Sixty Years of Kerala's Economy : Economic Policies, Development Strategy and Development

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Theoretical Framework
Pre-conditions for economic growth and development

- High rates of investment in physical capital stock, social and economic infrastructure and human resources (public and private investment)
- Technological progress resulting in increase in factor productivity (land, labour, capital productivity etc)
- Population growth and growth in work force
- Institutional, attitudinal and ideological changes creating conducive climate for promoting investment, production, and technological progress.

- Public expenditure on health, education, provision of public utility services, poverty alleviation schemes, social welfare schemes
- Preservation and protection of natural resources, ecology and environment (sustainable development)
- As market mechanism is the basic mechanism which determines the working of the economy, market friendly policies are required.
- Kerala being a regional economy of India and a part of the global economy, it will have to function within the constraints imposed by the national and global factors.

- Achieving a higher rate of economic growth is a pre-condition for development
- But the growth should be achieved with two conditions

1. It should be inclusive growth (for achieving poverty reduction, to be sustainable in the long run, broad based across sectors and inclusive of large part of country’s labour force)
2. It growth should aim sustainable development (protection of environment, ecology and natural resources.)

State of economy during the first phase (1956-1975)

- State remained as very backward economy
- Agricultural sector remained backward, with low productivity levels
- Backward industries with dominance of traditional and labour intensive industries like coir, cashew, handloom etc.
- Massive poverty and high rate of unemployment
- According to one estimate the percentage of poor people in Kerala was 90.75% in 1960-61 (Dandekar and Rath)
- The techno-economic survey estimated the unemployment rate as 13% in 1956
- The Kerala model of development was presented in 1974 when 60% of the people were below poverty line (1973-74)

Economic Policies

- The state pursued a highly market intervention type of policy since 1956.
- Imposed economic controls, regulations and restrictions which distorted the functioning of market mechanism
- Expansion of public sector through public investment with limited resources
- Infrastructure sectors like power, water supply, irrigation, communication, roads were put under the state ownership and monopoly
- Policies totally prohibited all private efforts to develop infrastructure items.

- Industrial policies aimed at starting public sector units, industrial co-operatives, reviving sick units etc
- Modernisation and mechanisation were prohibited.
- Education policies aimed only to promote public education institutions through public spending
- Prohibited private investment in higher education sector.
- A number of big bureaucratic institutions Construction of big irrigation projects, creation of credit agencies etc were started for agriculture development.

Second phase (1976-1990)

- The backward economy began to witness rapid changes during the second phase, (1976 to 1990) with the large scale migration of Keralite workers to the Gulf countries.
- The large scale migration and flows of remittances have resulted in unprecedented economic changes in Kerala.
- The total stock of Keralite emigrants in Gulf increased from 2.5 lakh in 1979 to 6.17 lakh in 1990
- Remittances received form the Keralite emigrant workers increased from about ₹ 824 crore in 1980 to ₹ 1310 crore in 1990
- Widespread changes had taken place in the labour market, consumption, savings, investment, poverty, income distribution and regional development.

- A hypothesis on economic impact on gulf migration: ‘Since the mid – 1970s, the factor which had the greatest impact on Kerala’s economy especially on labour market, consumption, savings, investment, poverty, income distribution and economic growth has been the Gulf migration and migrant remittances’ (B. A. Prakash, (1998), “Gulf migration and its economic impact: The Kerala experience” Economic and Political Weekly, Vol 33, No.50, Dec 12-18)

Third Phase (1991-2020)

- Liberalisation and globalisation policies were implemented in India since 1991
- Created favourable conditions for private investment
- Rapid increase in private investment
- Increase in emigration and flow remittances
- Higher rate of investment and technological progress
- More public expenditure on public infrastructure and social services
- Rapid reduction in poverty and unemployment
- State moved to a higher level of economic growth, technological change, and speedy transformation of economy and generation of more employment.

Fourth Phase (Since 2020)

- The state implemented lockdown and other restrictions since March 2020 to contain the pandemic
- Available evidences indicate that the COVID-19 pandemic has created unprecedented recession in the state
- There has been huge fall in production of goods and services (GSDP) and loss of jobs in all sectors of the state’s economy during 2020-21
- High uncertainty prevails about the containment of the pandemic and resumption of economic activities to pre-COVID-19 level.

Reference

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Latest statistical data on all aspects of Kerala economy

Available in www.keralaeconomy.com

http://keralaeconomy.com/details.aspx?mid=004&sid=004a

COVID-19 Cases and Deaths, GSDP and GSVA of Kerala, Population in Kerala: Rural and Urban, Employment, Unemployment, Keralite emigration and remittances, Migrant workers from other states, Poverty ratio and BPL ration cards social security pension, State finances, Employment in organized public and private sectors, work seekers, agriculture, Fisheries, Industries, PSUs, MSMEs, mini and major industrial estates, Foreign and domestic tourist arrivals, Schools, higher education, Public medical institutions, Transport, registered motor vehicles, Power generation and consumption, telephone network of BSNL, water supply, LSG wise expenditure of plan funds for 2019-20 etc.

