

## **Editorial**

### **A review of economic review 2021 and budget 2022-23**

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Very often than not the budgets are the constructs of the context. Hence it is bound to give importance to issues of immediate concern. Yet, the chief architect, the Finance Minister, has to keep the building in mind while placing each brick. Thus viewed the challenge of any finance Minister is to strike the delicate balance between issues in the short run and the long run.

The context of Kerala budget 2022-23, as clearly articulated by the Economic Review 2021 published by the State Planning Board, is evidently unique in many respects. This is the first budget of Kerala's 14th five-year plan while almost all the states in our country have done away with the five-year plans altogether. Further, it is the context wherein we have learned from 25 years decentralised development in the state. The context is also unique in the sense that silver lines are seen in the horizon after the two yearlong once in a century pandemic. The international context of Russia Ukraine war and its impending adverse economic consequences along with the ongoing crisis in the neighbouring country also cannot be ignored. Finally, this budget is presented at a time when we have completed five years of experimentation with GST and stressed fiscal position on account of the economic setback in the aftermath of consecutive floods, once in a century pandemic, among others. From a long term perspective, the state is at the cusp of a great leap forward inter alia by transforming Kerala to a knowledge economy.

Hence the issue of relevance is, to what extent the budget has been successful in addressing the short term problems and long term challenges. Keeping this issue in mind, Gulati Institute of Finance and Taxation, (GIFT) as in the past, organised a workshop on Economic Review 2021 and Kerala Budget 2022-23 jointly with the Department of Economics, University of Kerala, the Centre for Budget studies, Cochin University of Science and Technology

(CUSAT) and the Kerala Chapter of Confederation of Indian Industries (CII). While the discussion on the budget was inaugurated by Shri K N Balagopal, honorable Finance Minister of Kerala and the Chairperson of GIFT, Prof V K Ramachandran, Vice Chairperson Kerala State Planning Board and Vice Chair GIFT, inaugurated the discussion on the Economic Review . I am very happy that the other speakers of this workshop included highly acclaimed scholars, including Vice Chancellor of MG university, Members of the State Planning Board, both past and present and champions of industry. Perhaps the uniqueness of the workshop was the contribution by young scholars from Department of Economics Kariavattom, Kerala University, Mahatma Gandhi University and Centre for Budget Studies, Cochin University of Science and Technology.

The two companion issues of Kerala Economy (Volume 3, No. 2 and No.3) has been brought out based on the presentations made in this workshop on. In what follows, I shall briefly highlight the content of these deliberations. I shall begin with Vol. 3 No. 2 and then proceed with Vol 2 No.3.

While inaugurating the discussion on the Kerala budget 2022-23, Shri, K N Balagopal, Hon'ble Finance Minister of Kerala and the Chairperson GIFT, was at his best in articulating how the budget has provided a long term development perspective while not compromising the immediate concerns. He was unequivocal when he stated, while delving on a long-term development strategy, the Sri Lankan crisis should be a lesson for us. He felt that aging is a challenge as well as an opportunity. Although we need to ensure the support system for the elderly, it is also a new income and employment generation opportunity through the innovative development of the care economy. Waiting for remittance is not the most appropriate way of reaping the demographic dividends although migration must be promoted. Ultimately we should be able to fully utilize our manpower such that they make value here, instead of depending on remittances, which is only a small fraction of the value that they create abroad. Concerned about the present plight of Kerala's agriculture sector, the budget has provided for a three-pronged strategy for its transformation. Funds have been allocated for enhancing productivity, helping value addition and for ensuring a fair price for farmers. Growth in the allocation for higher education sector has been unprecedented with a view to hasten our transformation to a knowledge economy. Further, the approach of the budget is to reap the potential of knowledge-intensive and high value industries instead of sweat shops that compete on low wage advantage. On the whole, the finance minister showcased how the

inaugural budget of the 14th five year lays the firm foundation for a great leap forward, without leaving none behind despite the stressed fiscal situation.

Prof V K Ramachandran, Vice Chairperson, Kerala State Planning Board, while inaugurating the discussion on the Economic Review, expounded that despite various constraints, including restrictions on States in raising the taxes, delay GST compensation, reduced devolution due to rise in cess and surcharges by the Centre, Government of Kerala took measures during COVID 19 towards directing resources to the needy and for the most essential purposes which helped in moderating the impact of the crisis. Further, he highlighted the remarkable strides - the lowest Multidimensional Poverty Index (0.71), best performance in Sustainable Development Goals for three consecutive years made possible through a system of planning-led economic change that social and political consensus have established in Kerala. Against this background, Prof Ramachandran felt that the first Budget of the 14th five year plan announced by the Finance Minister takes the first determined steps towards implementing the 14th Plan goal of creating an inclusive, prosperous, and high-growth society.

