiguous. Creating more low-status, low-wage jobs will not solve Kerala's problem, because Kerala's young people will not take them. *The only jobs that will hold them are aspirational jobs: technology/knowledge work, creative work, and the dignity of building something of one's own.*

That is also, increasingly, why they leave. The newer migration is not the old story of a man going to the Gulf to earn and remit. It is a young graduate, leaving as a student for London, Canada or Australia and not intending to return. Surveys of these young migrants find that they are seeking not merely higher wages but freedom, dignity, and a career worthy of their education, and that a majority intend to settle abroad permanently, though many say they would come home for a satisfying opportunity. Read that last point twice, because it is the hinge on which this whole strategy turns. They would come home if home offered work worthy of them. The challenge before Kerala is to build that work.

Nowhere is the opportunity larger, than among Kerala's young women. Their unemployment rate approaches 50 percent, even though they are the best-educated young women in India. When you ask why, the answer is rarely a lack of ambition. It is the weight of care. The majority of unemployed young women cite family responsibility and childbirth, and they perform, on average, more than three times the unpaid caregiving hours of young men. A strategy that creates flexible, dignified, knowledge-based and entrepreneurship-based work, much of it capable of being done near home or remotely, is not only desirable economic policy. It is the single largest act of human-capital recovery available to the State.

Now the hopeful half of the argument, because it is real. The doubters say Kerala cannot create businesses and jobs at scale. The record says otherwise. In a single year, from 2022 to 2023, a focused state campaign to start new small enterprises produced over one lakh new MSMEs, drew more than ₹6,200 crore in investment, and created over two lakh jobs, with roughly a third of the enterprises owned by women. **Kudumbashree**, the State's extraordinary women's network and one of the largest such movements on earth, today sustains over 1.6 lakh micro-enterprises that employ more than three lakh women. The **Kerala Startup Mission** has helped build more than 5,000 startups that have raised over ₹5,000 crore and created around 60,000 jobs in a decade. These are not projections. They are things Kerala has already done. The capacity to create enterprise and jobs exists. What has been missing is the ambition to aim that capacity at the high-value, aspirational work our young people actually want, and the ecosystem to help those enterprises grow from tiny to large.

This is the primary reason the strategy of this paper is entrepreneurship, and not merely "attracting investment." The most durable finding in the study of job creation, established across decades of American data by the Kauffman Foundation, is that essentially all net new jobs come from young firms or startups. It is not the big established companies that create employment on balance. *A Kerala that wants to create hundreds of thousands of good jobs for its young people over the next ten years cannot do it by pleading with a few large firms to open offices. It can do it only by becoming a place where thousands of new firms are born and where the best of them grow large.* Job creation is not a happy side-effect of the entrepreneurship strategy. Job creation is the entire point of it.

3. Why Now: The Small Window for Big Actions

Timing is everything in strategy, and Kerala's timing is unusually clear. Four forces have converged, and they will not stay aligned forever.

The first is the end of the old Gulf model. Emigration from Kerala actually peaked back in 2013 and has been essentially flat since. The character of migration has changed too. Where once young men went to the Gulf on work visas and came home every two years, now our brightest young people leave as students to the West and do not come back. This is the difference between circular labour migration, which returns skills and savings to Kerala, and permanent brain drain, which does not. The tap that fed the remittance economy is not gushing any longer, and its water is changing course. The Gulf itself is a

fading engine, buffeted by regional conflict, the global shift away from fossil fuels, and immigration and workforce-localization rules that are tightening across much of the world.

The second force is demographic. Kerala is growing old before the rest of India, and faster than any other state. Our total fertility rate is around 1.35, far below the level needed to replace ourselves. The old-age dependency ratio, the number of elderly relative to working-age adults, is projected to reach about 34 percent by 2031. In plain terms, within a decade we will have roughly one elderly dependent for every three working-age adults, and the pension bill that already consumes a fifth of the State's revenue will grow heavier. We have perhaps ten years to build a productive, high-value economy while our workforce is still young enough to build it. After that the arithmetic turns against us.

The third force is the arrival of new economic assets. The Vizhinjam International Seaport, India's first deep-water transshipment port, is operational and, within its first year, already ranked among the world's top hundred container ports. The Kerala Startup Mission has matured into something the Government of India has ranked the country's best performer. A draft Global Capability Centre policy sits ready to be finalized. In October 2025 the State approved what has been described as India's first comprehensive ESG investment policy, with a target of full renewable energy by 2040. The building blocks of a different economy are, for the first time, actually on the table.

The fourth force is political. As of May 2026, Kerala has elected, in Mr. V. D. Satheesan, a reform-minded Chief Minister carrying a historic mandate, and a new government holds, at the start of its term, the freshest authority and the widest room to act boldly that it will ever have. Reforms that are difficult in year four are possible in year one. The window for a serious, nameable, ten-year commitment is open now.

Put these together and the conclusion is uncomfortable but clarifying. The old engine is failing at the same moment the parts for a new one have arrived, and the demographic clock is ticking. This is precisely the kind of moment that, looked back upon in twenty years, is called either a turning point or a missed chance.

4. The Central Idea: Entrepreneurial Capitalism, Revisited

I first set out the case for what I called Entrepreneurial Capitalism for Kerala over fifteen years ago, and the intervening years, which included a global financial crisis, a pandemic, and the maturing of India into a confident economic power, have only sharpened my conviction that it is the right frame. Let me restate it, updated for where we now stand.

Entrepreneurial Capitalism is not the casino capitalism of short-term speculation, boom and bust, and the concentration of wealth in a few hands. That form of capitalism, as the global financial crisis of 2007-08 proved, is dangerous to any society and corrosive to democracy. **What I argue for is its opposite: a democratic, participatory form of economic organization characterized by widespread business ownership, a rising number of high-growth startups, better wages, and, above all, the wide sharing of the rewards of growth by way of more jobs and local**

spending. It is capitalism with the moral seriousness that Kerala's political culture, at its best, has always insisted upon. *The point of entrepreneurship, in this frame, is not merely to make some people rich. It is to ensure that the fruits of freedom, democracy, and economic growth are shared by the many rather than captured by the few.* That is an argument a Kerala of any political persuasion should be able to embrace. From his statements it is clear that the new Chief Minister of Kerala shares this vision.

Entrepreneurship is not alien to us. It is, if anything, a recovery of who we were. Kerala's position on the world's oldest trade routes made it a natural port of exchange for merchants from Arabia, China, Portugal, the Netherlands, France, and Britain for two thousand years. The instinct to trade, to take a risk, to build across borders is in our civilizational memory. It was suppressed, first by the imperial powers, then by the bureaucratic socialism of the post-independence licence Raj, which made the well-connected families and business houses the only viable form of enterprise, and finally by a culture that learned to prize security over venture.

When I was a college student at Sacred Heart in the 1980s, the respectable careers could be counted on one hand: doctor, engineer, bank officer, civil servant, officer in the armed forces. Entrepreneurship was not in our lexicon. It was not that we lacked the ability. It was that no one around us had given us permission to imagine it. The liberalization of the 1990s reopened the door, and India walked through it. But for lack of political leadership and against a risk-averse culture, Kerala hung back while Karnataka, Tamil Nadu, Maharashtra, and Gujarat surged ahead.

There is a deeper idea I want to add now, one I have developed in my more recent work. Ancient civilizations that have endured, and India above all, carry what I call '**Civilizational Intelligence**': a system of knowledge, practice, and institutional wisdom passed down through informal channels over millennia, which allows top-down authority and bottom-up energy to coexist. The Panchayat Raj, one of the oldest systems of local self-government on earth, is precisely such an institution, a body in which elected leaders allocate resources in open consultation with the people. India's re-emergence after six decades of anaemic growth has come, in part, from learning again how to let top-down and bottom-up flows combine, held together by what I call *strategic patience*.