Impact of COVID-19 on Kerala's Economy

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COVID-19 global recession 2020

- According to the World Bank estimate, the global economy has experienced 14 global recessions since 1870.
- Among the recessions, the worst recession was experienced during 1930's (1930-32) and a second worst during the years 1945-46.
- The COVID-19 recession is considered as the deepest since 1945-46 and more than twice as deep as the recession associated with 2007-09 global financial crisis.
- It is forecasted that in the year 2020 the highest share of economies will experience contractions in annual per capita GDP since 1870.
- Majority of EMDE regions will experience the lowest growth in at least 60 years.

Table 1
Spread of COVID-19 across the World

Month/Date	Total Number		Growth rate (%)	
	Cases	Deaths	Cases	Deaths
2020				
January 11	45	1	-	-
February 1	12,047	259	26671.1	25800.0
March 1	88,122	2,987	631.5	1053.3
April 1	8,42,613	44,840	856.2	1401.2
May 1	31,88,583	2,31,012	278.4	415.2
June 1	60,62,681	3,71,637	90.1	60.9
July 1	1,03,30,081	5,08,106	70.4	36.7
August 1	1,73,97,594	6,75,043	68.4	32.9
September 1	2,53,76,508	8,50,337	45.9	26.0
October 1	3,38,91,104	10,12,892	33.6	19.1
November 1	4,60,51,120	11,95,505	35.9	18.0
December 1	6,30,04,963	14,67,834	36.8	22.8
2021				
January 1	8,31,16,934	18,14,457	31.9	23.6
February 1	10,25,84,351	22,22,647	23.4	22.5
March 1	11,38,02,614	25,33,178	10.9	14.0
April 1	12,85,71,632	28,09,309	13.0	10.9
May 1	15,10,02,500	31,73,694	17.0	13.0
June 1	17,04,48,573	36,63,570	12.9	15.4

Source: World Health Organisation (https://covid19.who.int/)

Table 2
Month wise new COVID-19 cases and deaths across the World

Month/Date	Total Number per month		Growth Rate (%)	
	Cases	Deaths	Cases	Deaths
2020				
February 1	12,002	258	-	-
March 1	76,075	2,728	533.9	957.4
April 1	7,54,491	41,853	891.8	1434.2
May 1	23,45,970	1,86,172	210.9	344.8
June 1	28,74,098	1,40,625	22.5	-24.5
July 1	42,67,400	1,36,469	48.5	-3.0
August 1	70,67,513	1,66,937	65.6	22.3
September 1	79,78,914	1,75,294	12.9	5.0
October 1	85,14,596	1,62,555	6.7	-7.3
November 1	1,21,60,016	1,82,613	42.8	12.3
December 1	1,69,53,843	2,72,329	39.4	49.1
2021				
January 1	2,01,11,971	3,46,623	18.6	27.3
February 1	1,94,67,417	4,08,190	-3.2	17.8
March 1	1,12,18,263	3,10,531	-42.4	-23.9
April 1	1,47,69,018	2,76,131	31.7	-11.1
May 1	2,24,30,868	3,64,385	51.9	32.0
June 1	1,94,46,073	4,89,876	-13.3	34.4

Source: World Health Organisation (https://covid19.who.int/)

Table 3
Spread of COVID-19 cases and deaths in India and Kerala

Month/Date	Total Number in India		Total Number in Kerala	
	Cases	Deaths	Cases	Deaths
2020				
January 30	1	0	1	0
February 1	1	0	1	0
March 1	3	0	3	0
April 1	2,059	58	265	2
May 1	37,263	1,231	498	4
June 1	1,98,372	5,606	1,327	11
July 1	6,05,221	17,848	4,594	26
August 1	17,52,171	37,410	24,743	82
September 1	37,66,108	66,462	76,526	299
October 1	63,92,049	99,807	2,04,242	772
November 1	82,29,322	1,22,642	4,40,131	1,513
December 1	94,99,728	1,38,160	6,08,358	2,271
2021				
January 1	1,03,06,469	1,49,255	7,65,925	3,096
February 1	1,07,67,206	1,54,522	9,32,638	3,761
March 1	1,11,24,327	1,57,286	10,61,342	4,211
April 1	1,23,02,115	1,63,428	11,27,383	4,633
May 1	1,95,49,773	2,15,524	16,06,820	5,357
June 1	2,83,07,035	3,35,116	25,46,340	9,010

Source: https://www.covid19india.org/

Table 4
Month wise new COVID-19 cases and deaths in India

Month/Date	Total Number per month		Growth Rate (%)	
	Cases	Deaths	Cases	Deaths
2020				
February 1	0	0	-	-
March 1	2	0	0	0
April 1	2,056	58	102700	0
May 1	35,204	1,173	1612.3	2022.4
June 1	1,61,109	4,375	357.6	355.4
July 1	4,06,849	12,242	152.5	218.4
August 1	11,46,950	19,562	189.5	109.6
September 1	20,13,937	29,052	114.9	77.7
October 1	26,25,941	33,345	69.7	50.2
November 1	18,37,273	22,835	28.7	22.9
December 1	12,70,406	15,518	15.4	12.7
2021				
January 1	8,06,741	11,095	8.5	8.0
February 1	4,60,737	5,267	4.5	3.5
March 1	3,57,121	2,764	3.3	1.8
April 1	11,77,788	6,142	10.6	3.9
May 1	72,47,658	52,096	515.4	748.2
June 1	87,57,262	1,19,592	20.8	129.6

