THE SIGNIFICANCE OF “KERALA MODEL” IN THE REVIVAL OF STATE’S ECONOMY

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Abstract

Kerala is known as the state of literacy, lakes and spices. But Kerala has been a favourite destination for different epidemics like Dengue fever, malaria, plague and the like, the latest being covid-19 pandemic. It is not known why Keralites are prone to epidemics even after being literate and hygiene conscious. Keralites are very proud of their health care system for which successive governments have made heavy investments. The health system in Kerala comprises of Primary Health Centers at the Panchayath level, District and General Hospitals at the Taluk level and Medical Colleges at the District level. Above all Kerala has got 23 Private Medical Colleges and innumerable number of private hospitals across the state. Kerala is basically a consumer economy and is dependent on other states even for their necessities like food grains, cereals, vegetables and edible oil. Kerala’s economy is strongly supported by enormous contributions from Non- Resident Keralites. The outbreak of Covid-19 epidemic is sure to have a very negative impact on Kerala’s economy. It is expected that 25% of the NRIs will come back to the state and may not go back thus heavily damaging the state’s economy which is already under the great pressure due to lockdown. This paper is an effort to study the impact of Covid-19 pandemic on the economy of Kerala and possible ways for the revival of the economy during the post covid period.
Keywords: Epidemic, Pandemic, Lockdown, Revival, Hygiene conscious.

Introduction

Right now, the entire world population is staying back at home with no other possible means to face the Covid–19 pandemic. A majority of governments from Asia to Latin America and the US to Australia and Norway to South Africa have asked their citizens to stay at home and be safe. Thus billions of people are kept under lockdown for an indefinite period. It is very heartening to see that governments have started thinking of lifting the lockdown step by step. It is a tragedy that the entire economic activity is at a standstill and a huge segment of the world population are left with no food, no home and no income. It is also true that a lockdown was a necessity to prevent the spread of Covid-19. By now the world has realized that covid-19 pandemic is there to stay for a longer time and nations have to move to a ‘smart lockdown’ and careful economic management so as to save humanity from total poverty, unemployment and a possible unrest.

India too is facing an extremely critical situation in its fight against the Covid-19 pandemic. Government of India came out with an initial economic package of Rs. 1,70,000 crores to revive the economy. Subsequently Reserve Bank of India also came out with a stimulus package of Rs. 1,00,000 crores exclusively for commercial banks and NBFCs. In India, Covid-19 case was first reported in Kerala on January 31st when a medical student from China reached Thrissur district. Since then the epidemic has spread at a faster pace to reach 74,281 reported cases as on 13th May, 2020. The Kerala model has been reported to be very effective in containing the epidemic and the total number of active cases in Kerala could be brought down to less than 15 by the time Non-Resident Indians started coming back to Kerala under the Vande Bharat Scheme. Kerala’s success in containing the epidemic can be attributed to various reasons like:

1. A strong health care system.
2. The higher literacy level of Keralites.
3. Hygiene consciousness among Keralites.
4. Better awareness about own health and epidemics.
5. Strong governmental initiatives.

Objectives of the study

1. To analyse the effectiveness of the ‘Kerala model’.
2. To assess the impact of Covid-19 on Kerala’s economy.
3. To study the various ways and means by which Kerala’s economy can be revived.
4. To assess the role and importance of migrant labourers in Kerala’s economy.

Methodology

This Article is exclusively based on secondary data collected from books, periodicals, other publications and various sites on the internet.

Kerala is known to be a state of lakes, literacy and spices. Predominantly an agricultural economy, Kerala is well-known across the world for its spices, festivals and backwaters. Kerala stands first in literacy rates and also in public health. According to a report Kerala’s health system comprises of 2,915 institutions, 42,390 beds and 7,127 medical doctors. Out of the total health institutions 1,281 are under allopathy, 942 are under Ayurveda and 692 are under homeopathy. Kerala has got a three-tier system of health care comprising of Primary Health Centres at Panchayath level, General Hospitals and District Hospitals at Taluk level and Medical Colleges at the district level. The successive governments in Kerala have been very specific on reasonable investments in public health and education. Kerala is the most thickly populated state in India and has a total population of 3.30 crore people.