Here Kerala has a hidden advantage. Our unusually strong tradition of local government, our high civic participation, our habit of public argument, these are not obstacles to innovation and entrepreneurship. They are the raw material of exactly the kind of participatory, bottom-up economy that modern ecosystem science says works best. We have spent decades treating our political culture as a brake. The argument of this paper is that, redirected, it can be an accelerator.

5. The Ecosystem Science: How Entrepreneurial Economies Are Actually Built

Before prescribing what Kerala should do, I want to be honest about what we now know, and what we have learned the hard way, about how entrepreneurial economies actually

come into being. *Getting the theory right matters, because most government attempts to build the next Silicon Valley fail, and they fail in predictable ways.*

A local economy is a garden, not a machine. The first lesson is that an economy is a complex adaptive system to be cultivated, not a machine to be engineered. My American colleagues Victor Hwang and Greg Horowitz captured it perfectly when they said a healthy local economy looks less like a managed farm than like a messy, unpredictable, but fertile rain forest. This is why top-down master plans so often disappoint. They assume neat, predictable cause and effect in a system that has none. What can be done is to map the system, understand how its parts connect, and patiently improve the conditions in which new ventures emerge. You cannot command a forest to grow. You can only tend the soil.

Healthy networks are flat, not centralized. If you draw the connections in an economy, an unhealthy one looks like a hub-and-spoke, with a few gatekeepers controlling access to information, capital, and permission, and being rewarded for hoarding it. A healthy one looks like a distributed network, flat and densely interconnected, where no single node is indispensable and resources flow freely. It is the same architecture that makes the internet resilient. Kerala's economy today, with decision-making concentrated in government and a few institutions, looks too much like the first picture. The strategic goal is to move it toward the second.

Connectors are the secret ingredient. This is the lesson I care about most. In every vibrant ecosystem there is a class of people who are neither the entrepreneurs nor the officials, but the connective tissue between them: the serial founder turned mentor, the professor who links a lab to a company, the diaspora investor who opens a door in a distant market. My research partner Dr. Norris Krueger calls these people *liaison-animateurs*: proactive, professional, and, above all, selfless super-connectors who weave networks rather than manage hierarchies. *Connectors and diaspora networks together are what our research finds resilient ecosystems most depend upon. Their power comes from having lived in several worlds at once, the worlds of founders, of research, of government, of finance, combined with a genuine giving mindset.* The tragedy of most economies is that these people are invisible and unrewarded, and that when a top-down system finally notices a valuable connector, it tends to capture and bureaucratize the role until the very thing that made it work is dead. A serious strategy finds its connectors, elevates them through neutral broker institutions, and protects the intrinsic motivation that makes them effective.

The missing middle: the 'meso' layer. Innovation ecosystems operate on three levels, and the one everyone ignores is the one that matters. At the top is the macro layer, the institutions and government, which see the world as a hierarchy and run on bureaucratic logic. At the bottom is the micro layer, the entrepreneurs, who see the world as a network and run on entrepreneurial logic. *Between them lies the meso layer: the ecosystem builders, the connectors, the neutral conveners. This is the connective tissue, and the best place for the governance of an ecosystem to sit is right there in the middle, close enough to the entrepreneurs to understand them and credible enough with institutions to move resources.* Kerala has a fairly strong macro layer and a fast-growing

micro layer. What it most conspicuously lacks is a deliberate, well-resourced meso layer. Building that layer is the single highest-leverage move available to the government.

An ecosystem cannot grow faster than its people. The final lesson is co-evolution. You cannot install a mature entrepreneurial economy through a scheme, because the knowledge, skills, mindsets, and behaviours of the founders, mentors, and investors have to develop in step with the institutions around them. This is why cookie-cutter imitation fails, and why patience is not a luxury but a requirement. It is also why this work is ultimately about people, about raising the capability of a whole community, rather than about buildings and budgets.

I want to close this section with a caution, because it applies with special force to a paper written by an outside expert. *The development economist William Easterly warns against what he calls the tyranny of experts and the cartel of good intentions: the tendency of well-credentialed outsiders to impose theoretically elegant solutions that are utterly at odds with local reality, and to keep doing so without ever learning from failure.* Some of the brightest minds in development have wrecked economies this way. As a person living and working in the US, I offer the framework of this paper in full awareness of that danger.

I learned this lesson myself, and it cost me a year. Some time ago, a group of us in the diaspora set out, with great energy and the best intentions, to help build the entrepreneurial ecosystem back home. We convened, we advised, we shared what we knew. After twelve months, we had produced almost no tangible results, and I wrote to my colleagues that we should perhaps focus our limited time and resources where we could actually have impact. *The lesson I drew is one I will state plainly here: the drivers of meaningful change must come from within Kerala.* The diaspora can bring knowledge, capital, and connection, and it can help powerfully at the margins, but it cannot be the engine, and it should be honest about that. The specifics of what Kerala builds must be discovered by Keralites, bottom-up, through experiment and adaptation. My job, and the diaspora's job, is to bring what we have learned and then to have the humility to let the ecosystem find its own form.

6. Case Studies for Kerala: Lessons from Three City-Regions

We are often told to become the next Silicon Valley. It is the wrong aspiration, and I have said so publicly for a decade. Silicon Valley is not a template. It is a once-in-history accident of Stanford and Berkeley, defence spending, immigration policy, Sand Hill Road capital, a permissive culture, and sheer momentum, often imitated and never duplicated. Chasing it ignores the unique circumstances and resources of one's own place, which is exactly the mistake Easterly warns against.

The more useful question is what smaller city-regions did, places that started, as Kerala starts, with talent and ambition but without Silicon Valley's advantages. Three American examples are especially instructive, and I choose them deliberately over the tired

comparison with Bangalore and Hyderabad, because they are far closer to Kerala's actual situation: high in talent, rich in quality of life, and short on capital.

Austin, Texas: the culture flip. Austin was a sleepy university town that became known as Silicon Hills. What did it? An anchor research university, the University of Texas at Austin, that functioned not as an ivory tower but as a pump for talent and intellectual property. A deliberate flip of the city's story about itself, amplified by a global convening platform, the SXSW festival, that turned Austin into a magnet for young talent from across the country. And a genuinely light regulatory touch. Austin's technology workforce grew faster than any other American metro's in recent years, and the growth was driven by talented people choosing to move there, not by subsidies paid to lure companies. The lesson for Kerala is the cheapest and most powerful one available to us: culture and talent retention beat incentives. A university-anchored place can rewrite its own narrative and reverse its brain drain through convening, branding, and a lighter regulatory hand. A "Kerala SXSW" is not a frivolous idea. It is a serious instrument.

Kansas City and the Kauffman Foundation Partnership: institutionalizing entrepreneurship. This is, to my mind, the single most important model for Kerala, and it is one I have drawn on since my very first writing on this subject. Ewing Marion Kauffman built a pharmaceutical fortune and then did something rarer than making money. He endowed a foundation to make entrepreneurship a permanent civic function rather than a passing government programme. The Kauffman Foundation, with an endowment of roughly 2.6 billion dollars, runs a three-part machine that any serious ecosystem needs.

First, convening and culture. Programmes like 1 Million Cups, a simple weekly gathering where founders present to their peers, spread to more than eighty communities across thirty-seven states within three years, run almost entirely by volunteers at nearly zero marginal cost. Global Entrepreneurship Week, launched from Kansas City, now spans some two hundred countries. Second, training. A standardized curriculum that equips would-be founders with the basics. Third, and most subtly, research and legitimacy. The Kauffman Indicators are the authoritative data series on new-business formation in America. They give policymakers evidence, and they give the whole cause of entrepreneurship credibility.

The guiding philosophy is leverage. Every dollar is deployed so as to be matched by others, so that impact compounds far beyond the endowment itself. *This is the directly copyable model for Kerala, and I will return to it in detail: a diaspora-endowed, politically-independent foundation that uses matched capital, runs a low-cost convening engine, trains founders, and publishes its own credible indicators to hold the ecosystem accountable.* Patience, permanence, and evidence are what a foundation buys that a government scheme, hostage to the electoral cycle, never can.

