

# KERALA ECONOMY

September 2020

Vol.1 No. 1

**Kerala economy: Through the lens of GST data**

**Catastrophic fall in India's GDP in Q1, 2020-21**

**Dwindling revenue and galloping expenditure  
in pandemic times**

**Major tax revenue heads nosedive with COVID-19**

**Kerala price curve moves southward amid  
national inflation inches to 7 per cent**

**Employment challenges in Kerala**

**Growth driver crashes: Kerala tourism in COVID-19 times**

# KERALA ECONOMY

A PUBLICATION OF GULATI INSTITUTE OF FINANCE AND TAXATION

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## Message from the Chief Minister of Kerala



No.496/Press/CMO/20.

25<sup>th</sup> August, 2020.

### MESSAGE

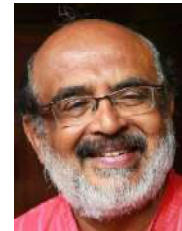
I am extremely happy that the Gulati Institute of Finance and Taxation (GIFT) is bringing out a monthly publication which would highlight the emerging trends in our economy. The endeavour of the institute will be very helpful for policy makers, researchers and students. I wish this initiative the very best.



**Pinarayi Vijayan**



## Message from the Minister for Finance and Coir



**Dr. T. M. THOMAS ISAAC**  
MINISTER FOR FINANCE & COIR

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Date: 03-09-2020

### MESSAGE

As of now, the information on Kerala Economy reaches the policy makers with a lag of one year or over more when the *Economic Review* is published. This delay is inevitable. However, the e-way bill data provides a fairly detailed estimate on both the intra-state and inter-state movement of goods from which we could have a fair understanding on the trends in the economy during the previous month. Similarly the Comptroller and Auditor General of India makes the data on the finances of Kerala and other states available on a monthly basis. Monthly data on GST collection is available from GST Council and the State GST Department. Price data on a monthly basis brought out by the Bureau of Economics and Statistics and the Periodic Labour Force Survey data by the NSO are other important sources of information on Kerala Economy. Analysis of these data during the previous month would be of immense use for informed policy making. This is what has prompted GIFT to consider the publication of *Kerala Economy* on a monthly basis reflecting on the developments in the preceding month. I congratulate the Director and staff of GIFT for this timely initiative. It is my hope that the policy makers and all those who are interested in the recent trends in the Kerala economy will find this publication useful. I wish the publication would rise up to the expectations of the readers.

**T.M. Thomas Isaac**

## **By way of an editorial**

We are living in a world flooded with information. But it rarely reaches the people who need it most on time and in a usable form. Further, the questions, as T S Elliot postured, appear relevant. Where is the knowledge we have lost in information? Where is the wisdom we have lost in knowledge? The decision makers in general and policy makers in particular are constrained. The research institutes and scholars at large have a larger role in help overcoming this constraint. This is, perhaps, the context wherein our proposal for a newsletter from GIFT got transformed into more ambitious monthly publication, ***Kerala Economy***, at the instance our Chairman, Professor T M Thomas Isaac.

***Kerala Economy*** is conceived as a monthly publication with regular features that include; reflection on an issue of regional, national or global importance, developments in the previous month in Kerala in the sphere of finance, taxation, prices, employment and a status report on a specific sector of importance. It will also inform the readers about the recent studies on Kerala and of course the news from GIFT. As we go along, we shall add new contents useful for policy makers and those interested in Kerala's development in general. We shall also have space for submissions from the readers.

I thank the Chairman, GIFT, for coming up with the idea of ***Kerala Economy***, his constant guidance and encouragement. I also place on record my appreciation to Shri R K Singh IAS, Additional Chief Secretary and Shri Anand Singh IAS, State Commissioner, GST Department for their keen interest in this publication and Shri P V Babu, Director Bureau of Economics and Statistics for offering the access to their data. The members of the Editorial Advisory Board have been a continuous source of suggestions for making it as useful as possible. Their commitment and concern is gratefully acknowledged. The Consulting Editors invested considerable hard work; thank you. U P Anil Kumar undertook the designing work that deserves special mention. Input for cover design from Emil Abraham is acknowledged. All my colleagues in GIFT were ready to help whenever needed, for which I am grateful.

Criticism is essential for improving any new initiative. Hence, we look forward to your valuable suggestions, constructive criticism and of course compliments for further enhancing the usefulness of this publication. In anticipation of your response, I present the first issue of ***Kerala Economy*** to all those who are concerned about Kerala.