Source: World Health Organisation (https://covid19.who.int/)

Table 5
Month wise new COVID-19 cases and deaths in Kerala

Month/Date	Total Number per month		Growth Rate (%)	
	Cases	Deaths	Cases	Deaths
2020				
February 1	0	0	-	-
March 1	2	0	0	0
April 1	262	2	13000	0
May 1	233	2	-11	0
June 1	829	7	255.8	250
July 1	3,267	15	294.1	114.3
August 1	20,149	56	516.7	273.3
September 1	51,783	217	157.0	287.5
October 1	1,27,716	473	146.6	117.9
November 1	2,35,889	741	84.7	56.6
December 1	1,68,227	758	-28.7	2.3
2021				
January 1	1,57,567	825	-6.3	8.8
February 1	1,66,713	665	5.8	-19.4
March 1	1,28,704	450	-22.8	-32.3
April 1	66,041	422	-48.7	-6.2
May 1	4,79,437	724	626.0	71.6
June 1	9,39,520	3,653	96.0	404.6

Source: World Health Organisation (https://covid19.who.int/)

Table 6
District wise COVID-19 cases and deaths in Kerala

No	Districts	Total number of confirmed cases		Total number of Deaths	
		April 1 2020	June 7 2021	April 1 2020	June 7 2021
1	Ernakulam	21	3,24,115	1	953
2	Malappuram	12	3,06,131	0	755
3	Kozhikode	6	2,87,914	0	1,072
4	Thiruvananthapuram	12	2,64,296	1	2,108
5	Thrissur	10	2,46,228	0	1,153
6	Kollam	3	2,00,072	0	586
7	Kottayam	3	1,85,060	0	483
8	Palakkad	6	1,82,915	0	816
9	Alappuzha	2	1,81,117	0	802
10	Kannur	49	1,47,106	0	669
11	Pathanamthitta	12	1,08,038	0	329
12	Idukki	5	75,045	0	86
13	Kasaragod	121	74,703	0	164
14	Wayanad	3	59,656	0	182
Total Kerala		**265**	**26,42,395**	**2**	**10,157**

Source: https://dashboard.kerala.gov.in/

COVID-19 led recession in India

- The COVID-19 has inflicted unprecedented recession in Indian economy during the post-independence period.
- The estimates on the contraction of GDP are alarming. The world Bank in their report on January 2021, estimated that the real GDP of India would register a negative growth (-) 9.6 percent in 2020 (Table 7)
- The International Monetary Fund (IMF) in their World Economic Outlook update of January 2021, estimated that the real GDP of India would registered a negative growth (-8.0%) in 2020 (Table 7).

- The National Statistical Office (NSO), India in their provisional estimate of Gross Value Added (GVA) estimated that the real GVA would register a negative growth of (-)6.2 percent (Table 8).

- NSO has also estimated that the real GDP would register a negative growth of (-)7.3 percent (Table 8)

Table 7
Estimate and projection of growth of global real GDP (%)

Item	World Bank January 2021			IMF January 2021		
	Estimate		Projection	Estimate		Projection
	2019	2020	2021	2019	2020	2021
World	2.3	(-) 4.3	4.0	2.8	(-) 3.5	5.5
Advanced Economies	1.6	(-) 5.4	3.3	1.6	(-) 4.9	4.3
Emerging Market and Developing Economies	3.6	(-) 2.6	5.0	3.6	(-) 2.4	6.3
India	4.2	(-) 9.6	5.4	4.2	(-) 8.0	11.5

Source: (1) World Bank (2021), Global Economic Prospects, January 2021
(2) International Monetary Fund (2021), World Economic Outlook Update, January 2021

Table 8
Provisional Estimates of GVA and GDP at Basic Prices of India (at 2011-12 prices)

No	Industry	2019-20 (1st RE) (Rs crore)	2020-21 (PE) (Rs crore)	% change over previous year	
				2019-20	2020-21
1	Agriculture, Forestry & Fishing	19,68,571	20,40,079	4.3	3.6
2	Mining & Quarrying	3,22,116	2,94,644	-2.5	-8.5
3	Manufacturing	22,69,424	21,07,068	-2.4	-7.2
4	Electricity, Gas & Water Supply	3,00,532	3,06,254	2.1	1.9
5	Construction	10,35,534	9,46,396	1.0	-8.6
6	Trade, Hotels, Transport & Communication	26,99,797	22,08,388	6.4	-18.2
7	Financial, Real Estate & Professional Services	29,16,509	28,72,815	7.3	-1.5
8	Public Administration, Defence & Other Services	17,58,987	16,77,786	8.3	-4.6
	GVA at Basic Prices	1,32,71,471	1,24,53,430	4.1	-6.2
	Net taxes on products	12,97,797	10,59,310	3.1	-18.4
	GDP	1,45,69,268	1,35,12,740	4.0	-7.3

PE: Provisional Estimate, RE: Revised Estimate

Source: NSO (2021), Provisional estimates of annual national income 2020-21

Failure to address the recession in Kerala

- The spread of COVID-19 and measures implemented to contain the pandemic such as imposition of lockdown, travel restrictions, closure of schools and educational institutions, restrictions imposed on trade, commerce, industry, shutdown of tourist centers etc have inflicted unprecedented recession in all sectors of the state's economy.
- The pandemic and the restrictions imposed have created multiple crises in several fronts in Kerala: health, travel, economy, finance, production and output, employment, prices, emigration and remittances, fiscal situation of state and local governments etc.

