

# **Kerala's Economic Crisis**

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# **Kerala's Economy (1956–2003): Phases of Development**

## **I. Phase of Backwardness (1956–1975)**

- Kerala state was formed by integrating three regions viz. Travancore, Cochin and Malabar with some minor territorial changes in 1956.
- Kerala remained as very backward economy with high incidence of poverty and unemployment.
- The data will give an idea of extent of backwardness of state's economy.
- In 1971, 84 percent of population lived in rural areas and 16 percent in urban areas.

- In 1971, 70 percent of population was literate (Male 77%, female 62%)
- In 1971 of the total workers, share of primary (agriculture and allied) 56%, secondary (industry and construction) 17% and tertiary 27%.
- In 1973-74, total people below poverty line was 60% (rural and urban), rural 59%, urban 62% (Planning commission estimate).
- Total number of motor vehicles in 1975 – 76 was 1,18,076 (Motor cars 40,667, motor cycles 26,110)
- Number of Telephone connections 65,043 in 1975-76
- Number of engineering colleges 6, medicine 4, agriculture 1 and veterinary 1 in 1978-79

## **II. Second Phase: Gulf migration and rapid changes (1976 – 1990)**

- The large scale migration of Keralite contract migrant workers to the Gulf countries.
- The number of Keralite emigrants in Gulf increased from 2.5 lakh in 1979 to 4.58 lakh in 1983.
- The large scale migration and flows of remittances have resulted in unprecedented changes in Kerala.

- Migration has created a spurt in income of migrant households, pushed up price of land, increased demand of construction materials, consumer goods, food articles, rent and charges on health education, transport etc.
- The large scale migration and large flows of remittances had given to biggest push to backward economy to move forward.
- The following book examines the development of state economy for a period 1956-1991
- **B. A. Prakash (Ed.) (1994). Kerala's Economy: Performance, Problems, prospects, New Delhi: Sage Publications**

### **III. Third Phase: Post liberalisation period (1991 – 2020)**

- The economic policies pursued in Kerala prior to 1990 was state sponsored and state funded investment in all sectors.
- Private investment was totally restricted through license and permits. It is a license raj economy.
- Though state implemented plans through the public funds, the amount available was too meagre to make any significant impact.
- The Structural Adjustment Reforms implemented in 1991 by central government have dismantled the license raj and restrictive economic policies.

- Promotion was given to private investment, foreign investment, flow of advanced technology from foreign countries and implemented globalisation policies.
- The continuous increase in flow of Gulf remittances and the implementation of economic reforms had broken the vicious circle of economic backwardness, technological backwardness, stagnation of private industrial investment and restriction in private investment in higher education sector.
- During this phase a major global development that arrested the economic progress was global financial crisis and the global recession of 2008.

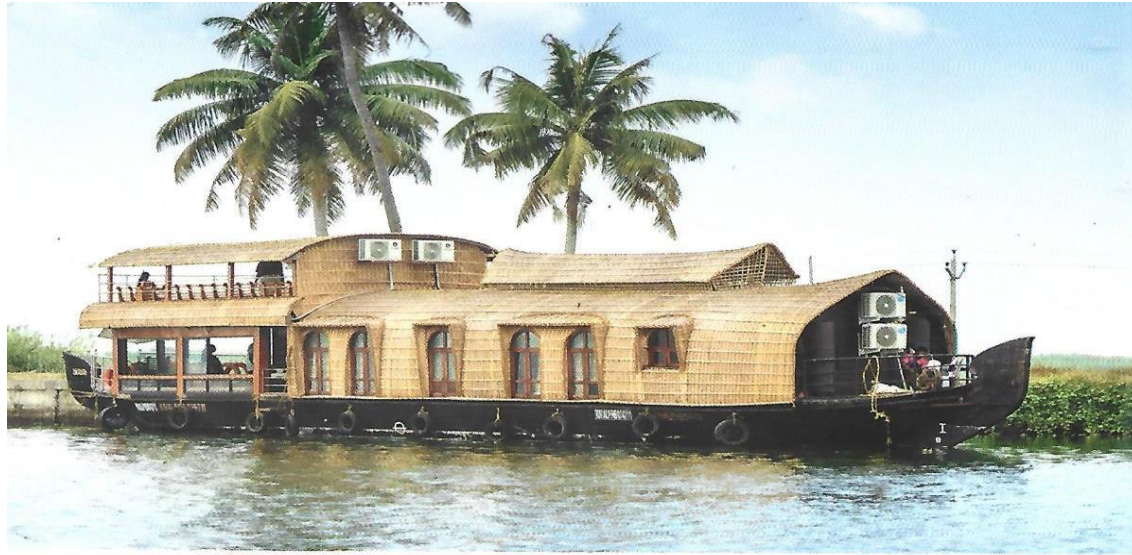
The following books presents the development of Kerala economy during the period 1991 to 2020.

