

The services sector in the Kerala economic review, 2021: Some reflections

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Introduction

Kerala Economic Reviews, in general and the latest one in particular, provide a wealth of information. A perusal of these reviews indeed helps any one to have a clear and informed understanding of the Kerala economy. For researchers and students, it is a goldmine of data and information. In this note, we wish to make a brief review of the chapters on Services.

A shift share analysis of the service sector shows that it has become the predominant sector in Kerala both in terms of value added and employment share. Kerala's economy is primarily dependent on the service sector. The three main service sectors that are covered in the Kerala Economic Review (KER), 2021 are tourism, IT, and public service.

The IT sector is a growing sector in Kerala as in India. The 2022/23 Budget of the State gives a great deal of emphasis on making Kerala a knowledge economy whose underpinning is mainly internet and digital services. Though Kerala is one of the harbingers of IT in India, by the time of implementation, many other states bypassed us. True that many IT giants and start-ups are coming to Kerala employing technically qualified Keralites adding high value to its GSDP. Massive Public and private investment has taken place in the sector which is considered the future of Kerala. A large number of start-ups in the IT sector have been set up in Kerala during the last two decades. Another feature of these IT firms is that many of their clients are foreign companies that account for massive inflow of dollar remittance to the

economy. Moreover, the IT sector has significant backward and forward linkages with the rest of the economy. Many famous companies like Wipro and Infosys are offering jobs to the new generation and contributing to a major share of the service sector of Kerala Economy.

Though the Kerala Economic Review claims that Kerala is a growing IT destination in India, a closer scrutiny of the data does not enable us to be fully supporting this claim.

Let us first consider the plan outlay and expenditure in the sector. Whether it is Info Park, IT park, Cyber Park, IT Mission or Technopark, it is clear from Table 1 that the expenditure has been far below the outlay. The table shows a widening gap between plan outlay and expenditure. Even during the pre-pandemic 2019/20, the expenditure was not even 50 percent of the plan outlay. However, it is surprising that during the pandemic year of 2020/21, the ratio has increased substantially followed by a sharp dip except for Technopark and Info Park, in the recovery year of 2021-22.

Name of department	2019-20	2020-21	2021-22
IT Mission	54.8	70.42	20.77
Technopark	39.4	87.5	92.34
Info Park	38.8	81.6	107.08
Cyberpark	2.55	0	0
Start-up mission	48.21	19.0	19.63

Source: KER, 2021

Another puzzling factor is that despite an increase in investment, the number of companies, employment and the turnover did not increase (Table 2). The KER does not give any convincing explanation.

Particulars	2019-20	2020-21
Total turnover (in cr)	15000	15000
Total export (in cr)	7350	#
Total investment (in cr)	4979	5309
Total employment (nos)	62000	63000
No. of companies (nos)	450	460
Total land (acres)	662.54	662.54

Source: KER, 2021

A look at Table 3 which indicates the physical performance of the Info Park also does not give unambiguous information. In this case, despite an increase in turnover and employment, the number of companies has decreased. Is it that the existing companies have become more labour intensive over night coupled with clear increases in productivity?. However, the received theories do not seem to give any insight to this contradiction.

Table 3: Physical performance of Info Park		
Particulars	2019-20	2020-21
Total turnover (in cr)	5200	5700
Total employment (nos)	47000	53000
No of companies (nos)	427	420
Total land (acres)	323	323
Source: KER, 2021		

Table 4 which shows the physical performance of Cyberparks, indicates that while exports and total turnover nosedived by 46 percent followed by a fall in Investment by 22%, employment increased by 20%. Any researcher on the contribution of the IT sector may find these data confusing. Using these data, it is difficult to make any meaningful interpretation and draw inferences. Table 5 also narrates a story of shortfall in expenditure as a proportion of outlay even in the post pandemic year under Science and Technology projects also.

Table 4: Physical performance of Cyber Park		
Particulars	2020-21	2021-22
Total turnover (in cr)	26.16	14.09
Total export (in cr)	26.16	14.09
Total investment (in cr)	2.47	1.93
Total employment (nos)	764	917
No of companies	52	52
Total land (acres)	43	43
Source-KER 2021		

Table 5: Outlay and Expenditure of agencies under Science and Technology	
Year	Percentage
2019-20	27.6
2020-21	56.37
2021-22	18.29
Source: KER 2021	

Another concern is that we do not get any indication of the contribution of the IT sector to the GSDP from the KER. Of course, there is a lot of eloquence about the contribution of the sector to employment. Unless we have this crucial information, it is difficult to arrive at a clear assessment of the vitality of the sector.