- The Department of Economics and Statistics (DES) has not published any estimate about the fall in GSDP during the year 2020-21.
- The sectors of the state economy which are severely affected are mining and quarrying, industry, construction, trade, hotels, transport, tourism, commercial and financial services and real estate.
- Available data suggest that there has been a fall in states own tax and non-tax revenue due to COVID-19 induced recession.

Unemployment in Kerala

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- Unemployment rate denotes the share of unemployed persons to total labour force consists of employed plus unemployed.
- According to NSO’s periodic labour force survey 2017-18, Kerala’s total unemployment rate for the persons above 15 years of age is 11.4% (for male 6.2% and female 23.2%) (Table 1).
- This is in contrast to the 6% unemployment rate for the country as a whole (All India)
- A serious issue of unemployment in Kerala is the very high rate of youth (In the age group of 15-29) and educated category (SSLC and above). In the case of youth, the unemployment rate is 36.3% in Kerala in contrast to 17.8% for all India (Table 1).

- Another aspect of unemployment is the high rate of educated unemployment in Kerala compared to national average. The unemployment rate is estimated as 22.6% of higher secondary, 21.6% of diploma holders, 30.6% of graduates and 24.5% for post graduates and above (Table 2).
- The basic reason for the high rate of educated unemployment in Kerala is the strong preference of educated youth for government and public sector jobs. But such jobs are few in number
- The total retirement vacancies in a year in government and public sector undertakings is in the range of 25,000-30,000 only.
- The COVID-19 pandemic has worsened the youth and educated unemployment.

- Highest priority should be given to solve the youth and educated unemployed by making changes in education, employment, labour, investment and credit policies.
- All the work seekers who register with employment exchanges cannot be considered as unemployed. Many who are engaged in self-employment and private sector register with the employment exchanges to get a public sector job (Table 3).
- The total number of work seekers in general category is enumerated as 31.6 lakhs in 2020 (Table 3).
- The total number of professional and technical work seekers are 3.51 lakhs (Table 4).

Table 1
Unemployment Rate in Kerala (2017--18) as per Usual Status (ps + ss)

Category	**Kerala (age group) (in %)**		**India (age group) (%)**	
	15--29 years	15 years & above	15--29 years	15 years & above
	Rural			
Male	20.5	5.9	17.4	5.7
Female	61.7	19.6	13.6	3.8
Person	32.5	10.0	16.6	5.3
	Urban			
Male	27.4	6.6	18.7	6.9
Female	65.2	27.4	27.2	10.8
Person	41.5	13.2	20.6	7.7
	Rural + Urban			
Male	23.3	6.2	17.8	6.1
Female	63.4	23.2	17.9	5.6
Person	36.3	11.4	17.8	6.0

Source: NSO (2019), *Periodic Labour Force Survey 2017—2018.*

Table 2
Unemployment rate of educated in Kerala (2017--18) as per Usual Status (ps + ss) Rural + Urban (%)

Category	Kerala			India		
	Male	**Female**	**Person**	**Male**	**Female**	**Person**
Secondary	4.3	19.7	7.8	5.7	6.3	5.7
Higher secondary	10.5	46.6	22.6	9.4	15.4	10.3
Diploma/certificate course	18.6	27.1	21.6	18.8	24.6	19.8
Graduate	15.6	46.7	30.6	14.7	27.5	17.2
Post graduate and above	18.4	29.0	24.5	10.4	24.3	14.6
Secondary and above	11.0	35.3	19.8	9.9	18.5	11.4

Source: NSO (2019), *Periodic Labour Force Survey 2017—2018.*

Table 3
Distribution of Work-seekers in Kerala by educational level
(Registered with employment exchanges)

Category	**2010 (in number)**		
	Male	**Female**	**Total**
SSLC	10,17,148	15,70,723	25,87,871
Higher Secondary	3,24,970	3,62,455	6,87,425
Degree	91,660	1,49,900	2,41,560
Post Graduate	16,220	23,710	39,930
Total educated	14,49,998	21,06,788	35,56,786
	2020 (in number)		
SSLC	7,11,413	10,99,340	18,10,753
Higher Secondary	3,11,065	5,95,492	9,06,557
Degree	91,646	2,44,194	3,35,840
Post Graduate	25,433	82,222	1,07,655
Total educated	11,39,557	20,21,248	31,60,805
	Growth rate (%)		
SSLC	-30.1	-30.0	-30.0
Higher Secondary	-4.3	64.3	31.9
Degree	0	62.9	39.0
Post Graduate	56.8	246.8	169.6
Total educated	-21.4	-4.1	-11.1

Source: GoK (2021), Economic Review 2020, Volume 2: KSPB

Table 4
Number of professional and technical work seekers
(Registered with employment exchanges)