- **B. A. Prakash. (Ed.) (2004). Kerala's Economic Development: Performance and Problems in the Post-Liberalisation Period. New Delhi: Sage Publications.**
- **B. A. Prakash and Jerry Alwin (Ed.) (2018) Kerala's Economic development: Emerging Issues and Challenges. New Delhi: Sage Publications.**



## **IV. Fourth Phase : Post COVID-19 Period Since January 2020**

- State faced unprecedented health crisis
- Unprecedented recession
- Structural retrogression of state's economy
- Changes in global economic order and its effect
- The following book examines the development in the post COVID-19 period.
- **B A Prakash and Jerry Alwin. (Ed.) (2023).Kerala's Economic Development: COVID-19 Pandemic, Economic Crisis and Public Policy. Noida: Pearson**



# Kerala's Economic Development

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COVID-19 PANDEMIC, ECONOMIC CRISIS  
AND PUBLIC POLICY



B. A. Prakash  
Jerry Alwin

# **“Kerala’s Economic Development: COVID-19 Pandemic, Economic Crisis and Public Policy”**

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## **COVID-19 pandemic in the World, India and Kerala**

- During the past one century, five influenza pandemics viz. Spanish flu (1918-1919), Asian flu (1957-1958), Hong Kong flu (1968), Swine flu (2009-2016) and COVID-19 (2019-2022) had disrupted human lives on a global scale.
- Among these, the 1918 Spanish flu was the worst pandemic, which killed an estimated 20 to 50 million people worldwide.
- Though, the COVID-19 pandemic has a low mortality rate compared to the 1918 Spanish flu, it spread to 171 countries in the World within two months



- The pandemic which spread like a forest fire throughout the World has paralysed large parts of the global economy, and unleashed the deepest recession since 1945-46 in the world.
- It is estimated by the World Bank that in the year 2020, the largest share of countries in the world have experienced contractions in annual per capita Gross Domestic Product (GDP) since 1870.
- The Russian invasion of Ukraine in February 2022 has worsened the global economic crisis, arrested the process of global recovery from recession, altered the prevailing global economic order and pushed global economy to high inflation mode.
- The Indian economy and the regional economy of Kerala experienced the worst recession since 1951-52.

# COVID-19 induced changes

- The pandemic and the restrictions imposed to contain it have accelerated a process of structural changes such as vanishing a large number of traditional activities, emergence of new activities, shift to information technology (IT) based activities, rapid digitalization.
- A shift from “free market economic policy” to state intervention type of policy in all spheres of activities in the world.
- Trade controls were imposed without considering WTO norms or agreements.
- The pandemic has initiated a process of reverse international migration

- There was exodus of emigrant workers from all the countries in Gulf region
- Many countries witnessed a reverse migration from urban to rural areas due to the pandemic.
- All countries which heavily relied on international tourist arrivals faced unprecedented crisis
- The pandemic also initiated a shift in tourism from international to domestic.
- COVID-19 has taught us that production of food items in primary sector (agriculture, livestock and fisheries) is most important economic activity for human survival.

# **Total COVID-19 cases and deaths across the world**

- During the year 2020 the covid cases increased from 8.99 lakhs to 843.30 lakhs
- During 2021, it increased from 843 lakh to 2890 lakh.
- During 2022, it increased from 2890 lakh to 5277 lakh.
- The total deaths till June 1, 2022 is 62.93 lakh.
- The countries which have the largest number of deaths are USA, Brazil, India and Russia

## Table 1: Total COVID-19 cases and deaths across the World

Month/Date	Total Number		Growth rate (%)	
	Cases	Deaths	Cases	Deaths
<b>2020</b>				
April 1	8,99,971	48,591	-	-
July 2	1,06,84,425	5,61,591	1087.2	1055.8
October 1	3,47,36,658	11,05,187	225.1	96.8
<b>2021</b>				
January 2	8,43,30,910	19,54,516	142.8	76.8
April 1	12,88,43,747	29,53,283	52.8	51.1
July 1	18,22,78,385	39,74,129	41.5	34.6
October 2	23,45,88,214	48,15,645	28.7	21.2
<b>2022</b>				
January 1	28,90,83,418	54,55,387	23.2	13.3
April 1	48,74,25,311	61,61,990	68.6	13.0
Jun 1	52,77,57,564	62,93,055	8.3	2.1

*Source:* WHO. COVID-19 Dashboard

**Table 2: Total COVID-19 cases and deaths in the World  
(as on June 1, 2022)**

No	Country	Cases	Death
1	USA	8,32,38,653	9,97,336
2	India	4,31,60,832	5,24,636
3	Brazil	3,09,77,661	6,66,453
4	France	2,86,36,126	1,45,019
5	Germany	2,63,33,899	1,39,507
6	UK	2,23,04,851	1,78,829
7	Russia	1,83,35,514	3,79,200
8	South Korea	1,81,19,415	24,197
9	Italy	1,74,21,410	1,66,697
10	Turkey	1,50,72,747	98,965
<b>Other Countries</b>		22,41,56,456	29,72,216
<b>Total World</b>		52,77,57,564	62,93,055

