

Revival of the COVID riven economy of Kerala

Joseph K V

Former Member, Kerala Public Expenditure Review Committee and Director, Institute of International Migration and Development

Revival of Covid riven economy of Kerala would not be a smooth affair, as the inflow of remittances, which has transformed Kerala as a consumer state akin to the “age of high mass consumption” of Rostow, may not revive so long as Covid persists (1). The attempts at the revival of the economy by providing incentives may not be effective either, in the context of the unique nature of the economy of Kerala. Ipso facto, what is needed is to strive for self reliance by augmenting the productive sectors of the economy.

Devastating effects pandemic

COvid-19, a new pandemic which infected the whole world reached Kerala in Jan 2020, perhaps before reaching anywhere else in India. Luckily, the initial wave was not so severe and the state could effectively contain it. However, it reappeared with much more ferocity in March 2021. The daily tally of infection rose up to 43529 by mid-May 2021. The death toll has come up to 59115 as on Feb 7th 2022, more than 10 per cent of the all India total. Furthermore, the threat of Omicron, a new variant of Covid looms large in the air.

Apparently, the impact of the pandemic would be more damaging in the case of Kerala, than in many other parts of the world for more than one reason. However, nobody is sure as to the exact magnitude of setback caused by the pandemic. According to an estimate made by the Planning Board the fall in income would have been around Rs 80000crore in 2020-21(2). The loss would be more than that in 2021-22. A quick estimate made by the Department of Economics and Statistics, tentatively calculates a negative growth rate of 11.2 per cent in 2020-21(3). A far more serious setback would be a loss of employment to a considerable number of people. The number of auto drivers, taxi drivers, beauticians, shop assistants, petty traders construction workers and such other people thrown out of employment would be

hundreds of thousands in the state. In addition, as many as 14 lakh expatriates have come back to Kerala(4). Most of them subsist on the kits and free ration provided by the sarkar. Luckily we seem to contain the epidemic, though the threat from the third phase remains uncertain.

Constraints to the revival of the economy

How to revive the economy poses as major problem confronting the state. In Kerala which has emerged as a consumer state the problem becomes a baffling one. The transformation of the economy with conspicuous consumption as the hallmark characterised by posh buildings all over the state, streams of motor vehicles flooding the roads and narrow lanes, and sophisticated consumer durables of all categories has the semblance of “the age of high mass consumption” of Rostow. An economy attains the age of high mass consumption after passing through different stages. Kerala on the other hand, has attained such a stage from a primitive agricultural and a stagnant industrial base without passing through different stages. How a jump from a backward economy could be accomplished all on sudden ? Kerala has been the recipient of fairly large amount of money from foreign lands being the earnings of her sons and daughters working there. The inflow of such remittances which account for about 20 per cent of the GSDP seems to be operating behind such transformation. The remittances in liquid cash are being utilised invariably for meeting the needs of conspicuous consumption.

The strategy of giving incentives to the consumers for boosting an economy facing recession and thereby to stimulate productive activities may not naturally be effective in the case of Kerala. The high mass consumption needs met from the remittances cannot be covered by small doses of incentives provided by the state. The state is not in a position to provide so much of incentives as to match the fall in the remittances. At the same time practically the entire volume of consumer goods used by Keralites come from other states. Approximately about 80 per cent of the food requirements are met by importing rice and wheat from states like Andhra Pradesh West Bengal, Punjab and so on. Furthermore trade and transport normally regarded as productive services by aiding production function as consumer services as such. They facilitate the supply of consumer goods to the door steps of the consumers. Even the bulk of the materials including labour services needed for construction which has surfaced as a major productive activity come from other states Any amount of incentives would naturally stimulate productive activities in other states. There may not be any

multiplier effect as the bulk of the amounts spent for maintaining high levels of consumption goes to other states.

Prima facie the revival of the economy crippled by the pandemic will certainly be a time consuming process. Improvement in the inflow of remittances which have declined considerably with the pandemic forms the basic requirement for the revival of the economy to the pinnacle of prosperity of the pre-pandemic days. Recovery of the economies of countries from where remittances are received becomes crucial in this regard.

Self- reliance for the long term sustenance of the economy

Instead of relying on such external factors for ever, certain steps should be taken on a priority basis for the long term sustenance of the economy. Actually the havoc caused by the pandemic should be an eye opener in such a situation. India as a whole could successfully withstand the disaster from the pandemic because of the self sufficiency attained in food production. Similarly Kerala should adopt measures designed to achieve self reliance

The crucial step for this purpose would be the augmentation of the productive sectors of the economy, instead of erecting malls and show rooms which stimulate consumerism. Among the productive sectors agriculture, calls for serious consideration for various reasons.. Till the closing decades of last century agriculture had a commanding position in Kerala. Deceleration set in with the large scale inflow of remittances which provided the means for an affluent life. Since then, an era of fall in the prices of crops and high cost of production set in. In this connection what the government should do is to ensure a fair price to the farmers by creating institutional marketing facilities on the model of MILMA. Hitherto, Government's policy has been to pamper the consumers, very often ignoring the interests of the cultivators. Government should squarely meet the demands of the cultivators by providing incentives and subsidies. Credit should go to the state government for taking various promotive measures which could bear fruits in the wake of Covid outbreak by stimulating agricultural production.

There are limits to agriculture to restore the pristine glory of the economy. Promotion of industries constitutes the most important step to be adopted in the matter. Industrial sector of Kerala remains stagnant with very meagre share in the GDP of the state, The state could make very little progress in the field of industries though Kerala is endowed with large volume of bank deposits, huge volume of remittances and the presence of skilled labour force. Instead of taking advantage of the favourable conditions, entrepreneurs seem to be lukewarm to invest

in industrial ventures in Kerala apparently for want of an investment friendly environment. Actually, entrepreneurs of Kerala origin have made considerable success in other parts of India and even in foreign lands. Militancy of labour has been attributed as the main cause for the emergence of the unfriendly environment for investment here(5). It is true that the workers were displaying a militant posture soon after independence. Though the militancy has subsided subsequently, the evil legacy hangs on like “the evil that men do lives after them”. Of late the state government has been striving vigorously to create a favourable climate for investment in industrial enterprises. If the political parties potentially capable of moulding the behavioural pattern of the people at large also take a positive stance in the matter much can be done.

The industrial enterprises of Kerala which have grown here comprise coir making, cashew processing, handloom industry etc., are outmoded with low productivity. Instead new industries like the IT, potentially capable of transforming the industrial structure of Kerala should emerge. A large number of IT professionals of Kerala have made a name in many parts of the world. Work at home adopted by industrial establishments to tide over the difficulties created by the pandemic has the semblance of a god-sent opportunity for implanting IT industries in Kerala. Will Kerala be able to take advantage of the opportunity and emerge as an IT hub ? Timely action on the part of the state is crucial in the matter. Similarly, tourism regarded as a smokeless industry, also deserves promotion.

The need of the hour is the revival of the economy shattered by Covid-19. Simultaneously the state has to think in terms of self-reliance. Dependence on foreign countries, be it for employment or income is not good for the long term interest of the country. Covid has brought to light the imperative need for self-reliance.

References

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