No	Category	2010 (in number)	2020 (in number)	Growth (%)
1	Medical Graduates	2,090	9,000	330.6
2	Engineering Graduates	8,143	47,525	483.6
3	Diploma Holders in Engineering	35,164	99,459	182.8
4	ITI Certificate Holders	1,04,261	1,02,345	-1.8
5	Agricultural Graduates	402	1,397	247.5
6	Veterinary Graduates	411	554	34.8
7	Others	-	90,792	-
	Total	1,50,471	3,51,072	133.3

Source: GoK (2021), Economic Review 2020, Volume 2: KSPB

High rate of poverty: 42 percent BPL families

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- The estimate of poverty gives a wrong impression about the actual poverty situation in Kerala.
- The Planning Commission's expert group 2014 (Rangarajan) is the latest one which estimated poverty ratio in India.
- Based on a norm of percapita monthly consumption expenditure, the expert group estimated that the percentage of people below poverty line in Kerala was 11.3% in 2011-12. The total number of poor is estimated as 38.3 lakh in 2011-12 (Table 1).
- But according to the ration cards issued to distribute food grains through Public Distribution System (PDS), Kerala has 37.22 lakh BPL or priority ration cards.
- This means that 37.22 lakh families or 42.4% of the families in Kerala comes under BPL category (Table 2 & 3).

- In Kerala five major categories of social security pensions are given to people belonging to BPL categories of people namely national old age, disability, widow, agriculture labour and unmarried women above 50 years.
- The total beneficiaries in the five pension schemes are 49.14 lakh persons (Table 4).
- The data on the categories of workers or employment (self-employed, casual labour and regular employed) also support the fact that the percentage of BPL households will be much higher than the poverty estimate of the central government
- Economic, employment and social security policies in Kerala are framed on the assumption that Kerala is a state which has a small share of poor people.
- But Kerala has to prepare policies on the fact that 42 percent of the people are poor.

Table 1
Poverty ratio and number of poor in 2011-12 in India and Kerala (Rangarajan expert group)

No	Poverty ratio and number of poor	Rural	Urban	Total
I	All India			
1	Poverty ratio (% of persons below poverty line)	30.9	26.4	29.5
2	Number of poor persons (in lakh)	2605	1025	3630
II	Kerala			
1	Poverty ratio (% of persons below poverty line)	7.3	15.3	11.3
2	Number of poor persons (in lakh)	12.3	26.0	38.3

Source: Planning Commission (2014), report of the expert group to review the methodology for measurement of poverty, 2014.

Table 2
Total BPL category ration cards in Kerala, as on August 2020

No	Category	No. of Ration Cards	Percentage to total cards
I	BPL		
1	Andhyodaya Anna Yojana	5,57,303	6.3
2	Priority	31,64,161	36.0
3	Annapoorna	1,088	0.01
	Total BPL	37,22,552	42.4
II	APL		
1	Non-priority	50,66,378	57.6
	Total	87,88,930	100.0

Source: Government of Kerala (2021), Economic Review 2020, Volume 1, Thiruvananthapuram: Kerala State Planning Board

Table 3
Category-wise distribution of food grains under NFSA, as on August 2020

No	Category	No. of Ration Cards	Rice	Wheat	Fortified Atta
1	Andhyodaya Anna Yojana	5,57,303	30 kg/Month (@ free of Cost)	5kg/Month (@ free of cost)	
2	Priority	31,64,161	4 kg/ Member/ Month (@ ₹ 2.00/kg)	1 kg/ Member/ Month (@ ₹ 2.00/kg)	
3	Non Priority (Subsidy)	24,68,520	2 kg/ Member/ Month (@ ₹4.00/kg)		2 or 3 kg/ Month (@ ₹17.00/kg)
4	Non Priority (Non-Subsidy)	25,97,858	₹10.90/kg as per the availability of Stock		2 or 3 kg/ Month (@ ₹17.00/kg)
5	Annapoorna	1,088	10 kg/month (@ free of cost)		
	Total	87,88,930			

Source: Government of Kerala (2021), Economic Review 2020, Volume 1, Thiruvananthapuram: Kerala State Planning Board

Table 4
Major social security pension schemes in Kerala

No	Name of pension schemes	Monthly pension amount	Number of beneficiaries (up to October 2020)	Share (%)
1	National old age	1400	25,98,747	52.9
2	Disability	1400	4,10,666	8.4
3	Widow	1400	13,68,607	27.9
4	Agriculture labour	1400	4,50,143	9.2
5	Unmarried women above 50 years old	1400	85,622	1.7
Total			49,13,785	100.0

Source: Government of Kerala (2021), Economic Review 2020, Volume 2, Thiruvananthapuram: Kerala State Planning Board

Return of Keralite emigrants from foreign countries

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June 9, 2021

- The Centre for Development Studies (CDS) based on state wide migration survey, has estimated that the total Keralite emigrants in foreign countries was 21.22 lakh in 2018 (Table 1).
- Of the total emigrants, the share of emigrants in Gulf countries consists of UAE, Saudi Arabia, Oman, Kuwait, Bahrain and Qatar was 18.94 lakh (Table 1).
- The share of Keralite emigrants in non-Gulf countries account for 11% of total emigrants (Table 1).
- Districts such as Kollam, Pathanamthitta, Kottayam, Thrissur, Malappuram and Kannur have high rate of emigration (Table 2) and a substantial number of household rely solely on migrant remittances for their living.