San Diego and UCSD CONNECT: the bridge from lab to company. San Diego solved a problem Kerala has in abundance: the fact that talent alone does not commercialize itself. CONNECT, founded in 1985 at the University of California San

Diego, was one of the first deliberate research-to-commercialization bridges, an institution whose entire purpose was to link university scientists to capital, mentors, and management talent, and to walk them across the terrifying gap between a laboratory result and a real company. Its Springboard programme gives founders hands-on mentoring from veterans, at no cost. The model worked so well that it has been replicated in some forty regions around the world, and it anchors a multi-billion-dollar innovation cluster.

Two things about San Diego rhyme with Kerala. The first is the need for a formal bridge institution to convert research into companies. Kerala has the research base and the talent, but almost nothing that systematically bridges them to companies. The second is more poetic. San Diego turned an adjacent region, Tijuana across the Mexican border, into an asset for talent and manufacturing. Kerala's equivalent adjacent asset is not a neighbouring city but a global diaspora, in the Gulf and the West, which, properly organized, becomes exactly that kind of corridor for capital, mentors, and markets.

The Indian proof. These are not only American lessons. The most encouraging evidence that this works in Indian conditions comes from closer to home. **Karnataka's Digital Economy Mission**, working hand in glove with TiE chapters across the state, gave that government the confidence to launch a 1,000-crore-rupee *Local Economy Accelerator Programme* to grow innovation ecosystems locally with global knowledge and support. The **Global Alliance for Mass Entrepreneurship (GAME)** convenes district-level Joint Action Groups of thirty to forty local leaders, entrepreneurs, bankers, civic figures, administrators, and educators, who meet regularly to align priorities, unblock constraints, and review shared metrics, turning scattered initiatives into self-reinforcing systems. And **The Indus Entrepreneur (TiE.org)**, born in Silicon Valley in 1992 and now spanning more than sixty chapters (including Kerala) and thousands of charter members worldwide, has shown for three decades how a distributed, volunteer-run, pay-it-forward diaspora network can serve as the connective tissue of an entrepreneurial economy. I have given years of my life to TiE, and I have watched it turn a room of strangers into a founder's first investors, first customers, and first mentors. That is not magic. It is a careful design that can be repeated in Kerala.

And the pattern holds at Kerala's own scale, in India and in Europe, which is why I have come to prefer these examples to the usual invocation of Silicon Valley. A generation ago, **Pune** was a genteel town of pensioners and colleges that leveraged its universities and engineering base into one of India's densest startup clusters. **Coimbatore** reinvented an ageing textile-and-foundry economy around new manufacturing technology. **Indore**, rated again and again as India's cleanest city, turned good governance itself into a magnet for young firms. In Europe, **Tallinn** built its whole economy on digital government and gave the world Skype; **Barcelona** converted design and mobile technology into an innovation identity; and **Eindhoven** turned a single declining company town, once wholly dependent on Philips, into the "Brainport" deep-tech cluster. None of these places had Silicon Valley's capital or its history. *Each simply built, deliberately and patiently, the ecosystem in which local innovation and entrepreneurship could grow. If Pune and Tallinn and Eindhoven could do it, so can Kochi, Thiruvananthapuram, and Kozhikode.*

From all of these, five common ingredients emerge, the replicable recipe beneath the local variation. An anchor research university wired for spillover, a talent-and-IP pump rather than an ivory tower. A permanent, politically-independent culture-and-convening institution, similar to the Kauffman and TiE models, which is cheap, repeatable, and immune to the election cycle. A research-to-commercialization bridge with hands-on mentoring, the CONNECT function that de-risks the leap from lab to company. Patient, matched capital through a foundation or leverage model, so that funding survives politics and multiplies private money. And diaspora and migration networks treated as infrastructure, deliberately organized as capital, mentors, and market access rather than left to remit passively.

Kerala today has fragments of all five and a coherent version of none. The strategy in the sections that follow is, in essence, a plan to assemble them.

7. The Three Focus Industries: Where Kerala Can Win in Ten Years

A comprehensive ecosystem is the long game. But a government needs visible wins in specific sectors, both to build political momentum and to concentrate scarce resources where Kerala has a genuine, defensible advantage. I recommend three focus industries. They are chosen because in each one Kerala already has world-class human capital, an existing base to build from, and a low ecological footprint suited to a fragile land. Beneath them sit three force-multipliers that are ours alone.

Focus industry one: Tourism and the creative economy.

Consider a woman I will call an archetype rather than a name, a homemaker in a village near Alappuzha who, five years ago, opened two spare rooms of her family home to travellers. Today she runs a small homestay, her husband ferries guests through the backwaters, her daughter manages the bookings online and handles guests from six countries, and a cousin supplies the kitchen with fish and vegetables. One household, one modest idea, and a dozen livelihoods radiating out from it. That is the creative economy in miniature, and Kerala can have ten thousand of her.

Kerala Tourism is one of the strongest place-brands in India, and it is not a hope but a going concern. The State drew a record 25.9 million visitors in 2025 and earned over 45,000 crore rupees in tourism revenue in 2024, comfortably above pre-pandemic levels. *The opportunity now is to move up the value chain, from selling backwaters and beaches to building enterprises around wellness, Ayurveda, experiential and responsible tourism, film and media, design, and the crafts.* This is the most employment-dense and MSME-friendly of the three focus industries, and the one where small and women-owned businesses, from homestays to craft studios, can lead. It reaches every district, and it is naturally aligned with the diaspora, who are both our best ambassadors and a ready market. Best of all, it is a sector in which sustainability is not a constraint but the product itself. The clean, green, human-scale experience that is brand Kerala is exactly what a warming, crowded world will pay a premium for.

Focus industry two: Health, Wellness, and Life Sciences.

Here Kerala's edge is deepest and most globally credible. We have among the highest densities of accredited hospitals in India, an enormous pipeline of medical and nursing talent, the medtech research heritage of institutions like the Sree Chitra Tirunal Institute, and the Bio 360 Life Sciences Park in Thiruvananthapuram as an anchor. Kerala is well placed to capture a meaningful share of India's fast-growing, multi-billion-dollar medical-value-travel market.

But I want to frame this sector with the honesty the paradox demands. Return, for a moment, to that nurse at the Kochi airport. The recent fall in nurse emigration, down by roughly a third in three years, is not merely a threat to remittances. It is the clearest possible argument for this entire strategy. For fifty years we trained health workers and exported the people. *The task now is to keep more of that value at home, to build the medtech companies, the diagnostics firms, the digital-health startups, the biotech ventures, and the health-tourism enterprises that employ our medical talent in Kerala rather than shipping the talent abroad, channelling that income into local communities and creating local jobs.* Imagine if that same young woman, instead of boarding the midnight flight, joined a Kochi health-tech startup building remote-monitoring devices for the very hospitals that would have hired her in the Gulf, and in ten years led it. Health and life sciences is where talent-to-enterprise becomes most concrete.

Focus industry three: High technology, artificial intelligence, and Global Capability Centres.

This is the highest-wage sector and the one with the most momentum. Technopark in Thiruvananthapuram now supports around 80,000 jobs, with software exports up more than half in five years, and, tellingly, a workforce that is nearly half women. Infopark in Kochi has posted record export growth. The Kerala Startup Mission has built what one global assessment ranks the fourth-most affordable talent ecosystem in Asia, and India's national ranking has named Kerala a best performer.

