THE ROUTE MAP FOR REJUVENATION OF KERALA’S ECONOMY IN THE POST-COVID PERIOD

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Abstract

Kerala leads the country in literacy, health care, foreign remittances and also in providing employment to migrant labourers. Kerala is also considered to be one of the leading states that is urbanised. It is again the most thickly populated state in the country. Even after having these credentials contribution from the industrial sector is just 25% and agriculture sector just about 11% to the state’s GDP. Kerala is highly indebted with a per capita debt of around Rs.70,000. Kerala has succeeded in containing the spread of covid-19 epidemic and has partially lifted the two months old lockdown. But Kerala’s economy is totally in problems and the government is not able to increase its revenue resources so as to utilise a considerable amount for developmental activities. The government has very limited sources of income like GST, stamp duty and registration charges, revenue from liquor and government lottery. One would wonder how the state would rejuvenate its economy in the post-covid period. It is true that a major share of government’s revenues goes for payment of salary and pensions including welfare pensions. Education is free up to Post Graduate level but for a minimal amount by way of special fees. Students are given concessional rates for travel and 25 kgs of rice is given to BPL card holders at Re.1. People applying for jobs with the PSC need not have to pay a single paisa towards fees. BPL card holders are given health care at government hospitals free of cost. From this we understand that Kerala is a welfare state by providing almost all necessities free of cost. But government is struggling to raise resources for developmental activities. It is high time that we should have a re-look on this and make some changes in consultation with all the stakeholders with the ultimate intention of finding out some surplus for the purpose of investment in developmental activities. The state cannot go further depending on borrowings both for developmental activities and also for meeting the revenue deficit. People in the state
should join hands with the government to take a firm decision regarding allocation of resources or else the post-covid period will be very disastrous for Kerala’s economy.

**Keywords:** Epidemic, Development, Struggling, Rejuvenate.

**Introduction**

Kerala is one of the most urbanised states in India. A state with the highest literacy rate in India and with the best health care system in the country, Kerala has been successful in containing Covid-19 pandemic till date. Keralites are generally health and hygiene conscious and does not have any hesitation in consulting a doctor even for fever or cold. But Kerala happens to have a very high percentage of diabetic patients, cancer patients and cardiac patients. Kerala is basically a consumer society and depends on other states for supply of grains, cereals and vegetables. Kerala has a total population of 3.30 crores out of which 20-25 lakhs are Non-Resident Indians who account for almost 20% of NRI remittances to the country. This immense receipt is the one on which Kerala’s economy is based. The contribution of industrial sector to state’s GDP is around 25% and contribution from agricultural sector is just above 11%. Kerala is considered to be a developed economy in the country although unemployment in the state is said to be 11.4%. The state’s GDP is reported to be **Rs.7.82 lakh** crore in 2018-19 ranking 13th in the country. Kerala’s GDP per capita is **Rs.2,04,105** in 2018-19 and rank 6th in the country. Services sector’s contribution to state’s GDP stands at 64%. As per 2020-21 estimates the public debt is 30.1% of GSDP. Even after being in the 13th position on the basis of GDP and 6th position in GDP per capita and after being a contributor of 20% of NRI remittances to the country, Kerala has been in a bad shape in its finances. It is reported that 50% of the Government revenue is being spent for salary and pensions to leaving just 50% for other purposes. Government has to depend heavily on borrowings for investment in developmental activities. This has lead to a very huge public debt of above Rs.70,000 per person.

**Objectives of the Study:**

1. To assess the impact of Covid-19 on the overall economy of Kerala.
2. To identify the sectors that has suffered the most due to Covid-19.
3. To identify ways and means for future development of the economy.
4. To recommend sectors that should be promoted for the overall economic progress of the state.
Methodology

This paper is based on reports released by various departments and articles published in periodicals, journals, magazines and also various sites on the internet.