*Source:* WHO. COVID-19 Dashboard

### Table 3: COVID-19 induced changes in global economic system

Item	COVID-19 Period
Health crisis	COVID-19 spread throughout the World. Became a global health crisis
Economic situation	Deepest global recession
Market intervention	More state intervention in free market system
Mixed economy	Faster shift to mixed economy with expansion of public sector and activities.
Globalisation	A process of deglobalisation in many areas
International migration	A process of reverse migration/arrested new migration
International tourism	From international to domestic tourism
Structural change	Decline of traditional activities and creation of new activities
Digitalisation	Rapid digitalisation
Urbanisation	Arrested the process of excessive urbanization/deurbanisation
Production of food items	Growth in domestic production of agriculture, livestock and fisheries
Import of foreign products	Less reliance of foreign investment and foreign products

## Table 4: Spread of COVID-19 cases and deaths in India

Month/Date	Total Number		Growth rate (%)	
	Cases	Deaths	Cases	Deaths
<b>2020</b>				
<b>January 30</b>	1	0	-	-
<b>April 1</b>	2,059	58	205800.0	
<b>July 1</b>	6,05,221	17,848	29293.9	30672.4
<b>October 1</b>	63,92,049	99,807	956.2	459.2
<b>2021</b>				
<b>January 1</b>	1,03,06,469	1,49,255	61.2	49.5
<b>April 1</b>	1,23,02,115	1,63,428	19.4	9.5
<b>July 1</b>	3,04,57,549	4,00,346	147.6	145.0
<b>October 31</b>	3,42,85,612	4,58,470	12.6	14.5
<b>2022</b>				
<b>Jan 1</b>	3,48,61,579*	4,81,486*	1.7	5.0
<b>May 31</b>	4,31,58,087*	5,24,636*	23.8	9.0

*Source: COVID19India (From Jan 30, 2020 to Oct 31, 2021)*



# COVID-19 spread in Kerala

- During the first phase (January 30, 2020 to October 1, 2020), the growth in COVID-19 cases and deaths were very few in Kerala compared to other states
- It was due to effective implementation of preventive measures, prior experience in containing the outbreak of NIPAH virus and the existence of an elaborate public medical system in Kerala having government hospitals at panchayat, taluk and district levels.

- In spite of the implementation of a number of preventive measures such as physical distancing, wearing mask, frequent cleaning of hand, introduction of quarantine, testing of nasal specimen etc, the number of COVID-19 cases continued to increase in the second phase (October 1, 2020 to March 1, 2022).
- But the large scale vaccination implemented for various sections of people like old age people had finally helped to contain the spread of the pandemic.

**Table 5: Spread of COVID-19 cases and deaths in Kerala**

Month/Date	Total Number (Cumulative)		Monthly increase	
	Cases	Deaths	Cases	Deaths
<b>2020</b>				
Jan 30	1	0	-	-
Oct 1	2,04,241	771	1,27,716	473
<b>2021</b>				
Jan 1	7,65,924	3,095	1,57,567	825
July 1	29,37,033	13,359	3,90,694	4,350
Dec 1	51,47,219	40,535	1,73,265	8,486
<b>2022</b>				
Mar 1	65,02,060	65,501	4,24,504	9,901
June 1	65,59,623	69,753	17,645	670

*Source:* GoK. COVID-19 dashboard

## Table 6: District-wise COVID-19 cases in Kerala

No	District	Oct 1 2020	Jan 1 2021	June 1 2021	Mar 1 2022	Growth rate (%) (Oct 1, 2020 and Mar 1, 2022)
1	Kasargod	11,256	24,239	72,131	1,66,132	1375.9
2	Kannur	11,924	40,063	1,43,122	3,47,472	2814.1
3	Wayanad	3,786	17,097	58,276	1,67,146	4314.8
4	Kozhikode	19,891	86,731	2,80,954	6,69,653	3266.6
5	Malappuram	23,511	91,331	2,94,462	6,45,585	2645.9
6	Palakkad	12,376	48,228	1,72,251	4,48,488	3523.9
7	Thrissur	14,246	74,970	2,37,627	6,66,591	4579.1
8	Ernakulam	19,166	84,108	3,13,652	8,77,818	4480.1
9	Idukki	3,922	16,639	72,038	2,06,776	5172.2
10	Kottayam	11,057	51,725	1,81,086	4,44,449	3919.6
11	Alappuzha	15,065	57,693	1,73,884	3,88,680	2480.0
12	Pathanamthitta	8,068	30,992	1,05,292	2,64,616	3179.8
13	Kollam	14,636	59,823	1,89,879	5,07,911	3370.3
14	Thiruvananthapuram	35,337	82,285	2,51,685	7,00,743	1883.0
<b>Kerala</b>		2,04,241	7,65,924	25,46,339	65,02,060	3083.5