K J Joseph



## Kerala Economy: Through the lens of GST data

Sushil Khanna

It is well-known that the Kerala economy is largely a consumption economy. However, in term of per capita income, Kerala ranks only third, after Haryana and Maharashtra, amongst major states. As National Sample Survey Office [NSSO] consumption surveys have repeatedly shown, consumers in Kerala enjoy the highest per capita consumption. This is because remittances by migrants from Kerala especially from the Middle East add another 30 - 35 per cent to Kerala's household disposable income. These remittances lie behind the high private consumption and the construction boom in housing and real estate. In contrast, Kerala has an under- developed manufacturing sector. As a result, the multiplier benefit of Kerala's

states in India or abroad. Bulk of these goods were moved through roadways. This picture conforms to what the all-India GST data on commodity movements shows.

### Kerala has huge trade deficit

Table 2 shows Kerala's trade with the rest of the country. Kerala imports from other states goods valued at approximately Rs 1.5 trillion, while it exports to other states commodities worth only Rs 550 billion. In other words, Kerala has a trade deficit of approximately Rs 1 trillion (Rs one lakh crore) with the rest of the country.

This trade deficit reflects Kerala's small and under-developed manufacturing sector. It is well-known that among the four large southern

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***Kerala imports from other states goods valued approximately Rs 1.5trillion, while it exports to other states worth Rs 550 billion. In other words, Kerala has a trade deficit of approximately Rs 1 trillion (Rs one lakh crore) with the rest of the country.***

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consumption boom is reaped by neighbouring manufacturing states like Tamil Nadu and Karnataka.

The Goods and Service Tax (GST) data that is now available allows for an opportunity to explore the internal trade of goods and commodities. During the last financial year (2019-20), firms and/or economic agents in Kerala generated about 20 million transactions (Table 1) with value of goods traded at Rs. 4.3 trillion (Rupees 4.3 lakh crore). Of these, about 45 per cent of goods were traded within Kerala (Kerala-sellers to Kerala-buyers), while the remaining were shipped to Kerala from other

states, Kerala has the smallest manufacturing at 9.5 percent of Gross State Domestic Product (GSDP). Compare this to manufacturing accounting for 15 per cent of GSDP in Karnataka and 20 per cent in Tamil Nadu. This deficit also means that the high consumption demand in Kerala actually creates demand and employment in neighbouring states.

About one -third of the Rs 1.5 trillion worth of goods imported by Kerala from other states come from Tamil Nadu, while Karnataka ships Rs 250 billion worth of commodities. Kerala's major imports from these states consist of high value goods like motor vehicles, two wheelers,

|                          | Assessable Value<br>(in Rs. billions) | No. of Transactions<br>(in millions) |
|--------------------------|---------------------------------------|--------------------------------------|
| Intra-state Transactions | 1,960.32                              | 11.85                                |
| Inter-state Transactions | 2,080.57                              | 8.76                                 |
| All Transactions         | 4,270.99                              | 20.76                                |

electronic consumer goods, light machinery and equipment and garments.

In return, Kerala exports to other states petroleum products, petrochemicals, rubber and plastic products and vegetables, spices and farm produce. In other words, other than supply from central public sector enterprises in Kochi and suburbs Kerala's exports mirror those of an under-developed agricultural economy.

Kerala has experienced a construction and real estate boom both for modern residential housing as well for shopping malls and commercial space. The inputs for this construction boom come from the neighbouring states, including Andhra Pradesh and Karnataka. Cement and ceramic goods for the construction industry are significant imports from these states.

The fact that Kerala has a deficit in its transaction with neighbouring industrialised states means that commercial vehicles from other states outnumber vehicles registered in Kerala on its roads and highways. Every month, approximately, 1.4 million trips are made by trucks from other states on Kerala roads.

#### **Kerala's international trade**

Kerala's commodity exports still play an

important role in its real economy. Last year, Kerala's foreign exports were a respectable Rs 150 billion with agricultural produce (spices, cashew nuts, coir, etc) and marine products accounting for roughly half its exports. This may be compared to Kerala's shipments to rest of India that were about Rs. 550 billion in 2019-20. The commodity composition of Kerala's sales to other countries and to neighbouring states is also similar, with agriculture, rubber and plastic goods etc. dominating both the segments of trade. The only exception seems to be marine exports that are only directed to foreign buyers.