The outbreak of Corona epidemic and the resultant lockdown has brought economic activities in the state to a standstill. The impact of the epidemic on the economic horizon of the state is going to be very disastrous. It’s true that 300 crores of world population were kept under lockdown and lockdown is being eased out step by step. The GDP of almost all countries in the world is going to be either negative or possibly one or two percent much less than what has been projected. As has been explained earlier 35% of gross receipts by the state come from NRIs. According to an estimate made by the State Planning Board the state is expected to suffer a shortfall of approximately Rs. 80,000 crore in Gross Value Addition. Almost all sectors of the economy are expected to suffer miserably due to the lockdown. It will take a long time to revive the economy and is possible only through concerted efforts from the government, financing institutions and all other stakeholders. The basic thing that we, Keralites need to understand is that if we want to solve our issues, we need to change our attitude and approach. Keralites have been leading an easy life from the time when we started getting jobs in the Middle-East. It is reported that about 25% of NRI population in the Gulf from Kerala have registered their names for a return to the state. This includes people who have lost their jobs, those who have expired Visas with them and also people who are working in establishments that got closed. Most of them are not expected to go back to the Gulf even after the pandemic issue gets resolved. We all know oil prices are falling sharply partly due to infight among oil producing countries and also due to the rest of the world moving over to other sources of energy like solar energy and electricity. Most of the automobile manufacturers across the world have come out with electric vehicles including buses posing a great threat to oil and oil dependent economies. There is every reason to believe that oil is on the path of loosing its dominance in the world economy. The Middle-East without oil and oil production will not have any significance in global business and it may so happen that job opportunities in the Gulf will shrink considerably. This is the area where Kerala has to be vigilant. We should train ourselves to live without Gulf money and the leisure and luxury which we are used to since decades. It is not the number of people who may come back to Kerala that should worry us but the impact of a possible fall in cash remittances that is going to have a devastating impact on the overall economy of our state including construction, trading in malls, hospitality industry and also urbanisation that we are boasting about.
Tourism contributes roughly 10% to the state’s GDP. Tourism and hospitality industry is the sector that is affected most due to the covid-19 pandemic. Kerala’s tourism industry is blessed to have earnings from both domestic and foreign tourists. Foreign tourists mainly come from the USA, England and various European countries. It is this part of the globe that is affected most due to covid-19 epidemic. We cannot expect tourism industry to get revived at least in the next 1-2 years. Hotels and restaurants across the state, the travel sector, the house boat services etc. are going to suffer a lot during this season of the year. It is estimated that the Kerala’s revenue receipts mainly come from:

   a. GST
   b. Stamp duty and registration charges
   c. Revenue from liquor
   d. Lottery
   e. Tourism.

Due to lockdown manufacturing and trading activities were at a standstill, beverages outlets were closed, lottery was not there and registration activity did not happen. So there is no possible means for the state government to generate reasonable revenues. A lot of expenses, unexpected was to be met for preventing the widespread of covid-19 pandemic.

Kerala is one state where migrant labourers are employed in huge numbers. 60% of them are with the construction industry, 20% with the hotel and bakery business and the remaining attached to various other types of economic activities. According to a rough estimate, 25-30 lakhs of migrant labourers work in Kerala. A majority of these workers have gone back to their home states due to the spread of the pandemic, the resultant lockdown and loss of jobs. It is unlikely that they return to our state in the foreseeable future causing a total slowdown in the construction sector. Roughly 20% of the migrant labourers work in hotels and restaurants which are not allowed to function even in the forth stage of the lockdown. It is possible that the hotel industry also may find it difficult to pull own without the services of migrant labourers. Thus the overall picture of the state’s economy does not seem to be very bright even after lifting of the lockdown.

Kerala has been an agrarian economy for centuries. Kerala has a very high literacy rate and people from the state used to go abroad in search of jobs. It is roughly estimated that 25-30 lakhs Keralites work in foreign countries of which almost 20-22 lakhs work in the Middle-East. The Gulf boom gave Indians sufficient opportunities for earning huge salaries
from the 70’s. This provided Kerala a great push in attaining social and economic development much better than other states in India. It seems that the Gulf boom is almost over for various reasons and many of the Keralites working abroad are in the process of coming back to the state. This process may get accelerated due to the outbreak of covid-19 pandemic and we may have to find new ways of utilising the capabilities and services of these people. Many of the Gulf returnees are expected to be skilled and experienced in the area of marketing, manufacturing, engineering and also trading. We can utilise their capabilities to rebuild Kerala once the epidemic become insignificant. Many of them must be having managerial skills, manufacturing skills and entrepreneurial skills. Many of them must be interested in starting own business by utilising their vast experience in the Gulf. It is for the state to utilise it fully by creating an environment suitable for doing business. People must be looking for ease of doing business, easy financing and a friendly environment. But experience is that many a times Kerala did not have that business-friendly environment. It is a necessity that we should adopt a new attitude, a new approach and should thus create a business-friendly environment. In Kerala land is very scarce and is costly too. Thus we cannot have very huge industries requiring too much acreage of land. So our plan should be for those business establishments which requires lesser area of land, low pollution and not that high investment. There are certain areas of business which are very suitable for the existing environmental conditions in our state:

1. IT related businesses, both hardware and software
2. Hospital and hospitality industry
3. Tourism and travel industry
4. Specialised educational institutions
5. Automobile spare parts
6. Computer and mobile assembly units
7. Garment designing and tailoring units

Kerala has a huge number of skilled work-force for the management and development of software and hardware units. Presently China happens to be the leader in the manufacture of computers and mobile phones. All the leading brands in the world have their manufacturing facilities in China. It is said that the post-corona period would be different and many of these brands may move out of China. It is for the government and business associations to project Kerala as the most favourable destination available to them. But it is essential that we should change our work culture. Our habit of insisting on 8 hours work, bargain for wages, claim for leisurely hours etc. may not gel with
practices followed by many of these multinational companies. They are used to extended working hours, remuneration based on productivity and promotions based on skills and capabilities. Technology is fast developing. This is the age of Internet Of Things (IOT) and Robotics. We should be able to adapt such technologies to make our business highly competitive. So it is certain that we need to change our outlooks and approaches.

Kerala is well known for its health care system. We have a rich heritage in the field of ayurvedic treatment and medicines. Kerala has a lot of infrastructure facilities built across the state by successive governments and also private players. Kerala is a place where you get medical care at cheap rates in comparison with US, most of the European countries and also the Middle-East. Ayurvedic form of treatment in Kerala is world famous and many foreigners come to our state and stay here for long to undergo ayurvedic form of treatment. It is a fact that ayurvedic treatment has been commercialised by certain interested groups. Mechanisation of the production process in ayurvedic medicines has also given chances for raising questions on its quality. Presently there is no widely accepted procedures for certification in quality of ayurvedic medicines. But still it is an area which Kerala can look for attaining its economic objectives. Really speaking, Kerala should try to create health hubs where you get a combination of allopathic, ayurvedic and homeopathic at reasonable rates. A related activity would be manufacture of pharmaceuticals which is heavily concentrated in Himachal Pradesh, Haryana and certain parts of UP. It is possible that a new economic system based on health and related services may come up in the post-covid period. Many of the multinational companies may come forward to make investments in this area. Health education is another area which may get priority in the next few years to come. Private Public Participation (PPP Model) seems to be very attractive in this area. Kerala may turn out to be a wonderful destination for medical treatment and health care if we can offer low cost medical services to people from across the world. It is a fact that we have the highest number of highly qualified doctors, nurses and other paramedical staff working across the world. Health tourism can be developed as a Kerala brand by branding and promoting it throughout the world with attractive slogans in the lines of ‘Kerala- God’s own country’. Keralites are certainly capable of developing a health model of its own. We can also look at manufacture of ventilators, intensive care units, PPE test kits and the like to boost our economy. Another area of possible success is tourism and hospitality industry which used to make a fair
contribution to Kerala’s GDP in recent years. Kerala is rich in natural beauty. The
greenery and backwaters of Kerala, the paddy fields and house boats and the beaches
truly give a picture of glory to any person visiting Kerala. That is the reason why Kerala
happens to be one of the favourite destinations for foreign and domestic tourists. Our
art forms like Kathakali, Mohiniyattom and Thullal happens to be a real treat for visitors
to our state. It is sad that tourism industry in Kerala is in great trouble due to covid-19
pandemic. Let’s hope that this industry would attain its past glory in the nearest future
itself.