The specific near-term prize is the Global Capability Centre wave. Global corporations are building captive technology and operations centres across India, and Kerala's combination of skilled, English-fluent, and comparatively affordable talent, green energy sources, plus a quality of life that helps companies retain people, is a genuine differentiator against the congestion and cost of Bengaluru and Hyderabad. *The scale of the prize is real. Global Capability Centres already employ well over two million people across India and are projected, on credible estimates, to approach three million by 2030, at wages far above the general white-collar market, and the newest growth is spilling out of the crowded metros into exactly the kind of tier-two cities Kerala can offer.* A draft GCC policy already exists. Finalizing it is a first-year opportunity, but winning these centres will require sustained, professional engagement in the source markets themselves, in the US, Europe, and the Gulf, which is the express purpose of the Choose Kerala Agency I propose below. Around those centres, an AI-and-deep-tech startup layer can grow, anchored by the Digital University of Kerala, the first of its kind in India. Picture a young coder from Kozhikode who, five years ago, would have taken the first flight to

Bengaluru, instead walking into a GCC in her home city in the morning and, in the evening, tinkering with an AI startup of her own. That is not a fantasy. It is a policy choice.

The Force-multipliers: Three high-potential force-multipliers sit beneath these three focus sectors.

Force-multiplier one: the education system, which despite well-deserved criticism, is still in reasonably good condition. Kerala's higher-education institutions must go well beyond the usual entrepreneurship clubs, festivals, speeches, and business-plan competitions and introduce highly experiential, credit-bearing courses and hands-on workshops taught by practitioners that connect every traditional subject to the latest trends in technology, creativity, and innovative thinking. The focus has to be on hands-on internships and real work experience — building products and services that solve real problems for real customers. Beginning at the high-school and college levels, this will give students the skills and problem-solving mindset the new economy needs.

Force-multiplier two: The Vizhinjam and Kochi ports. The Vizhinjam International Seaport, India's first deep-water transshipment port, is now operational and, in its first year, already ranks among the world's top hundred container ports, with major expansion under way. Treated merely as a port, it is a logistics asset. Treated as an ecosystem anchor, with an industrial, logistics, and value-addition cluster deliberately built around it and startups in maritime technology, supply chain, and trade, it becomes an engine. The strategic error would be to let it remain a transshipment terminal that the Kerala economy simply watches the ships pass through. The same can be said of Kochi seaport.

Force-multiplier three: the global diaspora network. This is Kerala's most under-utilized asset, and the one I know best. Some five million non-resident Keralites (NRKs) live and work abroad; together with a wider Indian diaspora rich in scientific, entrepreneurial, and financial talent, they represent not just a source of remittances but a standing network of capital, mentorship, and market access. I have sat in rooms in New Jersey and New York filled with Malayalee physicians, technologists, and founders who ache to be useful to Kerala and are given nothing but the occasional ceremonial invitation when a Minister or MLA visits. *The question is whether we organize this network deliberately*, as San Diego organized its cross-border corridor and as TiE organized the Indian diaspora worldwide, or whether we continue to let it express itself only as money wired home for consumption. The programmes in the next section are designed to answer that question.

8. Climate Resilience as Deliberate Strategy, Not Constraint

On the night of the thirtieth of July, 2024, the hills above Mundakkai and Chooralmala in Wayanad came down in the dark. More than two hundred rain-soaked slopes, stripped of nearly two-thirds of their green cover over seven decades, gave way and buried whole villages while people slept. Close to three hundred people died. Seventeen families were erased entirely. It was Kerala's deadliest disaster in two decades, and it came only six

years after the great floods of 2018, which had killed 483 people, displaced around a million, and caused an estimated 40,000 crore rupees in damage.

No economic strategy for Kerala written after these events can treat the environment as a footnote, and this one does not.

Around sixty percent of Kerala's 590-kilometre coastline is eroding. Our fertility of land is matched by a fragility of land. The long-postponed governance questions raised by the Gadgil and Kasturirangan reports on the Western Ghats, about how much of that sensitive terrain to protect and how much to allow to be developed, can no longer be evaded. Consecutive flood years and now a catastrophic landslide have made clear that ecological fragility plus extreme weather is the new normal, not the rare exception.

The naïve reading of all this is that ecology is the enemy of growth, that a fragile, crowded, expensive land simply cannot industrialize. I want to reframe it. *Kerala's ecological constraints are, correctly understood, a strategic clarification. They tell us decisively what kind of economy we cannot build, namely land-hungry, emissions-intensive heavy manufacturing, and therefore point us, with unusual clarity, toward what we can and must build: knowledge-led, low-footprint, high-value entrepreneurship.* The three focus industries above are all, and this is no accident, light on land and carbon and heavy on human capital. Ecology and strategy point the same way.

There is more. Resilience itself is an economic sector. The work of building back better after disaster, that is resilient infrastructure, early-warning systems, climate-adapted construction, watershed and slope management, is a live market in which Kerala, having lived the problem at close quarters, can build genuine and exportable competence. The State's ESG investment policy, together with its target of full renewable energy by 2040, is precisely the signal that a rising class of global ESG-aligned capital is looking for. *That capital wants exactly Kerala's profile: high human capital, low carbon intensity. Climate-tech, renewable energy, sustainable and responsible tourism, and green building are not a tax on the growth strategy.* They are a fourth cluster of entrepreneurial opportunity that sits naturally alongside the three focus industries.

The families harmed by Kerala's changing climate deserve more than our grief. They deserve a Kerala that turns its hardest lessons into livelihoods. **Resilience, done right, is not only a cost we must bear. It is a capability we can sell.**

9. The Strategy: A Pillars and Horizons Matrix

Here is the plan itself. It is organized as four pillars, the enduring components of any entrepreneurial ecosystem, laid across three time horizons. The horizons matter because credibility is sequential. The government must show quick, visible wins in Years 0 to 2 to earn the political capital for the institution-building of Years 3 to 5, which in turn makes possible the scaling of Years 6 to 10. Nothing here requires Kerala to spend money it does not have. The design principle throughout is leverage: public action that mobilizes private and diaspora capital and, above all, private and diaspora energy.

Pillar	Horizon 1: Quick Wins (Yrs 0–2)	Horizon 2: Build (Yrs 3–5)	Horizon 3: Scale (Yrs 6–10)
Capital	Launch the Kerala Enterprise Fund (low entry threshold; diaspora, State, and private-sector match); seed an angel co-investment network	Expand the state Fund-of-Funds; attract ESG and impact capital; build sector funds for the three focus industries	A self-sustaining, diaspora-anchored capital base; first Kerala-built firms reaching scale and exit
Talent	“Innovation and Entrepreneurship in Every Campus,” building on college innovation cells; launch a statewide Ecosystem-BUILDER connector corps	A “Come Home” reverse-migration programme; entrepreneurship in the curriculum; founder training at scale	Reversed net brain drain in target sectors; a deep bench of local founders, mentors, and angels
Institutions	Establish the Kerala Innovation Foundation (Kauffman model); charter “Kerala CONNECT” (research-to-market bridge) and the Choose Kerala Agency (diaspora & GCC attraction)	District Joint Action Groups statewide; university tech-transfer offices; a diaspora engagement office	A distributed, self-reinforcing ecosystem; institutions that outlast any single government
Policy	Enterprise Fast-Lane (company registration plus business and property approvals); finalize the GCC policy; launch a regulatory sandbox	An above-party Kerala Enterprise Compact; publish the Kerala Innovation Indicators annually	Policy stability as Kerala’s new brand; evidence-driven, self-correcting governance

The matrix is the skeleton. The flagship programmes below are vehicles. I have kept them few and nameable on purpose. A government can announce and own a handful of well-designed flagships. It cannot execute forty schemes.

Pillar I. Capital: the Kerala Enterprise Fund

The binding constraint on Kerala entrepreneurship is not talent, and it is not ideas. *It is patient, early-stage risk capital, and a fiscally-stressed state cannot supply it from the budget.*

Let me tell you where I learned how this actually works. In the spring after the dot-com crash and the terror of September 11, 2001, my young company was weeks from failing. I had a good idea and no runway. What saved the business was not a bank and not a government scheme. It was a group of friends, some of them of Kerala origin, none of them related to me, who put their hard-earned savings into my idea and stayed with it for almost ten years. I have never forgotten the weight of that trust, and I have spent almost two decades trying to be worthy of it and to pass it forward.