Source: GoK. COVID-19 dashboard

## Table 7: District-wise COVID-19 deaths in Kerala

No	District	Oct 1 2020	Jan 1 2021	June 1 2021	Mar 1 2022	Growth rate (%) (Oct 1, 2020 and Mar 1, 2022)
1	Kasargod	56	84	153	1,294	2210.7
2	Kannur	47	205	625	4,271	8987.2
3	Wayanad	5	49	163	922	18340.0
4	Kozhikode	70	296	976	6,036	8522.9
5	Malappuram	73	341	667	5,711	7723.3
6	Palakkad	38	133	645	5,493	14355.3
7	Thrissur	55	329	1,045	7,051	12720.0
8	Ernakulam	69	312	905	7,453	10701.4
9	Idukki	3	20	63	1,387	46133.3
10	Kottayam	19	153	449	4,192	21963.2
11	Alappuzha	41	238	706	5,074	12275.6
12	Pathanamthitta	6	55	294	2,366	39333.3
13	Kollam	54	221	525	6,159	11305.6
14	Thiruvananthapuram	235	659	1,793	8,092	3343.4
<b>Kerala</b>		771	3,095	9,009	65,501	8395.6

Source: GoK. COVID-19 dashboard

# COVID-19 Pandemic and Recession in Kerala

- Due to the COVID-19 induced crisis, the Indian economy and State economy of Kerala have experienced the worst recession since 1951-52.
- The lockdowns implemented had created severe and long lasting damage to the state economy.
- It was estimated that during the first quarter of 2020-21, the total losses in Gross Value Added (GVA) was around 10 percent of the total GVA of 2020-21.
- It was estimated that 70 per cent of the manufacturing production in the State was lost due to the lockdown and the disruptions.

- The other sectors which were severely hit by the lockdown were trade, hotels, restaurants, tourism, road transport etc.
- The State experienced a negative growth of 9.2 percent of GSDP during 2020-21.
- Among the three sectors, secondary and tertiary sectors witnessed a negative growth of more than 9 percent.
- The subsectors which experienced very high negative growth (more than 10 percent) were construction, road transport, water transport, air transport, storage, real estate and public administration.
- The pandemic has also created huge loss of employment in all subsectors of secondary and tertiary sectors.

## Table 8: Lock down period in India

Phase	Date	Number of days
I	25 March 2020 – 14 April 2020	21 days
II	15 April 2020 – 3 May 2020	19 days
III	4 May 2020 – 17 May 2020	14 days
IV	18 May 2020 – 31 May 2020	14 days
<b>Total days</b>		<b>68 days</b>

Source: Ministry of Home Affairs Orders, Government of India, dated from 24 March 2020 to 1 November 2020.



## Table 9: Unlock period in India

Phase	Date	Number of days
<b>First 5 Unlock phases</b>		
I	1 June 2020 – 30 June 2020	30 days
II	1 July 2020 – 31 July 2020	31 days
III	1 August 2020 – 31 August 2020	31 days
IV	1 September 2020 – 30 September 2020	30 days
V	1 October 2020 – 31 October 2020	31 days
	Total days	153 days
<b>Unlock phases with more relaxations</b>		
	<b>1 November 2020 – 31 March 2022</b>	<b>516 days</b>

Source: Ministry of Home Affairs Orders, Government of India, dated from 24 March 2020 to 1 November 2020.

**Table 10: Trends in growth rate of GSDP at 2011-12 prices (%)**

No	Sector	2018-19	2019-20 (P)	2020-21 (Q)
1	Primary	-3.16	-6.40	3.81
2	Secondary	0.45	-2.70	-9.50
3	Tertiary	7.20	5.60	-9.25
4	Total GSVA at basic prices	4.23	2.19	-8.16
5	Taxes on Products	28.16	2.44	-15.36
6	Subsidies on products	-24.99	3.74	-5.80
7	Gross State Domestic Product	7.37	2.22	-9.20

P: Provisional estimate, Q: quick estimate

Source: KSPB, 2022b

**Table 11: Trends in growth rate of secondary sector at 2011-12 prices (%)**

No	Sector	2018-19	2019-20 (P)	2020-21 (Q)
1	Manufacturing	-5.28	-5.11	-8.94
2	Electricity, gas & water supply	22.96	2.07	-6.00
3	Construction	4.05	-1.09	-10.31
	<b>Secondary</b>	0.45	-2.70	-9.50