Kerala has the highest literacy rates in India and has a very effective and efficient
education system. Successive governments have invested a lot in education and it has
made Keralites possible to reach each and every corner of the globe in search of jobs.
Education is an area where changes happen pretty fast. The education system has to be
in tune with the needs and necessities of the industry and also the society. It is true that
we must learn our mother tongue and has to have a good amount of knowledge in our
language but it is difficult to cannot accept the argument that the medium of instruction
should be Malayalam. It is a known fact that English is the language that is used by
majority of the people to communicate and correspond. It is also necessary that to adapt
to new technologies, English is a pre-requisite. It is essential that our education system
should be at par with world standards if students from outside states and abroad should
look at our state as an education hub. It is also essential that we should have to be in
association with well-known Universities and centres of learning to keep our education
system updated. It is always essential that the curriculum followed by our Universities
should have relevance and be in tantum with the latest technology. Education is very
cheap in our state in comparison with countries in the Gulf and also foreign countries.
We should be able to provide high quality education and highly flexible combinations
through application of most modern technological tools for imparting knowledge. We
need to have the most modern infrastructure and the latest technology available
elsewhere in the world. It is appreciated that there are limitation for governments to
invest so heavily in education alone when half of the people live with bare necessities.
The PPP Model again is a possible mode of investment to attain this objective too.

A considerable contribution to Kerala’s GDP is made by MSMEs. It is very
essential that the government should give them due consideration while making
economic decisions. It is encouraging to note that the Kerala government has declared
a package of around Rs.3400 crore exclusively for MSMEs. There are certain activity
areas which can be promoted under this category with investment limits for MSMEs standing extended by the Central Government. The following are some of the important activity areas that can be promoted in Kerala:

- Automobile spare parts
- Computer and mobile assembly units
- Garment designing and tailoring units

**Findings and Suggestions**

It is certain that the post-covid environment will certainly be different and customer’s preferences may also get changed. People in business may have to achieve more skills. A lot of change will happen in products and processes. Government will have to set up Common Facility Centres to facilitate industry and trade. Changes will have to happen in laws and rules regarding possession and usage of land. Agricultural lands without proper activities can be considered for being converted for other uses. Insistence on completion of procedures should not act as a hindrance to business. Agriculture also needs dynamic changes. We should go in for intensive farming and our aim should be maximum yield with minimum land.

As stated earlier the business environment in Kerala has to become more friendly. It is said that people in Japan reach their place of employment by 6.00 in the morning and they protest for their rights not by striking but by increasing the output. We should get used to working for extended hours, forfeit our right for collective bargain and should help in creating an atmosphere of co-operation, co-ordination and collaboration. Business is a give and take game and all stakeholders should take care that nothing damages the business.

Political interference and interference by trade unions needs to be kept at bay for at least 10 years so that our economy grow at a faster pace. Banks and financial institutions in Kerala quite often adopt a lethargic attitude towards financing industries and business. They find it comfortable to transfer enormous amounts deposited by NRIs from Kerala to industrial centres like Mumbai, Pune, Bangalore and Hyderabad. This practice will have to be changed for the common benefit of all.

Kerala is a surplus state in water resources and for power generation we depend mainly on hydroelectric projects. But natural calamities, floods, unseasonal rains cause disruption in power supply in our state. It is essential that power supply should be ensured for industrial production to have continuity or else it will affect production planning, sales and cash flows.
Government has to take a serious initiative in this regard. Another problem faced by Kerala is the disposal of waste. Many businessmen have the practice of disposing the waste and waste water into rivers, lakes and other water bodies contaminating drinking water and the rich resources like fish and other living objects in water. It is shocking to see that our local bodies are also not taking serious initiatives to protect the mother earth and the environment.

**Conclusion**

From what has been discussed above, it is clear that there are many issues and problems to be solved for the economic revival of Kerala. The most important thing is a basic change in our approach, attitude and evaluation of things. Industry and business would prosper only where environment is favourable for business. It should be borne in mind that a businessman would look at the safety of his investment over and above profitability. Business is a give and take game. Employees and labourers should help to maintain an atmosphere of cohesiveness at the workplace. It is not necessary that you should get structured timings, extra payments for extra hours of work and leave on a particular day which he would desire. We should create an environment that is favourable to business. People always look at profitability, ease of doing business and easy finance before making investment on a specific project. Let’s hope for a positive change and Kerala becomes economically stronger and also a better place to live.

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