That is the model, scaled up. **I propose a Kerala Enterprise Fund to provide seed capital to promising early-stage ventures.** The fund investments should have a deliberately low entry threshold, on the order of one lakh rupees, or about a thousand dollars, per person, so that it is not the preserve of a few wealthy patrons but a vehicle in which thousands of ordinary Keralites and non-resident Keralites can own a stake in the State's future. Every rupee invested would be matched, rupee for rupee, by the State and by a private-sector partner from the industry and reinforced by returns recycled back into the fund. The whole would be governed independently of the political cycle by a board of credible entrepreneurs and investors, many of them drawn from eminent experts from Kerala and from the diaspora, rather than by government officials. Its purpose is to de-risk the earliest stage, the friends-and-family and angel gap where Kerala ventures die, and to crowd in private angels rather than crowd them out.

Alongside it, a formal angel co-investment network connecting resident and diaspora investors, with the standardized deal terms, independent evaluation, and transparent information that I recommended to Startup Village in Kochi more than a decade ago and that investors still require to deploy risk capital with confidence. If the arrangements are open and transparent, I believe that the diaspora will invest. Five million non-resident Keralites and a wider network of Indian investors are willing to put risk capital to work at home. But they will do it only into a vehicle they trust, run by people they respect, on terms they can see.

Pillar II. Retaining Talent: Keeping and investing in our people

Talent is our endowment, and the strategy must both retain it and deepen it.

When I first came to America, I discovered that for all my education, I could barely stand up and speak in a meeting. I had the knowledge, but the Indian education system did not give me the opportunity to build my speaking skills. I fixed this at work and at a Dale Carnegie course in New York, and it changed my life. I tell that story because the entrepreneurial capabilities we most need, comfort with risk and ambiguity, the ability to sell an idea, the art of building high-trust relationships, are not innate gifts reserved for a lucky few. They are learnable skills, and the failure to teach them is a choice we can reverse.

Three moves to retain talent. **First, Innovation and Entrepreneurship in Every Campus**, building on Kerala's existing network of college innovation and entrepreneurship development cells but shifting them from box-ticking to genuine venture creation. This means going well beyond the familiar entrepreneurship clubs, guest speeches, and business-plan competitions, to highly experiential, credit-bearing courses that connect traditional subjects to the latest technology and to the hard work of building products and services that solve real problems, taught by faculty who have actually built things and backed by real mentorship and real seed money, beginning as early as high school and running through college, so that students leave with both the skills and the mindset the new economy demands. Second, an **Ecosystem-Builder Corps**, the deliberate identification, training, and elevation of the ecosystem connectors

who are the missing meso layer, so that the informal super-connectors who already exist are recognized, supported, and multiplied rather than left invisible. Third, a “**Come Home**” **reverse-migration programme**, because as the Gulf model ends and Western migration turns permanent, the strategic prize is to make return attractive for the experienced founders, technologists, and managers whose homecoming would each seed several companies. Austin and San Diego grew on the inward-migration of talented people. Kerala’s version is the deliberate, welcomed return of its own.

Pillar III. Institutions: building the meso layer

This is the heart of the plan, and the part Kerala has most neglected.

Three flagship institutions. The first is the **Kerala Innovation Foundation**, an endowed, politically-independent foundation on the Kauffman model, running the three-part machine of convening, a Kerala version of 1 Million Cups and a Kerala SXSW that changes how young Keralites see innovation and entrepreneurship and themselves; training, equipping founders with the basics at scale; and, indispensably, credible research and data. The second is **Kerala CONNECT**, a research-to-commercialization bridge on the UCSD model, anchored on the Digital University and the State’s universities and research institutes, with the single mandate of walking scientific talent across the gap from laboratory to company through hands-on mentoring. The third is the **Choose Kerala Agency**, modelled on the investment-attraction bodies of successful American states such as Choose New Jersey. Independently run but linked to the Chief Minister’s office, its single job is to market Kerala relentlessly in the markets that matter, the US, the European Union, the UAE, and Australia, hiring seasoned marketing and business-development professionals in those markets to court non-resident-Keralite founders, diaspora investors, and the global corporations deciding where to place their next Global Capability Centre. Kerala has never sold itself abroad with the professionalism its competitors bring; the Choose Kerala Agency is how it begins.

Beneath these, **District Joint Action Groups** on the GAME model, thirty to forty local leaders in each district meeting regularly to unblock constraints and review shared metrics, distribute the work into every part of the State and embody the flat, networked architecture a healthy ecosystem requires. Together these institutions constitute the meso layer, the connective tissue between Kerala’s strong government and its growing base of founders. This is the layer we have never built, and building it is the most important thing this government can do.

Pillar IV. Policy Shifts: from permission to partnership

Policy’s job is to lower the cost and the risk of starting, and to hold the whole endeavour accountable.

Over a decade ago, it took me six months to register a company in Kerala. Let me now say what that experience really represents. It is not merely an inconvenience. It is a message the State sends to every young person with an idea, and the message is: we do not trust you, and we are in no hurry to help you. An **Enterprise Fast-Lane**, a genuine single-

window system that turns registration and licensing into a matter of days, sends the opposite message, and it sends it for a fraction of the cost of any subsidy. Nothing signals a changed relationship between the State and the entrepreneur more concretely.

And the Fast-Lane must reach beyond company registration to the wider machinery of approvals that quietly strangles innovation and entrepreneurship. Kerala has digitized property registration itself rather well, but the approvals that surround land and business remain slow and opaque, and I speak here from recent, personal experience. During December 2025 through February 2026, in order to obtain a single routine land-use approval (Tharam Mattam) so that a plot with a decades-old building on it could be sold to a local business that wanted to expand, I had to visit the Kochi collectorate seven times over three months, watching my file move from one desk to the next within the same office. After three months of trying, I had to return to the US with the job still unfinished due to the elections. I am an experienced businessman with the patience and the financial standing to endure such long delays. A twenty-four-year-old founder who is seeking to sell a small plot of land to fund his startup, has neither, and many simply give up. I therefore recommend that a commission be established to audit the entire bureaucratic process of business and property ownership, transfer, and approval, and rebuild it, as it once rebuilt land registration, to be open, quick, and transparent. Capital, whether it comes from a founder, an investor, or the diaspora, flows only where the process is transparent, trustworthy, and quick.

Three moves that could address the problem. A **regulatory sandbox** that allows new-economy ventures in areas like fintech, health-tech, and mobility to operate under supervised, time-bound exemptions. The finalizing and marketing of the GCC policy as a first-year win. And two instruments of durability that matter more than they sound. An above-party **Kerala Enterprise Compact**, a public commitment by government and opposition alike to insulate the core ecosystem institutions and rules from the electoral cycle, because co-evolution requires a decade of patience that a five-year politics cannot otherwise supply. And the annual publication of **Kerala Innovation Indicators**, so that the entire strategy is measured, transparent, and self-correcting, rather than a matter of assertion and press release.

10. Working With What Exists: Convergence, Divergence, and the Few Things Worth Building New

A fair objection to everything I have proposed is that Kerala hardly lacks institutions. It has a dense, in places overlapping, field of them, built over decades by governments that took industry and employment seriously. Before recommending anything new, an honest adviser is obliged to ask what already exists, what it does well, and where the real gaps are, because a State with limited money and limited attention cannot afford to build in parallel what it already owns. I studied these bodies and their public records, and my conclusion is an encouraging one: most of what this strategy needs can be delivered by rewiring and strengthening what already exists, and only a few things genuinely need to be built new.