P: Provisional estimate, Q: quick estimate

Source: KSPB, 2022b

**Table 12: Trends in growth rate of tertiary sector  
at 2011-12 prices (%)**

<b>No</b>	<b>Sector</b>	<b>2018-19</b>	<b>2019-20 (P)</b>	<b>2020-21 (Q)</b>
<b>1</b>	Trade, repair, hotels and restaurants	10.43	3.41	-5.70
<b>2</b>	Transport, storage & communication	3.38	5.06	-11.90
<b>3</b>	Financial services	18.55	4.46	-7.84
<b>4</b>	Real estate, ownership of dwelling & professional services	6.88	6.16	-11.42
<b>5</b>	Public administration	3.24	-1.80	-12.90
<b>6</b>	Other services	2.36	11.11	-9.31
	<b>Tertiary</b>	<b>7.20</b>	<b>5.60</b>	<b>-9.25</b>

P: Provisional estimate, Q: quick estimate

Source: KSPB, 2022

# Impact on labour market

- The lockdown measures largely created inactivity for labourers rather than permanent employment loss.
- This also resulted in shortened hours of work and a few days of employment resulting in lower earnings.
- The pattern of employment in rural and urban Kerala and India underwent a reverse structural change during the COVID-19 period
- There was an increase in growth in primary sector employment and decrease in growth in secondary and tertiary sector employment

- It also disproportionately affected low-paid and low-skilled informal jobs.
- The COVID-19 pandemic created massive frictional unemployment, labour inactivity and long-term structural unemployment.
- The COVID-19 pandemic had its damaging effects on youth employment particularly among educated youth.
- On the whole, the COVID-19 had created a devastating effect on the labour market of Kerala.

**Table 13: Unemployment Rate in Kerala (in per cent)  
according to CWS for all age group:  
all ages (0+)**

Category	CWS		
	2018-19	2019-20	2020-21
<b>Rural</b>			
Male	8.0	14.1	12.6
Female	19.0	21.2	22.4
Person	11.6	16.5	15.8
<b>Urban</b>			
Male	7.9	15.3	15.7
Female	20.9	20.5	23.2
Person	12.1	16.9	18.1

Source: Annual reports PLFS 2018-19, 2019-20 and 2020-21

# Kerala's Acute Fiscal Crisis

Kerala has been experiencing a persistent, acute and unprecedented fiscal crisis. We use the following fiscal indicators to examine the fiscal crisis

- **The revenue deficit** is the difference between revenue receipts and revenue expenditure.
- **The gross fiscal deficit (GFD)**, denoting the gap between total receipts (excluding borrowing) and total expenditure in the consolidated fund indicates the borrowing required to meet the deficit.
- **Debt GSDP ratio** is a ratio of total debt to GSDP of the state.

We can assess the crisis using the above fiscal indicators.



- Though the RD target set by Fiscal Responsibility Act is zero, Kerala has not able to achieve the target so far. It may be noted that 12 States in India are revenue surplus states during the year 2021-22 (RBI. State Finance: A Study of Budgets 2022-23) (Table 14).
- The data on GFD indicates that the deficit is at higher level (5.1% of GSDP) (Table 15). Compared to national average, the ratio is very high. A disturbing aspect is that almost 69 percent of the amount borrowed funds is spent for meeting revenue deficit.
- Persistent diversion of major share of annual borrowing for routine revenue expenditure is an important issue of the state finance (69 percent in 2021-22).

## Table 14: Revenue Deficit (RD) of Kerala (Rs. Crore)

Year	Revenue Receipts	Revenue Expenditure	RD	RD of Kerala as % of GSDP	RD of all states and UTs as % of GSDP
2018-19	92,854.5	1,10,316.4	17,461.9	2.2	0.1
2019-20	90,224.7	1,04,719.9	14,495.3	1.7	0.6
2020-21	97,616.8	1,23,446.3	25,829.5	3.2	1.9
2021-22 (RE)	1,17,888.2	1,49,803.2	31,915.0	3.5	0.9

Source: RBI. State Finance: A Study of Budgets of 2020-21; 2021-22; 2022-23. Mumbai: RBI

## Table 15: Gross Fiscal Deficit (GFD) of Kerala (Rs. Crore)

Year	Receipts	Expenditure	GFD	GFD of Kerala as % of GSDP	GFD of all states and UTs as % of GSDP
2018-19	92,901.0	1,19,859.3	26,958.3	3.4	2.4
2019-20	90,252.1	1,14,089.6	23,837.5	2.8	2.6
2020-21	97,651.0	1,38,620.7	40,969.7	5.1	4.1
2021-22 (RE)	1,17,931.9	1,64,326.4	46,395.5	5.1	3.7

Source: RBI. State Finance: A Study of Budgets of 2020-21; 2021-22; 2022-23. Mumbai: RBI

- Another outcome of the crisis is the substantial increase in the public debt of the state. The outstanding liabilities increased from Rs 2,43,745 crore in 2019 to Rs 3,90,859 crore in 2023 (Table 16). The total debt as percentage of GSDP increased from 30.9 percent to 39.1 percent.
- CAG's audit report for 2020-21 which assessed the state finances based on fiscal indicators for five years from 2016-17 to 2020-21 came to the conclusion that Kerala's fiscal situation is precarious.
- The state was not able to achieve the revenue deficit, fiscal deficit, debt GSDP targets stipulated as per Kerala Fiscal Responsibility Act (KFR Act) for the above five years (CAG (2022). State Finances Audit Report of the CAG for the year ended 31 March 2021. Government of Kerala. Report no. 1 of 2022).