- The remittances send by the emigrants was so large that it is more than the total expenditure of government of Kerala in recent years (Table 3). According to the CDS estimate the total remittances received in 2018 was Rs 85,000 crores.
- Global economic crisis created due to COVID-19 pandemic, a large number of emigrants in Gulf countries returned to Kerala due to loss of jobs.

- According to address by the Governor of Kerala (May 28, 2021) the total migrants returned from foreign countries was 14.01 lakh
- Of which 60% returned due to the loss of jobs in foreign countries
- Thus the COVID-19 induced global recession has resulted in unprecedented return of Keralite migrant workers from foreign countries, especially from Gulf countries.

Table 1
Country of Residence of Keralite Emigrants

Destination	2013	2018	Increase/ Decrease (%)	Emigrants in 2018 (Share %)
UAE	898,962	830,254	-7.6	39.1
Saudi Arabia	522,282	487,484	-6.7	23.0
Oman	189,224	182,168	-3.7	8.6
Kuwait	183,329	127,120	-30.7	6.0
Bahrain	149,729	81,153	-45.8	3.8
Qatar	106,107	185,573	74.9	8.7
Other West Asia	212,21	0	-	0.0
Total Gulf Countries	20,70,854	18,93,752	-8.6	89.2
USA	69,559	46,535	-33.1	2.2
Canada	11,200	15,323	26.9	0.7
United Kingdom	38,316	38,023	-0.8	1.8
Other Europe	19,453	0	-	0.0
Africa	15,327	5657	-63.1	0.3
Singapore	8842	12,485	41.2	0.6
The Maldives	2947	6243	111.9	0.3
Malaysia	9432	11,350	20.3	0.5
Other SE Asia	53,643	0	-	0.0
Australia/New Zealand	38,316	30,078	-21.5	1.4
Other Countries	62,485	62,441	-0.1	3.0
Total	24,00,375	21,21,887	-11.6	100.0

Source: Rajan, Irudaya S. and Zachariah, K C (2019), *Kerala Migration Survey.*

Table 2
Estimated Emigrants from Kerala, 2018

No.	District	No. of Emigrants		Increase/ Decrease (%)	Emigrants per 100 Households in 2018
		2013	2018		
1	Thiruvananthapuram	241,727	137,007	-43.32	15.2
2	Kollam	199,933	240,527	20.30	32.8
3	Pathanamthitta	141,343	109,836	-22.29	31.9
4	Alappuzha	93,096	136,857	47.01	23.6
5	Kottayam	107,931	166,625	54.38	31.3
6	Idukki	23,967	32,893	37.24	11.3
7	Ernakulam	191,373	53,418	-72.09	5.8
8	Thrissur	230,081	241,150	4.81	27.9
9	Palakkad	70,506	89,065	26.32	12.2
10	Malappuram	455,696	406,054	-10.89	42.1
11	Kozhikode	226,499	160,691	-29.05	19.7
12	Wayanad	22,568	30,650	35.81	14.5
13	Kannur	291,321	249,834	-14.24	38.8
14	Kasargod	104,334	67,281	-35.51	21.3
	Kerala	24,00,375	21,21,887	-11.60	24.0

Source: Irudaya Rajan, S. and Zachariah, K C (2019), *Kerala Migration Survey*.

Table 3
Remittances and Total Expenditure of Government of Kerala

Year	Remittances (Rs Crore)	Total Expenditure (TE)* of Govt.	Remittances as of TE (%)
1998	13,652	9880	138.2
2003	18,465	17,427	106.0
2008	43,288	30,904	140.1
2011	49,695	50,896	97.6
2013	71,142	66,244	107.4
2018	85,092	120,070	70.9

Note: *total expenditure for fiscal year ending March next year
Source: Rajan, Irudaya S. and Zachariah, K C (2019), *Kerala Migration Survey*.

Persistent Fiscal Crisis in Kerala

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Introduction

- According to the whitepaper published in 2016, the state had been facing acute fiscal crisis.
- The entire borrowing was spent for meeting the day to day revenue expenditure.
- Reasons attributed to the crisis are poor resource mobilization, failure to control expenditure, unsound fiscal policies and inefficiency in tax administration.
- The LDF government declared that they will improve the fiscal situation. But nothing happened.

Huge revenue and fiscal deficit

- A review of revenue deficit and fiscal deficit shows that it reached an alarming level. Revenue deficit increased from Rs 9657 crore in 2015-16 to Rs 24,206 crore in 2020-21 (Table 1).
- According to RBI (State finance: A study of budgets of 2021) Kerala has the highest revenue deficit (RD/GSDP ratio) among 28 states in India in 2017-18.
- During the year 2018-19, Kerala rank third position with regard to the highest revenue deficit in India. This indicates the acute fiscal crisis and poor fiscal management in Kerala.
- Due to this, more than 65 percent of the annual borrowing was diverted for meeting the revenue deficit (i.e. meeting the day to day revenue expenditure).