Consider the field as it stands. On the entrepreneurship side, the standout is the **Kerala Startup Mission**, which supports more than five thousand startups, has helped create around sixty thousand jobs, and has been ranked among India's best-performing states, alongside the **Kerala Institute for Entrepreneurship Development**, which does founder training and culture, and the Directorate of Industries and Commerce, whose District Industries Centres delivered the Year of Enterprises and its more than one lakh new MSMEs. On capital, there is the **Kerala Financial Corporation**, a genuinely improving state lender that posted record profits and runs a startup venture-debt scheme whose ceiling was just raised to fifteen crore rupees, together with the Startup Mission's Fund-of-Funds and the seed and scale-up windows of the Kerala State Industrial Development Corporation. On industry and infrastructure sit **KSIDC** and **KINFRA** with its industrial parks, the technical consultancy **KITCO**, and the infrastructure-financing vehicles **INKEL** and **KIIFB**. On strategy and the knowledge economy stand **K-DISC**, the innovation strategy council, and its **Kerala Knowledge Economy Mission** with the Digital Workforce Management System. On skilling and inclusion are the **Department of Labour and Skills** with its employment exchanges, **ASAP** with its campus-embedded skill parks and more than two and a half lakh people trained, the state skills academy **KASE**, and **Kudumbashree**, a women's network of extraordinary reach that already sustains over 1.6 lakh micro-enterprises employing more than three lakh women. And on process and data there is **K-SWIFT**, the online single-window, and the **State Planning Board**, whose Economic Review is the State's authoritative dataset.

That is not the portrait of a State that has neglected innovation and entrepreneurship. It is the portrait of a State whose institutions have three specific shortfalls, and naming them precisely is what allows us to fix them cheaply.

The first shortfall is fragmentation. Kerala has many front doors and little connective tissue between them. A single founder may need to register separately with the Startup Mission, with her District Industries Centre, and through K-SWIFT, and to find her own way among KIED, ASAP, and the Knowledge Economy Mission, each with its own mandate and none owning her journey from idea to scaled company. This is exactly the missing meso-layer this paper has described. Kerala has built the nodes; it has never wired them into a network.

The second shortfall is that, too often, the instruments are the wrong ones. Where capital exists it is mostly debt rather than the patient early-stage equity a first-time founder needs: the Financial Corporation lends, and the Startup Mission's Fund-of-Funds invests only indirectly, as a limited partner in professional funds, so there is no matched, retail, diaspora equity anywhere in the system. Where skilling exists, it is optimized for employability and placement, not for the creation of founders. Where the single-window exists it largely routes applications onward to the departments that still make the decisions, rather than deciding itself. And where data exists it counts registrations rather than outcomes: the Knowledge Economy Mission reports some eighteen-lakh job-seeker registrations but publishes no verified placement figure, which is precisely the number that matters.

The third shortfall is political embeddedness. The body closest in spirit to what this paper calls for, K-DISC, is an advisory council without statutory teeth, its own secure budget, or insulation from the electoral cycle. The connective tissue an ecosystem needs must be credible and durable precisely because it is independent, and an advisory society embedded within government cannot easily be either.

Set against these three shortfalls, the mapping between what Kerala already has and what this strategy requires becomes clear. The table below is the heart of it.

Function the ecosystem needs	What exists today	Verdict	The move
Early-stage risk equity (matched, retail, diaspora)	KFC (debt only); KSUM Fund-of-Funds (indirect LP in funds); KSIDC seed ≤ ₹25 lakh	Build new, plug in	Kerala Enterprise Fund , deployed through KFC and KSUM rails
Incubation & mentoring	KSUM (50+ incubators); KINFRA parks; KIED	Consolidate	One founder front-door; KSUM leads; KINFRA parks as space
Founder training & culture	KIED; KSUM student programmes	Improve	Strengthen KIED ; add neutral convening (a 1MillionCups-style forum)
Research-to-market bridge	None	Build new	Kerala CONNECT , anchored on the Digital University and research institutes
Single-window registration & approvals	K-SWIFT (routes, does not approve); DICs	Improve	Enterprise Fast-Lane = deepen K-SWIFT into a true approver
Skilling that leads to entrepreneurship	ASAP, KASE, employment exchanges, KKEM/DWMS	Consolidate & repurpose	ASAP's campus rail for venture-creation; matching under DWMS
Women & grassroots entrepreneurship; reverse migration	Kudumbashree (+ its Pravasi/PEARL pilot)	Scale	Scale Kudumbashree; PEARL becomes the "Come Home" seed
Innovation strategy & connectors (the meso-layer)	K-DISC (advisory, not empowered)	Build new / empower	Independent Kerala Innovation Foundation; Ecosystem-Builder Corps
Diaspora, investment & GCC attraction (marketing abroad)	KSIDC investment promotion; NORKA (welfare-led)	Build new / empower	Choose Kerala Agency , on the Choose New Jersey model, staffed in the US, EU, UAE, and Australia
Ecosystem data & indicators	Planning Board Economic Review; KKEM registrations (no outcomes)	Improve / anchor	Kerala Innovation Indicators , built on the Economic Review and DWMS data

Read down the “verdict” column and the strategy’s true character emerges. *Most of it is improvement and consolidation, not new construction.* The Enterprise Fast-Lane is not a new body at all; it is K-SWIFT, deepened from a router into a genuine approver, extended to company incorporation, to land-use and building approvals, to utility and pollution clearances, and to the “red-category” ventures it currently excludes, with time-

bound deemed approvals throughout. Fixing K-SWIFT is faster and cheaper than anything built from scratch, and it is the single highest-return administrative reform available to the government. The Talent pillar likewise rides existing rails: ASAP's campus network becomes the delivery system for Innovation and Entrepreneurship in Every Campus, its curriculum turned from employability toward venture-creation; KIED is strengthened as the founder-training body rather than duplicated; job-matching is consolidated under the Digital Workforce Management System and the legacy employment-exchange sponsorship quietly retired; and Kudumbashree, already the deepest grassroots women's-enterprise engine in India, is scaled, with its Pravasi reverse-migration pilot becoming the seed of the "Come Home" programme. The Innovation Indicators need not be conjured from nothing; they can be anchored to the Planning Board's own Economic Review methodology and the raw data the Knowledge Economy Mission already collects, a high-credibility result at very low cost. And even the Kerala Enterprise Fund, though a genuinely new vehicle, should be deployed through the Financial Corporation's lending rails and the Startup Mission's fund plumbing rather than through a new bureaucracy of its own.

Only a few things are genuine white space, and they are worth naming precisely because they are the few places new investment is justified. *The first is a research-to-commercialization bridge.* No existing body systematically converts university and laboratory intellectual property into companies; this is the clearest gap in the entire landscape and, in my judgment, the highest-value new build. **Kerala CONNECT** fills this gap. *The second is an independent, endowed Kerala Innovation Foundation for neutral convening, credible data, and diaspora capital.* The honest alternative is to take K-DISC and give it statutory independence, a ring-fenced endowment, and an outcomes mandate, which is to say, to make it the empowered, apolitical body it was never quite allowed to become. Either way the function is new even where a shell exists. *The third is the Ecosystem-BUILDER Corps, the human connectors, the meso-layer itself, which has no home in any current institution and must be deliberately built.* And a fourth is an outward-facing attraction agency: Kerala has no professional body that courts diaspora founders and global capability centres in their own home markets, and the **Choose Kerala Agency**, modelled on Choose New Jersey and staffed in the US, EU, UAE, and Australia, is that new build, unless KSIDC's investment-promotion arm is repurposed and genuinely empowered to do the job.

The reassuring conclusion for a government with limited money and limited attention is therefore this. *The strategy is far less about spending on new institutions than about rewiring existing ones:* consolidating a founder's many front doors into one, swapping the wrong instruments for the right ones, and reserving scarce new investment for the two or three genuine gaps. *Kerala has spent decades building the pieces. What it has never done is wire them into a system.* That, more than any new agency, is the work.