## Table 16: Total Outstanding Liabilities of Kerala

<b>Year</b>	<b>Amount (Rs Crore)</b>	<b>Growth (%)</b>	<b>Total of Kerala as % of GSDP</b>	<b>Total of all states and UTs as % of GSDP</b>
2019	2,43,745.7	-	30.9	25.3
2020	2,67,585.4	9.8	32.5	26.7
2021	3,10,856.2	16.2	38.9	31.1
2022 (RE)	3,52,323.2	13.3	39.1	28.7
2023 (BE)	3,90,859.5	10.9	39.1	29.5

Source: RBI (2023).

- A review of the total amount received as share of central taxes and grants from the Centre do not support the argument that the Centre's financial transfers are low in the state (Table 17).
- Though there has been a fall in the share of Centre taxes due to 15<sup>th</sup> UFC recommendations, the grants from the Centre registered a substantial increase due to the receipt of the post devolution revenue deficit grant.

- Rejecting the recommendations of two Kerala Public Expenditure Review Committees and 10<sup>th</sup> Pay Revision Commission to switch over salary and pension revision to once in ten years, the state government implemented it once in five years.
- The implementation of the eleventh pay revision commission recommendations in February, 2021 has resulted in huge increase in expenditure and pushed the state to unmanageable fiscal crisis (Table 18).

## Table 17: Share of Central taxes and grants from the Centre

Year	Share of Central taxes	Grants from the Centre	Total	Share of total to total revenue receipts (%)
	<b>Amount (Rs Crore)</b>			
2018-19	18663.2	11388.9	30052.1	32.4
2019-20	16401.1	11235.3	27636.4	30.6
2020-21	11560.4	31068.3	42628.7	43.7
2021-22 (RE)	17332.1	31650.1	48982.2	41.5
	<b>Growth (%)</b>			
2018-19	-	-	-	-
2019-20	-12.1	-1.3	-8.0	-
2020-21	-29.5	176.5	54.2	-
2021-22 (RE)	49.9	1.9	14.9	-

Source: RBI (2020), RBI (2021), RBI (2023).



## Table 18: Expenditure on salary and pension (Rs Crore)

<b>Year</b>	<b>Salary and wages</b>	<b>Pension</b>	<b>Total</b>	<b>Growth (%)</b>	<b>Share of total to revenue receipts (%)</b>
2018-19	32697.8	19011.9	51709.7	-	55.7
2019-20	33043.6	19064.3	52107.9	0.8	57.8
2020-21	28852.4	18942.8	47795.2	-8.3	49.0
2021-22 (RE)	45619.9	26959.2	72579.1	51.8	61.6

Source: RBI (2020), RBI (2021), RBI (2023).

# Concluding Remarks

- Following fiscal policies neglecting resource mobilization for political gains on the one side
- Resorting to fiscal extravagance resulting in persistent increase in revenue expenditure and revenue deficits.
- Huge increase in the recurring expenditure of salary and pensions due to pay revisions once in five years.
- Persistent borrowing to meet routine revenue expenditure.
- This leads to a vicious circle of persistent low revenue receipts, higher revenue expenditure, higher rate of revenue, fiscal deficits and debt ratios.

# **COVID-19 and Exodus of Keralite Emigrants from the Gulf**

- Due to COVID-19 disruption there has been an unprecedented return of Keralite emigrants from the Gulf.
- According to a United Nations estimate the total stock of Indian emigrants in GCC countries was 95.68 lakh in 2020 (Table 19).
- According to a census of migrants government of Kerala, the total stock of Keralite emigrants in Gulf countries was 14.26 lakhs in 2013 (Table 20).
- The northern Kerala has the largest share of Keralite emigrants as per the census 2013 (Table 21).
- According to Non-Residents Keralites Affairs Department (NORKA), the total number of Emigrants returned due to COVID-19 was 14.71 lakhs (Table 22).
- Reasons for returns of NRK (Table 23)