- The gross fiscal deficit which indicates the total gap between the total expenditure and revenue receipts (borrowing) increased from Rs 17,818 crore in 2015-16 to Rs 34,949 crore in 2020-21 (Table 2).
- Thus the two major indicators of state finances viz. revenue deficit and fiscal deficit indicate that Kerala's fiscal situation is precarious.
- A major reason for the increase in revenue and fiscal deficit is the failure of LDF government to mobilise the own taxes and non-tax revenue.

Table 1
Trends in Revenue Deficit (RD)

Year	Revenue deficit (Rs Crore)	RD as % of revenue expenditure	GSDP* (₹ crore)	RD as % of GSDP	RD as per KFR Act (%)
2010-11	3,674	10.6	3,24,513	1.13	
2011-12	8,035	17.4	3,64,048	2.21	1.4
2012-13	9,352	17.5	4,12,313	2.27	0.9
2013-14	11,309	18.7	4,65,041	2.43	0.5
2014-15	13,796	19.2	5,12,564	2.69	0.0
2015-16	9,657	12.3	5,61,994	1.72	0.0
2016-17	15,484	17.0	6,16,357	2.51	0.0
2017-18	16,928	16.9	7,00,532	2.42	0.0
2018-19	17,462	15.8	7,81,653	2.23	0.0
2019-20	14,495	13.8	8,54,689	1.70	0.0
2020-21 (RE)	24,206	20.6	8,22,023	2.94	0.0

RE: Revised Estimate
Source: CAG (2016), Report of CAG on state finances for the year ended March 2015; CAG (2020), Report for the year ended March 2019; Budget in brief 2020-2021 and Budget in brief 2021-2022

Table 2
Trends in Gross Fiscal Deficit (GFD)

Year	GFD (Rs crore)	GFD as % of total expenditure	GFD as % of GSDP	GFD Target as per KFR Act (%)
2010-11	7,731	19.9	2.38	
2011-12	12,815	25.2	3.52	3.5
2012-13	15,002	25.3	3.64	3.5
2013-14	16,944	25.5	3.64	3.0
2014-15	18,642	24.2	3.64	3.0
2015-16	17,818	20.5	3.17	3.0
2016-17	26,448	25.8	4.29	3.0
2017-18	26,838	24.3	3.83	3.0
2018-19	26,958	22.5	3.42	3.0
2019-20	23,837	20.8	2.79	3.0
2020-21 (RE)	34,949	27.2	4.25	3.0

RE: Revised Estimate

Source: Government of Kerala (2021), Economic Review 2020, Volume 1, TVM: Kerala State Planning Board

Severe treasury restrictions

- Due to the acute fiscal crisis, the state government introduced severe restrictions in treasury payments in Kerala.
- Since February 15, 2019, all the bills exceeding Rs one lakh were stopped from making payments. The only exemption given are the bills on salaries and pensions.
- Due to this, severe restrictions in payment of bills, almost the entire activities which require funds came to a standstill in government departments and 1200 local governments (grama, block, district panchayats, municipalities and municipal corporations) in the state.

- Though some relaxations were given in the treasury restrictions, it continued throughout the year 2019 and major part of the year 2020.
- Since introducing lockdown, the state government effected a cut in 20% salary of all the employees in government departments and semi government organisations for six months.
- All these suggest the fiscal mismanagement of state finances, poor tax administration and fiscal extravagance at all levels.

Alarming increase in public debt

- The public debt is increasing at an alarming rate (from Rs 1,57,370 cr. in 2015-16 to Rs 2,96,916 cr. in 2020-21)(Table 3).
- The LDF government resorted to heavy borrowing not for development but for meeting non-plan revenue expenditure.
- Lakhs of persons were temporarily appointed in semi government organizations mainly to provide employment.
- According to one report, Kerala has 4.09 lakhs temporary employees working in semi-govt. organisations such as Anganwadis, teachers in schools, house guards, guest lectures in colleges, part-time sweepers etc. (Malayala Manorama, Feb 11, 2021). They are not included in the permanent staff of the state govt. consists of govt. employees and teachers in private aided educational institutions.

- Due to mounting debt the expenditure on interest increased from 11,111 crore in 2015-16 to Rs 20,286 crore in 2020-21 (Table 4).
- During the five year rule of LDF government, there has been an unprecedented increase in public debt.
- Until 2016, the per capita debt of a Keralite was Rs 46,078 and now it is Rs 97,516.
- From the above we can conclude that the LDF government has totally failed to improve the fiscal situation of the state.

Table 3
Trends in public debt

Year	Public debt (Rs Crore)	Rate of growth (%)	Debt/GSDP (%)	Target as per KFR Act (Debt-GSDP Ratio)
2010-11	78,673	10.9	24.24	
2011-12	89,418	13.7	24.56	32.2
2012-13	1,03,561	15.8	25.12	31.7
2013-14	1,19,009	14.9	25.59	30.7
2014-15	1,35,440	13.8	26.42	29.8
2015-16	1,57,370	16.2	28.00	31.3
2016-17	1,86,453	18.5	30.25	30.8
2017-18	2,10,762	13.03	30.69	30.4
2018-19	2,35,731	11.85	30.16	-
2019-20	2,60,336	10.44	30.46	-
2020-21 (RE)	2,96,916	14.05	36.12	-

RE: Revised Estimate
Source: Govt of Kerala (2021), Economic Review 2020, Volume 1, TVM: Kerala State Planning Board