11. The Diaspora Dividend: Ideas, Networks, and Leadership, Not Just Money

I have spent time inside the American Malayalee network, and I want to be blunt about how our State has used it till now. Kerala has treated the diaspora as a wallet. We invite it

to donate after a flood, to remit every month, to buy a flat or plot of land back home, and, once every couple of years, to sit through a ceremonial gathering where it is thanked, garlanded, and sent away. This is a profound waste, because the money is the least valuable thing the diaspora has to offer. Its real gifts are ideas, networks, and leadership, and we have barely asked for any of them.

Consider what the evidence says about diaspora networks that were asked properly. **Taiwan** did not build the Hsinchu Science Park, the foundation of its semiconductor empire, on government genius alone. More than half the companies in that park were founded by engineers who had trained and worked in Silicon Valley and then came home, or who commuted between the two worlds carrying knowledge, contracts, and capital in both directions. The scholar AnnaLee Saxenian gave the phenomenon its proper name: not brain drain, but brain circulation. **Israel** seeded its entire venture-capital industry, the engine of Start-up Nation, with a modest government fund called Yozma that put up matching capital alongside private and diaspora investors, and its diaspora bonds have raised tens of billions over the years. **China** built incubators and talent programmes specifically to draw its overseas graduates home, and watched returnees found companies like Baidu and Trip.com. Ireland made its diaspora a cabinet-level strategy. The pattern is unmistakable. The places that turned emigration from a loss into an asset did it by engaging their diaspora as builders, not as donors.

So let me be precise about the three things the American Malayalee network can give Kerala that money cannot buy.

The first is ideas. The diaspora has spent thirty years building and running exactly the kinds of institutions this paper calls for. There are Malayalees who have chaired university departments, created new ventures, run global corporations, and built the ecosystem organizations of American cities. They know, from having done it, what a research-to-commercialization bridge actually requires, how an angel network is really governed, and why some incubators work while most do not. That is tacit knowledge, the kind you cannot get from a consultant's report, and it is sitting unused. More than a decade ago a group of us proposed a summit that would gather forty or fifty of the most accomplished Malayalee scientists and entrepreneurs in America to help Kerala leapfrog into frontier technologies. The list we drew up then, of deans and chief scientists and founders, was staggering in its depth. That brain trust still exists, and it is larger today. It has never been properly convened.

The second is networks. A diaspora executive can open a door to a global corporation's decision on where to place its next capability centre, to a US university's research partnership, or to a Boston venture fund, in a single phone call that no trade delegation could achieve in a year. This is the deepest lesson of my own work with TiE, the diaspora network of thousands of members and volunteer mentors across more than sixty chapters, and of organizations like Choose New Jersey, which deliberately partners with diaspora bodies to build its investment pipeline. In the language of my research, these people are diasporic liaison-animateurs, the connectors who link entrepreneurial energy

across industries and across borders. Kerala's task is not to admire this network from a respectful distance. It is to plug into it.

The third, and the one we almost never ask for, is leadership. I do not mean ceremonial patronage. I mean real seats at the real table. Put respected diaspora figures on the independent boards of the Kerala Innovation Foundation, of Kerala CONNECT, and of the Kerala Enterprise Fund, with genuine governance responsibility. This does three things at once. It imports world-class judgment about how such institutions should actually be run. It lends the institutions a credibility that helps insulate them from the political cycle, because a board of globally respected Malayalees is far harder to capture or quietly disband than a government committee. And it models, in the most visible way possible, the entrepreneurial governance logic that the rest of the system needs to learn.

Now the hard part, and here I speak from scars. Diaspora engagement fails more often than it succeeds, and it fails in predictable ways. It fails when it is ceremonial, a summit and a photograph and nothing after. It fails when it is a donation drive dressed up as partnership. It fails when it rests on one enthusiastic official and dies the day that official is transferred. There is a sobering recent finding that startups founded by returnees to India have tended to underperform those founded by locals, and the likeliest reason is not that the diaspora has little to offer but that India, unlike China, never built the deliberate support to channel what it offers. I have lived a version of this failure myself. Some years ago a group of us in the diaspora threw ourselves into helping build the ecosystem back home, and after a year of meetings we had produced almost nothing, and I wrote to my colleagues that we should stop and concentrate our energy where it could actually land. The lesson I carry from that year is the one the evidence teaches: the drivers of change must be local, the diaspora can only catalyze, and the connectors who make it work are intrinsically motivated people whose motivation dies the moment a bureaucracy tries to capture and control them.

Kerala, to its credit, is already ahead of most Indian states here. Its **NORKA-Roots** department and its **Loka Kerala Sabha** give the diaspora something rare in India, a permanent institutional home and a structured voice, rather than a biennial spectacle. But these bodies lean, by design, toward welfare and consultation. They were not built to mobilize the diaspora as a source of entrepreneurship, capital, frontier ideas, and institutional leadership, and that is precisely the mandate they now need. The move is not to create yet another ceremonial council. It is to give an empowered vehicle, whether an evolved NORKA, a new innovation-focused diaspora council reporting directly to the Chief Minister, the new Choose Kerala Agency, or the boards of the institutions proposed in this paper, a real mandate, a real budget, and real decision rights, and then to make it frictionless and genuinely prestigious for a busy Malayalee in New Jersey or California to mentor a founder, introduce a customer, join a board, or write a cheque.

The American Malayalee network is not waiting to be asked for money. It is waiting to be asked for something harder and more flattering, which is to help build a new Kerala. Give us a seat at the table rather than a stage, and we will come.

12. Governance and the Politics of Patience

A plan is only as good as its governance, and governance is the reef on which economic development strategies like this most often break.

The core difficulty is a collision of two logics. *Government operates on bureaucratic logic: hierarchy, precedent, control, the avoidance of error. Entrepreneurship operates on network logic: speed, experiment, the tolerance of failure, the creation of new value.* Neither is wrong. They are simply different, and when they meet without a translator, they produce friction and mutual suspicion. This is precisely why the meso layer matters. *The ecosystem builders in the middle are the ones who can translate between the two, and it is why the governance of this strategy should sit not inside a government department but in neutral, credible broker institutions, the Foundation, Kerala CONNECT, the District Joint Action Groups, that are close to entrepreneurs and trusted by the State without being captured by either.*

Three governance principles follow. Distributed, not centralized: resist the natural instinct to run everything through a single new government agency, because the goal is a flat network with many nodes, and the government's proper role is to convene and to fund, not to control. Patient, not hurried: this is a ten-year project in a five-year political world, which is exactly why the above-party Compact and the politically-independent Foundation are not niceties but load-bearing structures. And measured, not merely asserted: publish the indicators, count what matters, and be willing to see and to say what is not working.

I will say the hardest thing plainly, and as a design problem. The culture of hartals and confrontational politics, the status anxiety that still ranks the safe government job above the risky venture, and a bureaucracy that too often withholds permission as an exercise of power, these impose real costs on enterprise, and pretending otherwise would insult the intelligence of everyone who has tried to build a business here. But cultures change, and Kerala's has changed before. The same civic energy that produces a hartal is, redirected, the raw material of a participatory enterprise culture. The same fierce respect for education that fills our colleges can be extended to the founder, as it already is to the doctor and the engineer. *The lever is not exhortation. It is example. Visible, local, Malayalee founders who build companies here and employ our young people here.* Nothing changes a culture's mind about entrepreneurship faster than a neighbour who succeeds at it, and then a second, and then a hundred.

13. Risks and Honest Caveats

Intellectual honesty requires me to set out what could cause this strategy to fail, because a plan that pretends to have no failure modes deserves no one's trust.

The first risk is political discontinuity, that a change of government, or simply a change of ministerial attention, abandons the institutions before they mature. The mitigation is structural: the above-party Compact, the independent and diaspora-funded

Foundation, and endowment rather than annual appropriation are all designed precisely to make the core survive politics.

The second risk is elite capture, that the capital and the institutions are quietly taken over by the already-connected, reproducing the very hub-and-spoke gatekeeping we are trying to dissolve. The mitigation is distributed governance, transparent deal terms, published indicators, and a deliberate inclusion mandate reaching women, whose 47 percent youth unemployment is both the sharpest indictment of the status quo and the single largest untapped opportunity in the State, and reaching every district, not only the two or three biggest cities.