**Table 19: Total stock of emigrants in GCC countries, mid-year 2020**

No	GCC Countries	Indian emigrants in GCC countries			Share (%)		
		Male	Female	Total	Male	Female	Total
1	UAE	26,66,029	8,05,271	34,71,300	36.5	35.7	36.3
2	Saudi Arabia	17,41,093	7,61,244	25,02,337	23.8	33.7	26.2
3	Oman	12,04,672	1,70,995	13,75,667	16.5	7.6	14.4
4	Kuwait	8,12,171	3,40,004	11,52,175	11.1	15.1	12.0
5	Qatar	6,04,194	97,819	7,02,013	8.3	4.3	7.3
6	Bahrain	2,82,874	82,224	3,65,098	3.9	3.6	3.8
Total		73,11,033	22,57,557	95,68,590	100.0	100.0	100.0

Source: United Nations, Population Division

<https://www.un.org/development/desa/pd/content/international-migrant-stock>

**Table 20: Total Keralite emigrants in Gulf countries: DES  
Census 2013**

No	Country	Number of emigrant workers	Number of dependents	Total emigrants	Share (%)
1	Saudi Arabia	4,21,313	28,916	4,50,229	31.6
2	United Arab Emirates	5,07,087	66,202	5,73,289	40.2
3	Kuwait	91,780	14,353	1,06,133	7.4
4	Oman	89,238	10,733	99,971	7.0
5	Qatar	1,13,395	12,108	1,25,503	8.8
6	Bahrain	61,408	8,890	70,298	4.9
7	Iraq	763	32	795	0.1
8	Iran	473	49	522	0.0
<b>Total</b>		12,85,457	1,41,283	14,26,740	100.0
<b>Total (%)</b>		90.1	9.9	100.0	-

Source: Government of Kerala. 2013. *Non Resident Keralites Census 2013*, Volume 1. Thiruvananthapuram: Department of Economics and Statistics

**Table 21: District wise distribution of Keralite emigrants:  
DES Census 2013**

No	District	Number of emigrants*	Share (%)
1	Kasaragod	60,908	4.3
2	Kannur	1,50,750	10.6
3	Wayanad	15,248	1.1
4	Kozhikode	1,54,233	10.8
5	Malappuram	2,86,586	20.1
6	Palakkad	84,058	5.9
7	Thrissur	1,57,534	11.0
8	Ernakulam	70,294	4.9
9	Idukki	8,227	0.6
10	Kottayam	56,374	4.0
11	Alappuzha	80,832	5.7
12	Pathanamthitta	78,732	5.5
13	Kollam	1,14,140	8.0
14	Thiruvananthapuram	1,08,824	7.6
<b>Total</b>		<b>14,26,740</b>	<b>100.0</b>

\*Total emigrants consist of emigrant workers and dependents

Source: Government of Kerala (2013)

**Table 22: Keralite Emigrants returned due to COVID-19 crisis, till June 22, 2021**

<b>No</b>	<b>Country</b>	<b>Number of return emigrants</b>	<b>Share (%)</b>
1	United Arab Emirates	8,72,303	59.3
2	Saudi Arabia	1,72,016	11.7
3	Qatar	1,42,458	9.7
4	Bahrain	43,194	2.9
5	Kuwait	51,170	3.5
6	Oman	1,34,087	9.1
7	Other Countries	56,209	3.8
<b>Total</b>		14,71,437	100.0

*Source:* Non Residents Keralite Affairs Department (NORKA)

**Table 23: Reasons for the return of NRK**

<b>No</b>	<b>Reasons</b>	<b>Number of return emigrants</b>	<b>Share (%)</b>
<b>1</b>	Loss of jobs	10,51,272	71.4
<b>2</b>	Visa expiry and others	2,91,581	19.8
<b>3</b>	Children below 10 years	81,883	5.6
<b>4</b>	Senior citizen	30,341	2.1
<b>5</b>	Pregnant women	13,501	0.9
<b>6</b>	Spouse of pregnant women	2,859	0.2
<b>Total</b>		<b>14,71,437</b>	<b>100.0</b>

*Source:* Non Residents Keralite Affairs Department NORKA



## **Findings of a survey of return emigration (Centre for Development Studies, Working paper No. 507)**

- A survey was conducted to study the causes of return, activity status of returnees and economic impact.
- The major findings of the survey of 404 return emigrant workers belonging to five districts of Kerala are the following.
- Keralite emigrants were forced to return to Kerala due to loss of jobs.
- The return has resulted in total loss of remittances received by the households on regular basis, shattered their finances, increased their debt burden and pushed them to acute economic distress.

- Majority of the return emigrants who availed leave and came to Kerala could not return to GCC countries and stranded in Kerala.
- Due to return, most of the emigrant workers became unemployed, remained without income, faced high uncertainty to find employment and were pushed to poverty.
- The local labour market experienced fall in employment due to recession on the one hand and increased supply of labour on the other resulting in increase in unemployment rate.
- The return emigrant workers feel that prospects of getting regular and remunerative jobs are bleak in Kerala.