As per a report available in ‘the print’ dated 27th June,2019 Kerala has recorded a stunning performance with reference to several indicators meeting target set by the United Nations under the 2030 Sustainable Development Goals Programme (SDG), a collection of 17 aims to end poverty and protect the planet. Kerala is a state with strong heath infrastructure. It has 135 hospitals that has over 100 beds. It has another 50 hospitals with over 300 beds. Hence, the basic infrastructure is almost in place. A small state in the Indian union, Kerala has got 14 Government Medical Colleges under the public sector and 23 Self-Financing Medical Colleges. Kerala also has Private hospitals and Clinics spread all across the state. The public health system is strongly supported by Primary Health Centres at the Panchayath level, District and General hospitals at the Taluk level and Medical colleges at the District level. The three-tier system has helped in reducing the work pressure in Medical colleges which are considered to be referral hospitals.
for all practical purposes. This has to a great extent helped Kerala in containing the Covid-19 epidemic.

Kerala’s efforts in containing the Covid-19 epidemic became very handy due to the existence of a very strong and effective Panchayath Raj System comprising of the Grama Panchayath, Block Panchayath and the District Panchayath. Members of these local bodies have wide contacts within their area of activity and are considered to be very influential among the masses. The services of “Asha workers” proved to be very effective in compiling health data during the initial stages. The government was successful to quarantine the infected people immediately on receipt of information. Kerala also succeeded in preparing the route map of infected people which enabled the department to identify people in first contact and second contact. People in first and second contact were also put under quarantine and were subjected to tests before being released from quarantine. These initiatives enable the government to contain the spread of Covid-19 in Kerala. Cases of death were limited to 3 and the recovery rate is the highest in the country. This is the reason why the “Kerala model” became very popular in containing the Covid-19 pandemic.

Kerala’s economy is considered to be a consumerist economy and is totally dependent on massive remittances from Non-Resident Keralites. Out of the total population of 3.30 crores, approximately 25 lakh people are reported to work abroad. The state receives almost 20% of total NRI remittances to India. Kerala’s economy has some special features that can be made a subject of study by professionals and academicians for the following reasons:

1. Manufacturing contributes less than 10% to state’s GDP.
2. Contribution from the agricultural sector to the state GDP is little above 10%.
3. Rate of unemployment is very high.
4. Still Kerala’s per capita income is above the national average.

Kerala is the 11th largest economy among states in India. Kerala’s high GDP and productivity figures are defined as the “Kerala model” of development by economists. The reason for this type of development can be attributed to Kerala’s land reforms and also due to social upliftment achieved through various schemes implemented by successive governments in Kerala. But still some say that Kerala is just a “Money Order Economy” for the simple reason that almost 35% of the state’s GDP is achieved through contributions from NRIs. Keralites were very fond of overseas jobs and around 25 lakh people work abroad of which 80% are in the
Gulf. Kerala’s NRI population comprises of top level executives, doctors, other medical personnel, engineers, technocrats, IT professionals and also skilled and unskilled labour. With the spread of corona in the Gulf and West European countries, 25% of the total Non-Resident Indians are expected to come back to India either due to loss of jobs or due to cancellation of their Visas.

**Kerala’s Economy at a Glance**

<table>
<thead>
<tr>
<th>GDP</th>
<th>7.82 lakh crore (2018-19)</th>
</tr>
</thead>
<tbody>
<tr>
<td>GDP rank</td>
<td>13th</td>
</tr>
<tr>
<td>GDP growth</td>
<td>11.6% (2018-19)</td>
</tr>
<tr>
<td>GDP per capita</td>
<td>204,105 Rs. (2018-19)</td>
</tr>
<tr>
<td>GDP per capita rank</td>
<td>6th</td>
</tr>
<tr>
<td>GDP by sector</td>
<td>Agriculture 11% Industry 25% Services 64% (2018-19)</td>
</tr>
<tr>
<td>Unemployment</td>
<td>11.4% (2017-18)</td>
</tr>
<tr>
<td>Public debt</td>
<td>30.1% of GSDP (2020-21 est.)</td>
</tr>
<tr>
<td>Budget balance</td>
<td>-29,295 crore (3% of GSDP) (2020-21 est.)</td>
</tr>
<tr>
<td>Revenues</td>
<td>1.15 lakh crore (2020-21 est.)</td>
</tr>
<tr>
<td>Expenses</td>
<td>1.44 lakh crore (2020-21 est.)</td>
</tr>
</tbody>
</table>
Impact of Covid-19 Epidemic on the Economy of Kerala