The third risk is the cartel of good intentions, that this becomes another well-meaning apparatus of schemes and seminars that never touches enough real founders. The mitigation is the discipline of the focus industries and the flagships: few, nameable, measurable, and judged by ventures created and jobs held, not by activity generated.

The fourth risk is diaspora over-promise, that we expect the diaspora to be the driver when it is best suited to be a catalyst. The reality is that diaspora however well-meaning has limitations in time, attention and resources. I have lived this disappointment, as I described earlier, and I will not repeat it in this paper. *The drivers of change must come from within Kerala*. The diaspora brings capital, knowledge, technical expertise, and connection to the margins. The exceptions are returning NRKs who have or are in the process of settling back to Kerala. The centre of gravity is, and must remain, here.

And there is one last caveat, aimed at myself and at every outside expert who has ever presumed to advise a homeland from abroad. *The specifics in this paper are a starting hypothesis, not a blueprint to be imposed. What Kerala actually builds must be discovered from the bottom up, adapted to conditions I cannot fully see from New Jersey, and allowed to take a shape none of us has yet imagined.*

14. Conclusion: The Kerala Dream

History is a reliable witness that Kerala has, in its very bones, a culture built for enterprise. For two thousand years we traded with the world. We are curious, mobile, hungry to build, and unafraid of distant shores. The tragedy of the last half-century is not that we lacked the human material for an entrepreneurial economy. We had more of it than almost anywhere. It is that our social, political, and administrative environment sent that material away to build other people's economies instead of our own.

Let me end where my own story begins. After serving in the World War II and in the India Navy post-independence, my father settled in Kochi, giving their children deep roots in Kerala. After earning my MBA, I left Kerala in 1991, as so many of my generation did, and I have spent my adult life in America trying to carry what I learned here back to India. My son is fifteen now, growing up in New Jersey, and when I bring him to Kochi, his favourite place in India, he asks me, with a child's directness, why so many people leave this beautiful place to work and settle in the US, the UAE, and Canada. Sometime in the not-

too-distant future, I would like to give him a different answer: that in Kerala, the talented and the ambitious no longer have to leave in order to reach their full potential.

The argument of this paper is that Kerala has a narrow path toward an entrepreneurship-led economic revival. The new Chief Minister has demonstrated the vision and the right instincts, and is backed by the people's mandate for change. What Kerala needs is conviction, convergence, and bold actions. The old Gulf model is ending on its own. The assets for a new economy — the ports, the startup base, the global diaspora, the talent, and a rare political opening — are in place at the very moment the demographic clock ticks toward an older and costlier Kerala. *If we convert our talent into enterprise at home over the next ten years, we can build an economy that is worthy of our people. If we do not, we will spend the next decade managing a graceful decline, exporting our young and living on their remittances until even those run dry.*

I have tried to make this case honestly, without flattery and without despair, and to offer not a vision but a machine: a small number of institutions and programmes, drawn from what has actually worked in Kansas City and San Diego and Bengaluru, and adapted to what only Kerala has. The most powerful case I can make is the one I first made fifteen years ago and believe more firmly today. *Among all the paths to sustained and shared prosperity, widespread entrepreneurship is the surest way to ensure that the fruits of freedom, democracy, and economic growth reach the many and not merely the few.*

Needless to say, the recommendations listed above are time sensitive and have multiple dependencies. Many things could go wrong, But it is a future worth building. My fond hope is that Kerala acts, and that if the pieces of the puzzle fall into place, then one day in the not-so-distant future, the phrase “**living the Kerala dream**” will be spoken with the same meaning that the American version once carried. That will be the day Kerala and its people finally come into their awesome potential. I would consider it the privilege of my life to help with this urgent and important undertaking.

Reference Sources and Data Notes

Figures in this paper are drawn from public sources and are cited below by topic. Where estimates vary, the more conservative or official figure has been used and the variance noted.

Macroeconomy and fiscal. Kerala Economic Review 2025 (State Planning Board); PRS Legislative Research, Kerala Budget Analysis 2024–25; RBI, State Finances: A Study of Budgets. GSDP approximately 13.1 lakh crore rupees (2024–25); real growth 6.19 percent (2024–25); per-capita income 1,90,149 rupees versus a national 1,33,501; services approximately 63 percent, industry approximately 28 percent, agriculture approximately 8 percent of gross value added; debt approximately 34 percent of GSDP; revenue deficit approximately 2.49 percent of GSDP; committed expenditure approximately 71 percent of revenue receipts.

Employment. Periodic Labour Force Survey 2023–24; Kerala Economic Review 2025. Youth (15–29) unemployment approximately 29.9 percent; young-women unemployment approximately 47.1 percent.

Migration, remittances, demographics. Kerala Migration Survey 2023 (Gulati Institute of Finance and Taxation and the Centre for Development Studies; S. Irudaya Rajan); RBI remittance data; India Ageing Report 2023. Emigrants approximately 2.2 million (2023, below the 2013 peak of 2.4 million); non-resident Keralite population approximately 5 million; remittances approximately 2.17 lakh crore rupees, equal to 23.2 percent of net domestic product (2023); Kerala approximately 19.7 percent of India's remittances; student migration approximately 250,000 (doubled since 2018); total fertility rate approximately 1.35; old-age dependency ratio projected at approximately 34.3 percent by 2031. Malayalee nurse emigration fell from 9,980 (2023) to 6,393 (2025). The in-migrant-worker figures are extrapolations and are treated as indicative only.

Innovation ecosystem and sectors. Kerala Startup Mission; Startup Genome (2024); DPIIT States' Startup Ranking; Technopark and Infopark reports; Kerala Tourism statistics; KPMG Kerala Medical Value Travel Vision 2030. KSUM approximately 5,000 startups and 50 incubators; Kerala rated best performer in the national startup ranking; ecosystem valued at approximately 1.7 billion dollars with a fourth-in-Asia affordable-talent ranking; Technopark approximately 80,000 jobs and exports of approximately 13,255 crore rupees (FY24); tourism approximately 25.9 million arrivals (2025) and approximately 45,053 crore rupees in revenue (2024); Vizhinjam operational since 2024 and ranked approximately 83rd globally in its first year.

Climate and environment. 2018 Kerala floods: 483 deaths, approximately 1 million displaced, approximately 40,000 crore rupees in damage; Rebuild Kerala Initiative with World Bank and AFD support. 2024 Wayanad landslides (30 July): approximately 298 dead including the missing (Down To Earth cites 285); approximately 10,000 displaced. Coastal erosion affecting approximately 60 percent of the 590 km coastline (NCESS). Western Ghats protection: Gadgil (approximately 64 percent) versus Kasturirangan (approximately 37 percent). Kerala ESG Investment Policy approved October 2025; full renewable-energy target by 2040 (attributed to industry and government press).

Benchmark ecosystems. Ewing Marion Kauffman Foundation (endowment approximately 2.6 billion dollars; 1 Million Cups; Global Entrepreneurship Week; Kauffman Indicators); UCSD CONNECT (founded 1985; Springboard; replicated in approximately 40 regions); Austin technology-workforce data (SignalFire and Axios, 2019–2023); Karnataka Digital Economy Mission and the 1,000-crore-rupee LEAP programme; the Global Alliance for Mass Entrepreneurship district Joint Action Groups; TiE (more than 60 chapters; thousands of charter members).

Author's prior work drawn upon. Kumar (2011), *Unleashing the Potential of the State of Kerala through Entrepreneurial Capitalism*; Kumar (2013), *feedback to Startup Village, Kochi*; Kumar (2015), *Recreating Silicon Valley in Kerala: Myth or Reality?*; Krueger and Kumar (2026), *Role of Connectors, Diaspora Networks, and Co-Evolution in Building Resilient Innovation Ecosystems: Emerging Models from India*.