Having associated with democratic decentralization in many ways, Distinguished Fellow of GIFT, Prof M A Oommen, looked back to the past, reviewed the present and reflected on the prospects for the future of decentralized development in Kerala. To him, neither the institutional architecture created for devolution of function, finance and functionaries nor the attempt made towards achieving 'economic development with social justice have no parallels in our country. The concern, however, is that we have not gone far enough to ensure gender justice. In terms of social equity, despite real progress in regard to SC/ST, infant mortality and poverty among the tribals tell dismal tales. In protecting the environment, especially in handling solid waste, liquid waste or medical waste and controlling quarries much more needs to be done. Complimenting Prof Oommen and focusing on the chapters in Economic Review that dealt exclusively with decentralized planning to mark the silver jubilee of the people's plan movement, Prof Jiju P Alex, member, Kerala State Planning Board highlighted the evolution and the current status of democratic decentralization and how this has transformed Kerala. Against this background, an attempt has been made to highlight the role of local self-governments in addressing the challenge of economic recovery as envisaged in the fourteenth five-year plan.

Reflections on the Economic Review and the budget using gender lens by Prof Mridul Eapen, Honorary Fellow, CDS and Dr Sonia George, General Secretary, SEWA, could not have been more insightful and constructively critical. In a general context where in the socially constructed gender roles leave women with little power economically, Prof Eapen dealt with the Kerala's attempt to integrate gender into planning as reflected in its Plan/Budget and related documents like the Economic Review. Albeit the increasing allocation for women related activities, she raised a number of concerns relating to the absence of required data for exploring many of the gender related issues, like deficit in gender sensitiveness in path breaking programs like transformation to a knowledge economy, to say the least. Complimenting substantially the above views Dr George, within the perspective of gender budgeting, that provides a lens to view the approach of the budgets in its allocation with a gendered frame, Dr George was at her best in showing us the long way that Kerala has traversed and the road ahead. This she has accomplished by a careful analysis of the Gender Budget document 2021-22 in comparison with the main budget document of Kerala. While complimenting the new directions in the budget as commendable Sonia calls for more in-depth discussions with experienced people towards evolving more comprehensive approach with respect to knowledge economy, skilling, care economy, home makers, domestic workers, among others.

Reflecting on the agriculture and allied sectors, that recorded negative growth during last decade that made the farmers much poorer on account of a loss of Rs 8,000- 10,000 crore, Prof Ramkumar, Member Kerala State Planning Board, painted in clear terms the structural, technological and socio-economic dimensions of the problem at hand. These issues ultimately manifested in lowest crop productivity in Kerala, massive failure in marketing and the miserable failure in the sphere of value addition. He examined how has the inaugural budget of the 14th five plan addressed these issues. Against the backdrop of changing approach towards development in the country in a context of ever new challenges arising out the global context Mr S S Nagesh, Chief State Planning Board, presented a detailed account of the various initiatives and achievements during the 13th five-year plan. He further dealt with the strategy of the 14th five-year plan to revive the agricultural sector by increasing productivity, intensification and bridging the yield gap through the adoption of modern technologies and other interventions.

A highly informative account of Kerala's agricultural sector with a focus on crop specific performance by Gayatri Prem V and Jettin Susan Thomas, postgraduate Students, department of economics, university of Kerala complemented the contribution by Prof Ramakumar and Mr Nagesh. Highlighting the challenges in the fisheries sector Athul Joseph, postgraduate student, department of economics, university of Kerala, argued that without facilitating their catch up with rest of Kerala society, our achievement of Sustainable Development Goals (SDGs) will remain a distant dream. The discussion on the performance and prospects of the dairy sector by Deeya Deep Anand, post graduate student, department of economics, university of Kerala, made the discussion on primary sector complete and also the Vol. 3 No.2 issue of Kerala Economy.