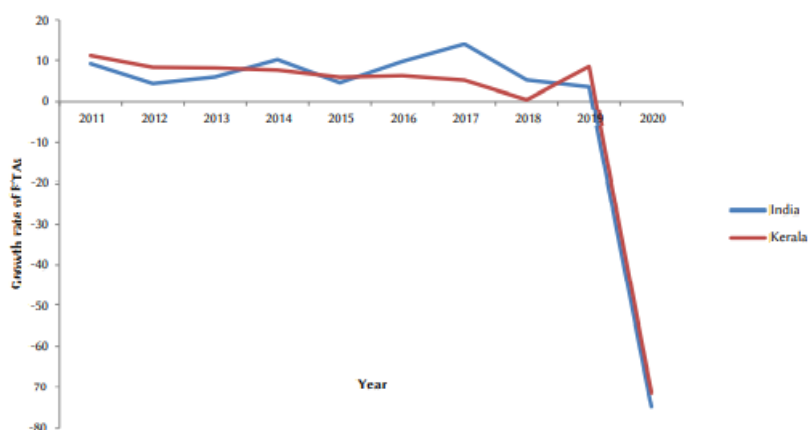
Government of Kerala has launched a single window service delivery platform, "e-Sevanam" portal and "m-Sevanam" mobile application on October 01, 2021. Aimed at making Kerala a "Digitally Empowered" society, the State Government has now set in motion an ambitious policy initiative that aims to bridge the digital divide by empowering the citizens to access all government services online. While e-sevanam provides the consolidation of more than 500 services of 60 departments in a single platform, m-Sevanam can render more than 450 mobile-friendly services.

Tourism

Tourism is another component of the service sector which claims to contribute significantly to Kerala's economic development. Kerala is an internationally recognised and a sought-after tourist destination in India. Tourism industry in Kerala is known for its world-renowned brand, consistent growth, diverse products and presence of local entrepreneurs. Public spending in Kerala mainly focuses on infrastructure development, marketing, human resource development, and hospitality.

Food, culture, history, and art also play a major role in tourism. The promotion of these not only boosts tourism but also gives employment and business opportunities to the youth in Kerala. Kerala has the potential to grow in medical tourism and needs to explore the opportunities there. Another feature of Kerala is its demography. Kerala is generating a huge number of high skilled labourers every year, which can be used for furthering the prospects of the economy.

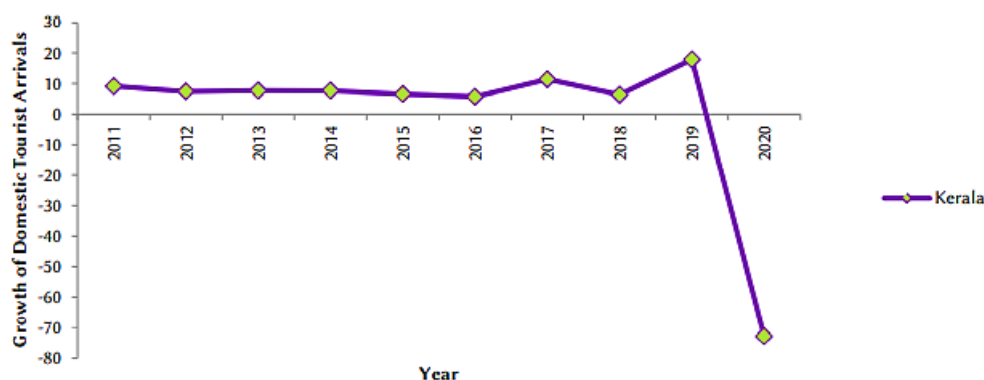
Figure 1: Annual growth rates of foreign tourist arrivals in India and Kerala from 2011 to 2020, in per cent