# COVID-19 and Transport Sector

- Kerala's transport sector was a fast growing sector with rapid increase in all categories of transport such as road, motor, air and water prior to the pandemic.
- But the transport sector is one of the sectors which was worst affected by the pandemic in Kerala and it has not come back to the pre-COVID-19 situation even after two and a half years.
- In the case of passenger bus transport, even after relaxation in restriction more than 5000 private buses had not returned to the operations.
- Most of the auto/taxi operators lost their income.

- According to a rough estimate, the net income loss per day in road transport sector during the lockdown period was Rs 241 crore.
- Due to lack of passengers in trains operated in Kerala a large number of train services were cancelled in Kerala during the year 2020.
- The increase in the global fuel prices such as petrol and diesel due to hike in crude oil prices aggravated the crisis in transport sector since the end of 2021.

# COVID-19 and IT Sector

- The sector experienced a fall in demand due to the implementation of the lockdown and other restrictions since March 2020.
- During the lockdown period a good part of the IT units shifted their activities to work from home mode.
- Small companies were able to cope with the shift to work-from-home better than large companies.
- Contrary to expectations, IT sector witnessed an increase in the number of companies registered, investment, turnover and export in 2020-21.
- The growth story for IT firms in Kerala has also continued in 2021-22.

- Growth in IT sector during the COVID-19 pandemic can be attributed, to a great extent, to digitisation in almost all sectors of the economy.
  
- The overall changes are as follows
  - 1) The adverse impact on IT sector was much less than the impact anticipated.
  - 2) There were significant differences between the impact during the lock down and post lockdown periods.
  - 3) The sector has made considerable progress during the pandemic period.

# Impact of COVID-19 on Tourism Sector

- Kerala has a variety of tourist destinations such as beaches, backwaters, hill stations, wild life and other attractions like unique folklore
- Kerala figure in the top ten foreign tourist destinations in India.
- Composition of Kerala's tourism suggests that nearly 94 percent of the tourists are domestic and 6 percent are international.
- The spread of the pandemic has resulted in an unprecedented crisis in the tourism sector.

- There had been a fall in 71 percent of foreign tourist arrivals and 73 percent of domestic tourist arrivals in 2020 compared to 2019.
- During 2021, the trend in the fall in foreign tourist arrival continued, but witnessed a revival in the arrivals of domestic tourists.
- The COVID-19 has resulted in a decline in the share of foreign tourists on the one hand and increase in the share of domestic tourists on the other.



# **COVID-19 induced major economic changes**

- COVID-19 is the second largest global health crisis in the world during the past one century.
- Due to the pandemic induced crisis, the global economy experienced the deepest recession since 1945-46.
- The Russian invasion of Ukraine in February 2022 has worsened the global economic crisis, arrested the process of global recovery from recession and pushed global economy to high inflation mode.
- The pandemic and the restrictions imposed to contain it have accelerated a process of structural changes such as vanishing a large number of traditional activities, emergence of new activities, shift to information technology (IT) based activities, rapid digitalization.

- A shift from “free market economic policy” to state intervention type of policy in all spheres of activities in the world.
- Initiated a shift in policies of globalization to deglobalisation. Countries began to impose many controls to protect the economic interest of the people of their own country.
- Trade controls were imposed without considering WTO norms or agreements.
- The pandemic has initiated a process of reverse international migration.
- There was exodus of emigrant workers from all the countries in Gulf region.

- Many countries witnessed a reverse migration from urban to rural areas due to the pandemic.
- All countries which heavily relied on international tourist arrivals faced unprecedented crisis.
- The pandemic also initiated a shift in tourism from international to domestic.
- COVID-19 has taught us that production of food items in primary sector (agriculture, livestock and fisheries) is most important economic activity for human survival.
- A lesson we learned from the pandemic is that overcrowded urban environment, congested living, closed air condition rooms, urban slums, unhygienic areas etc are conducive for the rapid spread of the pandemic.

# **Policies to address the critical problems**

- 1) Prepare to face the future outbreak of pandemics and health crisis.
- 2) Prepare to face prolonged recession and slow recovery
- 3) Address the structural change that has been taking place due to the pandemic (Vanishing traditional economic activities and emergence of new activities).
- 4) Develop infrastructure for promotion of digital technology
- 5) Address the issue of shifting Kerala's emigration destination of workers from the Gulf to other regions
- 6) How to achieve fast growth of primary sector and production of food items
- 7) How to solve the acute fiscal crisis of the state and restore fiscal stability.

- 8) How to develop the roads to cater to the fast growth in the number of motor vehicles (Kerala has 155.65 lakh motor vehicle as on March 2022 with 101.51 lakh two wheeler motor vehicles)
- 9) How to change the outdated higher education sector to the emerging changes and needs
- 10) Poor delivery of civic services, acute waste disposal problems and stray dog menace of municipalities and grama panchayats.
- 11) Structural change of tourism sector from international to domestic
- 12) Rapid urbanisation and the acute problems created and ways to address it.

Thank You