In Vol 3 no.3 of Kerala Economy, in the opening article Dr A V Jose, former Director, GIFT, reflected on the transformative changes and highlighted some of the takeaways on the employment situation in Kerala. In the context of low labour force participation rates in the state, especially for women, Dr Jose made the case for increasing the work participation rates of men and women. Although the state's approach is to increase the presence of women in the knowledge intensive sectors, a case has also been made for much more attention in raising the participation of women in the middle and lesser skilled categories of work and dealt with necessary interventions on the supply and demand sides of labour markets. Since the mid 1970s, international migration and remittances have had significant bearing on the Kerala economy. Highlighting the various issues confronted by migrants in the wake of COVID 19 pandemic, Prof Irudaya Rajan, Honorary Professor GIFT, highlighted among others, the perils of the current situation wherein reliable data on migrants hardly exists for informed policy making. In this context a case has been made for a permanent arrangement for collecting the information of all emigrants either at least once in five years.

While applauding the Finance Minister for the manner in which the budget has been thought through and the intents in right direction, Shri G Vijayaraghavan, who is an honorary Professor GIFT, raised his apprehensions as well. Based on his experience during the last few decades and by citing concrete cases he stated that implementation is the key, making statements or budget or even allocating money is not enough. By tracing the historical roots of a key issue pertaining to lower tax collection, Prof Mary George Chairperson shows that the higher rate of growth of GSDP during normal years is not accompanied by commensurate growth in revenue realization. Based on a detailed exploration of the factors that contributes

towards, the less than potential revenue performance, she highlighted a number of tax and non-tax avenues of revenue that are to be tapped towards evolving a more buoyant and equitable system of revenue mobilization

Prof Jayan Jose Thomas, Professor Indian Institute of Technology, Delhi, observed that the record of Kerala's per capita income, which was only 80% of the national per capita income in 1980<sup>s</sup> is 160% of the national average at present. To him, this makes Kerala a typical case of Keynesian type 'wage-led' economic development since the wages of casual workers consistently recorded higher growth as compared to rest of India. He highlighted a number of challenges that needs urgent attention which include becoming aged prior to being rich, mismatch between the structure of the labour market and the structure of the economy among others and comes up a number of recommendations. Towards examining the development implications of the budget, Prof M K Sukumaran Nair, Honorary Director, Centre for Budget Studies, CUSAT, dealt with the manner in which the budget addressed some of the pertinent development issues in the transformation towards a knowledge economy in general and a development alternative in general. He felt that the last couple of budgets, and especially the present one, has a clear road map for the long-term development albeit the details will have to be worked out.

Reflecting on the performance of Kerala's manufacturing Sector Prof K J Joseph and Dr Kiran Kumar Kakarlapudi, Director and Assistant Professor respectively, GIFT, argued that the de-industrialization in Kerala during 1980-2010, viewed in terms of the share and growth of manufacturing sector, has been taking place at a faster pace than the all India average. The share of high-tech industries in total manufacturing value added also declined faster in Kerala as compared to the national average However, a trend reversal in Kerala is visible since 2011 when the manufacturing growth at all India level decelerated. At this juncture the thrust in promoting high tech industries and the recent initiatives like The Chief Minister's one lakh enterprises scheme promotion of startups, among others, are in the right direction.

As already indicated a unique feature of this workshop has been the involvement of young scholars. Dr Blessy Joseph and Silla George Raju, Postdoctoral Researcher and Research Student respectively under the guidance of Prof Sabu Thomas Vice Chancellor MG University reflected on the unprecedented importance that this budget provided for the higher education. To them, against the backdrop of its transformation to knowledge economy its

focus of applied research, and other initiatives for promoting industry university interaction, skill upgradation, promotion of start-ups and spinoff companies along with Chief Minister's Nava Kerala Post-Doctoral Fellowships are expected to provide rich dividends. The discussion on the services sector by Arshad Mashour V S and Manu D, students of MSc. Econometrics and Financial Technology, Centre for Budget Studies, (CUSAT), with special focus on tourism and public services was highly illuminating. Especially notable is their observation that although a plethora of services are offered by the government departments, in the absence an index to measure the effectiveness of the service, it is difficult to assess the efficacy of the public services and the efficiency of public spending on these services.

Reflecting on the budget from the perspective of scheduled castes and tribes, the outliers of "Kerala model" Dr U P Anil Kumar, Assistant Professor GIFT, although several development programmes have been conceived and implemented for their development, their educational attainment, skill development and employment, they have go long way to catch up rest of the society. As in the earlier issues, you will find the regular columns like GST updates prepared by Dr Relfi Paul, highlights of the new studies on the Kerala prepared regularly by Young Scholars forum wherein Ms Rju Mohan has taken the lead this month and finally the column 'what is new from GIFT' which informs you about what has been going on in Gulati Institute of Finance and Taxation.

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**K J Joseph**