Source: KER, 2021

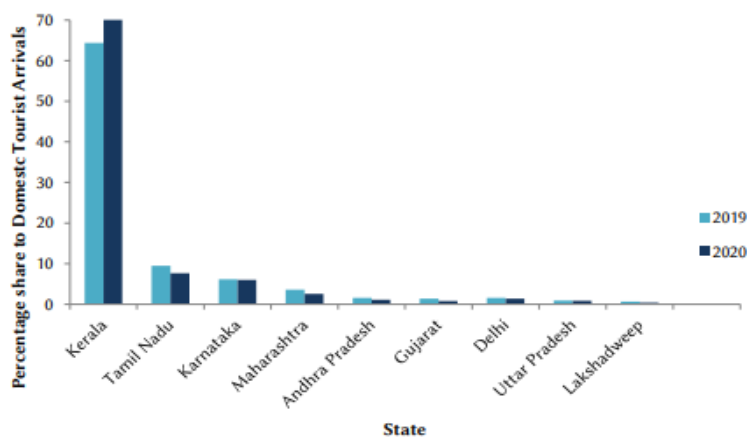
Though KER claims that there has been a steady increase of foreign tourist arrival in Kerala, figure 1 shows that since 2011 the trend of tourist arrival is a declining one. The national picture does not however, show a declining trend. The domestic tourist arrival data show a marginal increase (Fig 2). The statistics on the distribution of domestic tourist visits in Kerala by State of origin in 2020 reveals that about 73.09 per cent of it originated within the State, 7.61 percent from Tamil Nadu, 6 percent from Karnataka and 2.52 percent from Maharashtra. This shows that most of the domestic tourists are from Kerala only. The incomes received from tourism is a mere transfer from Keralites to Keralites. Very little incomes arrive from the rest of India (Fig. 3).

Figure 2: Annual growth rates in the arrival of domestic tourists in Kerala from 2011 to 2020, in per cent



Source: KER, 2021

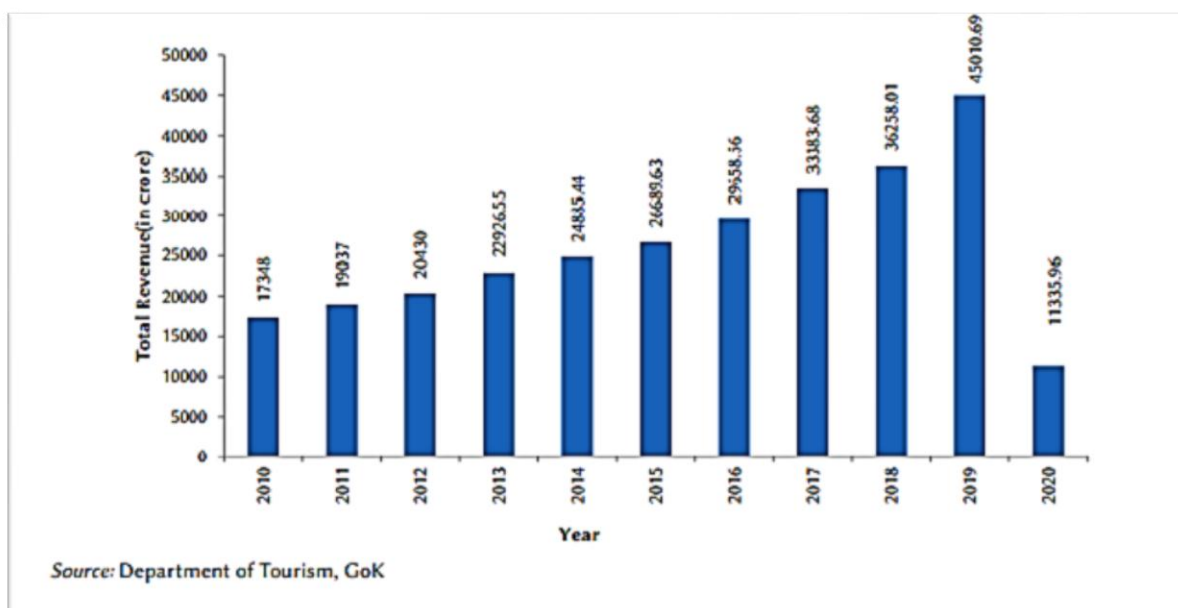
Figure 3: Share of domestic tourist arrival from top ten States to Kerala during 2019 and 2020, in per cent



Source: KER, 2021

Fig 4. indicates the earnings from tourism from 2010 to 2020. The linear growth rate of earnings during the period 2010 to 2019 has been 9.93 percent which is less than the nominal GSDP growth rate for the period. The expenditure -outlay gap in the tourism sector has been narrowing down over the years (Table 6). On the whole the performance of the tourism sector, however, does not justify the claim that tourism is a major contributor to the state domestic product.