The time is not ripe to assess the actual impact of the Covid-19 epidemic on a state’s economy. But it is also necessary to have some rough calculations about the loss that may be suffered by the economy so that plans can be laid down for its revival immediately on shifting of the lockdown. It is a positive thing to learn that lockdown is going to be lifted in stages so that economic activities get resumed without much delay. The State Planning Board of Kerala has roughly estimated that the state may suffer a shortfall of Rs.80,000 crore in Gross Value Addition (GVA) in the first quarter of the current financial year. With no serious economic activity happening, the loss could be about 80%. Production of goods and services happened only for 10 effective days in the month of March. There was almost a total lockdown in the month of April and is expected to continue in the month of May. It is based on this data that the State Planning Board has estimated a shortfall of Rs.80,000 crore in Q1 of the current fiscal. This figure is based on the following estimates.

Estimated Loss to the Economy

<table>
<thead>
<tr>
<th>Sl.No.</th>
<th>Items</th>
<th>Value (In crores of Rs.)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Agriculture (Estimated for March-April)</td>
<td>1,570 cr.</td>
</tr>
<tr>
<td>2.</td>
<td>Animal husbandry (Estimated for March-April)</td>
<td>181 cr.</td>
</tr>
<tr>
<td>3.</td>
<td>Fisheries (Estimated for March-April)</td>
<td>1,371 cr.</td>
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<tr>
<td>4.</td>
<td>GVA loss in manufacturing (Estimated for March-June)</td>
<td>8,000 cr.</td>
</tr>
<tr>
<td>5.</td>
<td>Trade and hotels (Estimated for March-June)</td>
<td>17,000 cr.</td>
</tr>
<tr>
<td>6.</td>
<td>Daily wage loss to self-employed and casual workers (65.5% of total workforce)</td>
<td>350 cr.</td>
</tr>
<tr>
<td>7.</td>
<td>Daily wage loss (except in plantations)</td>
<td>560 cr.</td>
</tr>
<tr>
<td>8.</td>
<td>Tourism (Estimated for March-September)</td>
<td>20,000 cr.</td>
</tr>
</tbody>
</table>
9. Transport (40 days) 9,600 cr.

10. IT (First three quarters of 2020-21) 4,500 cr.

11. Power In March 64 cr. Till April 14 144 cr.

12. NORK remittances (January-February period) 2,399 cr.

Ways and Means for the Revival of Kerala’s Economy

It is high time that we should start thinking about ways and means for reviving the economy. It is expected that 25% of the Non-Resident Keralites may stay back in the state either due to loss of jobs or expiry of their Visas and contracts. Out of this 25%, many of them may have very vast experience in running businesses either directly or indirectly and many of them might have got exposure to new technology or new products. It is but natural that they may adopt new techniques in marketing. Digital marketing is an area where they may try their luck and also they may go in for branding of products. But the basic need is that we should adapt a new approach, a new attitude and will have to fully support them for the common benefit of all. Past is dead and future is unborn. We should now look forward for a new work culture of co-operation, co-existence and collaboration. The environment should be feasible for the development of new units. The government should give tax holidays and tax exemptions for new units which are expected to commence operations in the post Covid-19 period. Labour laws and organised bargain may have to take a back bench at least for another 10 years if the economy has to get revived. Let’s develop a business environment which is feasible for investors and all other stakeholders. It has to be an environment of reconciliation, consultation and compromise and not of confrontation.