Table 4
Expenditure on interest

Year	Interest (₹ in crore)	Growth rate (%)	Interest as % of revenue expenditure	Interest as % of revenue receipts
2010-11	5,690	-	16.4	18.4
2011-12	6,294	10.6	13.7	16.6
2012-13	7,205	14.5	13.5	16.4
2013-14	8,265	14.7	13.7	16.8
2014-15	9,770	18.2	13.6	16.9
2015-16	11,111	13.7	14.1	16.1
2016-17	12,117	9.1	13.3	16.0
2017-18	15,120	24.8	15.1	18.2
2018-19	16,748	10.8	15.2	18.0
2019-20	19,214	14.7	18.3	21.3
2020-21 (RE)	20,286	5.6	17.3	21.8

RE: Revised Estimate
Source: Government of Kerala (2021), Economic Review 2020, Volume 1, Thiruvananthapuram: Kerala State Planning Board

Kerala Revised Budget 2021-22 (June 4, 2021)

Major Proposals

1) Rs20,000cr COVID-19 package

- Rs2,800cr will be for tackling health emergency situations.
- Rs8,900cr will be for people whose livelihood has been hit by COVID-19
- Rs8,300cr will be for providing interest subsidies for loans.

2) Package to protect coastal region

- Stress is given to protect the coastal area, which has been affected due to cyclones and sea erosion.
- The estimated expenditure of the 5-year project is Rs5300cr.
- Rs6,500cr sanctioned for Coastal Highway Project.
- The expertise of various agencies to be utilised for formulating the most suitable strategy.

3) Package to protect water bodies, dams etc

- Package, costing Rs500cr, to improve water carrying capacity of various water bodies and river basin systems
- Rs10cr for the production of value added products using milk and Rs5cr for building infrastructure facilities for fish processing
- The allocation for the existing livelihood package under Kudumbashree raised to Rs100cr in the wake of COVID-19

4) Public medical infrastructure

- Setting up 10-bedded isolation wards for contagious diseases in all CHCs, taluks, district and general hospitals – Allocation – Rs1.75cr
- Setting up of new wards – Allocation – Rs1.25cr
- Renovation of old buildings – Allocation – Rs636.5cr
- Improving infection control in hospitals by converting all existing autoclave rooms into Central Sterile Supply Department (CSSD) – Allocation – Rs18.75cr for 25 CSSDs this year
- Setting up separate block in every medical college for contagious diseases

- To set up isolation blocks in Thiruvananthapuram and Kozhikode MCHs – Allocation – Rs50cr
- Enhancing bed strength of pediatric ICUs – Allocation – Rs25cr

5) Other proposals

- Vaccine research unit at Institute of Advanced Virology (IAV) – Allocation – Rs10cr
- Rs559cr for local governments to strengthen health Infra
- Rs20cr for enhancing the immunity and post COVID-19 treatments through Ayush Department

6) Agriculture

- Modernization of agriculture development and farmers welfare department Krishi Bhavans – Rs10cr
- Marketing agriculture products using IT networks – Rs10cr

7) Tourism

- Tourism department for marketing – Rs50cr
- Amphibian vehicles – Rs5cr
- Tourism rejuvenation – Rs30cr
- Malabar literacy circuit and biodiversity circuit – Rs50cr

8) Industry

- Interest subvention for industries – Rs50cr
- Entrepreneur support scheme (ESS) – Rs25cr
- Margin money and interest assistance scheme for nano industrial housing units project – Rs15cr
- Setting up of venture capital fund – Rs1cr
- Interest subvention on electric two-wheelers and three-wheelers – Rs15cr
- Hydrogen-powered house – Rs10cr
- Conversion of KSRTC buses into CNG – allocation increased to Rs100cr

9) Agricultural loans at lower interest rates

- Five agro parks will be set up with the participation of farmers and KIIFB
- A factor for value-added products using milk – Rs10cr
- Strengthening of plantation directorate – Rs2cr
- Room for water project – Rs50cr for the first phase of this project with an estimated expenditure of Rs500cr
- Diversification of plantation crops – Rs2cr for initial activities
- For paying entire arrears of rubber subsidy to farmers – Rs50cr
- Infrastructure facilities to value added products from fish – Rs5cr
- Pesticide-free vegetables – 2-3% subsidy will be given to those who repay the loan in time.

Comments on the Budget

Merits

- Measures to contain pandemic
- Speed up vaccination
- Strengthening health infrastructure
- Protection of coastal region
- Packages to protect water bodies, dams etc
- Promotion of agriculture
- Assistance to tourism, trade, industries and other sectors
- No new tax proposals

Demerits

- Not addressed the deep routed and persistent fiscal crisis.
- High levels of fiscal deficit
- Spending major share of borrowings (60-70%) for meeting day today expenditure
- Low rate of capital expenditure/Development expenditure
- Lack of funds to meet the expenditure of the budget proposals

- Not addressed devastated sectors and sub sectors (trade, tourism, education, bus transport, other items of transport, entertainment, sports, small and marginal industries, various services etc)
- The loss of employment and income to lakhs of workers and self employed due to the pandemic
- Infrastructural development for digitalization, IT etc
- Persistent increase in price of petrol, diseal etc.