Figure 4: total earning from tourism during 2010 to 2020, in crore



Source: KER 2021

In a bid to revive the State's travel and tourism sector, the State Government has announced the Chief Minister's Tourism Loan Assistance Scheme (CMTLAS), covering Tourism Working Capital Support Scheme, Tourism Employment Support Scheme, Tourism Houseboat Support Scheme and Tourism Guide Support Scheme for the stakeholders in the tourism industry in the wake of Covid-19.

Table 6: state plan outlay and expenditure, 2017-18 to 2021-22, in crore		
Year	Outlay	Expenditure
2017-18	342.73	310.56 (96.6%)
2018-19	379.00	237.54 (62.7%)
2019-20	372.37	1773698 (47.7%)
2020-21	320.14	325.63 (101.7%)
2021-22*	320.14	76.09 (23.8%)
Note: *Expenditure upto September 2021		
Source: Plan Space Kerala, 2021		

According to KER 2021, Kerala tourism attempts to deliver world class experiences to visitors by improving tourist destinations, providing better facilities, launching new products and maintaining them perfectly. The Department of Tourism joined hands with the Kerala Tourism Infrastructure Limited (KTIL), Bekal Resorts Development Corporation Ltd. (BRDC) and District Tourism Promotion Councils (DTPCs) to build up quality infrastructure across the State. Here also anecdotal evidence does not paint a rosy picture. Ample evidence may be collated from newspaper reports that indicate how inadequate the infrastructural facilities in the tourism sector are. Similarly, in respect of cleanliness and sanitation facilities, many of the tourist centres in Kerala are not in an enviable position.

Kerala was the pioneer among Indian States to market tourism extensively in domestic and foreign markets. It has consolidated its efforts in marketing in recent years to retain market supremacy and launched innovative marketing campaigns like digital and social media campaigns that resulted in attracting more visitors and succeeded in branding Kerala. The "Human by Nature Campaign" to showcase the culture and daily life of the people of Kerala was acclaimed internationally. Responsible Tourism (RT) was a unique initiative of the Department that has caught the attention of the world. It is a pro-poor tourism approach initiated by the Tourism Department in 2008. Had these efforts been clearly orchestrated by providing sanitation facilities and better infrastructure, the potential of the tourism sector could be tapped more efficiently.

In the case of tourism also, the KER does not provide any estimate of its contribution to GSDP.

Public service

Another component of the service sector is public services. Public services make the state visible to its citizens, often forming the principal tangible link between governments and their people. Public services carry and diffuse the values of the state and citizens. Public services constitute departments like Survey and Land Records, Registration department, Excise department, Police department, and Jails.

Completion of survey process of all land holdings in the state are done by department of survey and land records. Other major works of the department include digitalisation of land survey records, distribution of pattayam (ownership deed of land), forest land survey etc. This department has also the authority on resurvey appeals and land acquisition appeals.

Digitalisation of land records is one of the major works of this department. It digitalises survey records. Existing land records are scanned and kept in digital form.

The Registration department facilitates registration services regarding registration of documents, marriages, firms etc. It has been implementing stage by stage e payment system

The Excise Department is implementing 'Vimukthi', inter alia, to facilitate its transactions and activities. Cases handled by this department include abkari act 1950 (relating to alcohol and beverages) Narcotic Drugs and Psychotropic Substance (NDPS) Act 1958 and Cigarettes and Other Tobacco Products (COTPA) (Prohibition of Advertisement and Regulation of Trade and Commerce, Production, Supply and Distribution) Act 2003.

The Police Department provides valuable service to the public by maintaining law and order along with crime investigation. Considerable progress has been achieved in e governance in this Department also.

Though a plethora of services are offered by the above-mentioned Departments to the citizens, there is no index available to measure the effectiveness of the service delivery. Unless such an index is available, it is difficult to assess the efficacy of the public services and the efficiency of public spending on these services.

Conclusion

On the whole, the Kerala Economic Review, 2021 as also the previous Reviews, have provided a massive amount of information and analysis useful to young researchers of Kerala economy. It may be pointed out in this context that had other major services such as trade, commerce, real estate, transport and communications and financial services been included in the KER, its value to researchers would have been substantially more. Similarly, there are a number of Surveys by the NSSO on various aspects of services. It would have been helpful, if the KER included a summary of those also. Finally, we wish to point out that like the Indian Economic Survey, Kerala Economic Review, also could include theoretical analysis of the major arguments provided in the document. These observations, however, do not intend to trivialise the substantial benefit it bestows on the research community.

Reference

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- Government of Kerala (2022). *Economic Review 2021 Volume 1*, Kerala State Planning Board, Thiruvananthapuram.