Most of the industrial units are closed under lockdown and needs a strong financial support to resume its activities. Liquidity position of almost all industrial units, big or small, are in a very bad shape. Government will have to take initiatives to induce financing agencies to give necessary support so that these industrial units start functioning. It is very encouraging to see that the Modi Government has come out with a stimulus package of 20 lakh crores with
the exclusive intention of promoting Small and Medium Scale Industries, farmers and also NRIs. The government has also proposed a reduction in interest rates, speedy processing of permissions and also easy financing. The Make in India programme is going to get further boost and is expected to act as an instrument for industrial growth in India.

It is very essential that we should have a quality change in our approach and attitude. Ways and means for reducing costs and improving quality should be adopted. It is always better to look for higher volumes than higher profits. The government should try to provide new technologies and also the services of Common Facility Centres for ensuring quality and life of products. It is also essential that our industry should be provided with ample godown facilities and a digital platform for marketing of their products. Moratorium already declared by banks for a period of three months may have to be extended for a further period of at least one year. The consumer and his preferences also may change during the post covid period. It is very essential that government should pump in sufficient cash to the market so that people will have sufficient liquidity to make purchases. Consumers may look only for necessities in the immediate post covid period and the demand for FMCGs, designer dresses and jewellery and other luxury items may not pick up so fast. It is a welcome step that the central government has decided to make the entire Provident Fund contributions from its side that employees get increased amounts in their hands. The decision to reduce TDS and TCS rates by 25% is sure to bring another 50,000 crores to the market thus enhancing the purchasing power of people.

It is a surprise that approximately 35% of Kerala’s GDP is contributed by migrant workers. It is estimated that 30-35 lakh migrant workers live in Kerala and are engaged in various economic activities. 80% of the work in the construction field is done by migrant labourers. It is estimated that 60% of the migrant workers are engaged in construction, 20% in hotels and food processing industry and the rest in other activities. It is a wondering fact that 50% of the population in Payippadu Panchayath comprises of migrant labourers, 30% in Cochin Corporation and 15% in Chengannur Municipality. It is obvious that Kerala’s economy cannot move further without the services of migrant labourers. Most of the migrant labourers have gone back to their home states due to the spread of Covid-19 pandemic, the resultant lockdown and loss of jobs. It is yet to be seen that how many of them will come back to resume duties in the post covid period. Irrespective of this fact, this reality has to be accepted that full resumption of economic activities in Kerala will depend on how and when migrant labourers come back meaning that they have become an integral part of our economic system.
Findings and Suggestions

1. The Kerala model of health system has been successful in containing Covid-19 pandemic in Kerala.
2. The return of NRIs in the phase of Covid-19 epidemic is going to have a negative impact on the economy of Kerala.
3. The revival of Kerala’s economy will need long-term planning, strong government initiatives, easy financing through banks and financial agencies and also considerable reduction in interest rates and repayment terms.
4. Our attitude and approach to business needs a quality change and it has to be an atmosphere of reconciliation, mutual consultation and of compromises.
5. Consumer preferences and behaviours may change in the post covid period and business houses will have to be cautious in promoting their products and services.
6. NRI population that are expected to come back may have immense experience, improved ideas and better technical know-how. It is for the government to induce in them the spirit of making investment in their home state so as to have our economy revived.
7. Migrant workers are an integral part of our economic system and it is very essential that they should be given a better environment for their stay in our state.

Conclusion

From what has been discussed above, we can find that the Kerala model of health care is very effective and can be followed by any government. The success of this model in Kerala has been greatly due to the support it received from the Panchayath Raj institutions. The efforts made by the state government in containing the epidemic was commendable. The slogan “Break The Chain” received huge popularity and support from the public and the media. The Kerala model of health care, timely intervention from the government, efforts made by the law enforcing agencies and the exceptional dedication from the side of the medical team comprising of doctors, nurses and others from the medical fraternity have saved Keralites from the disastrous pandemic, Covid-19. Kerala is slowly moving towards lifting of the lockdown. It is believed that economic activities will resume within a short span of time. Let’s hope that the state will come out successful in reviving its economy by all means and will put it on the
right track with strong support from the Central Government, various financing institutions and the public at large.

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