Kerala's international imports were only about Rs. 150 billion, showing a balanced international trade. Like rest of India, machinery and intermediates (like chemicals, wood pulp, base metals) dominate its foreign imports. As with the rest of India, Kerala's major markets abroad lie in the USA, Europe and Middle East while bulk of its imports come from China and South-East Asia.

The analysis above provides a brief overview of Kerala's commodity economy. The service sector in Kerala is much larger share in terms of income and employment. With hotels and shopping malls and teaming bazars provide for bulk of consumer spending and tourist

|                        | 2018-19 | 2019-20 |
|------------------------|---------|---------|
| From other states      | 1,528   | 1,532   |
| To other states        | 554     | 549     |
| Kerala's trade deficit | 974     | 983     |

traffic into God's own country. Gold jewellery and trade is the most visible and profitable segment of this tertiary sector. This makes trade and the employment it generates very important part of the economy.

COVID- 19 lockdown has hit this thriving intra-state trade centred around the large urban centres of India's most affluent consumer market. This has hit movement of all commodities; though agriculture produce (vegetables, staples, meat and fish) bounced back since middle of April. The interesting observation during the lockdown is that about two third of goods movement were within Kerala while inter-state

and employment in Middle East countries like UAE where a large number of non-resident Keralites resides. Many are forced to return to Kerala, which beside adding to the COVID- load, will shrink the remittances for most of remaining months. It is likely to affect overall consumer sentiment and demand. Preliminary reports indicate that demand for motor vehicles and gold has seen a contraction and turn around seems to be far.

The analysis from GST data provides the government of Kerala with an opportunity to promote industry and industrial estates focussed on commodities that Kerala imports from its neighbours. This could be

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***Of the 20 million transactions generated during 2019-20 roughly 45 per cent of goods were traded within Kerala (Kerala-sellers to Kerala-buyers), while the remaining were shipped to Kerala from other states in India or abroad.***

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transactions showed a sharp decline. As expected, the sharpest decline in economic activity and tax collection came from more prosperous cities/towns like Ernakulam, Thiruvananthapuram Kozhikode, and Alappuzha.

COVID- 19 has adversely hit the economy

an opportunity to kick-start modern manufacturing with entrepreneurial talent returning from the Middle East.

■  
Author is a Professor in IIM, Kolkata

## Catastrophic fall in India’s GDP in Q1, 2020-21

George Joseph

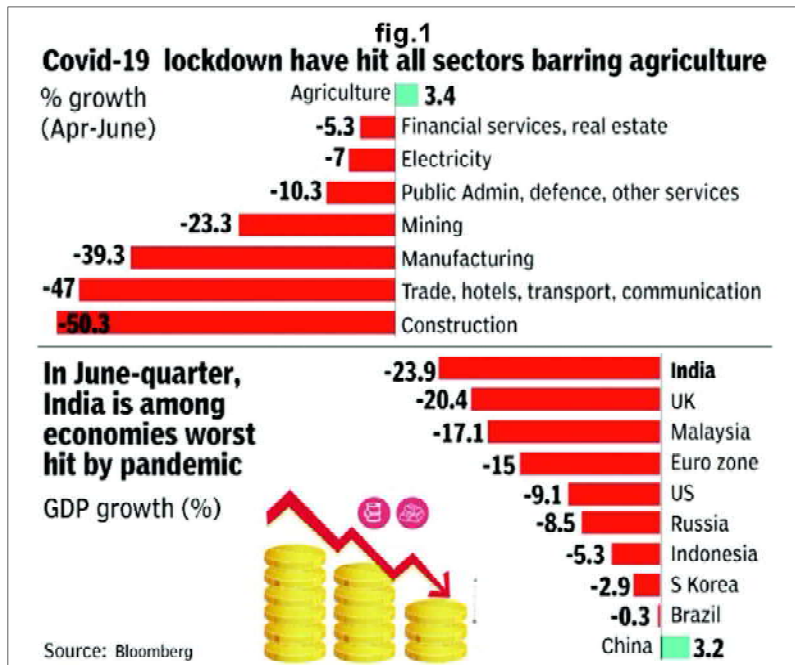
Gross Domestic Product [GDP] at constant (2011-12) prices reports a contraction of 23.9 percent during Q1 of the current financial year, compared to 5.2 percent growth recorded in the corresponding quarter of 2019-20. In April-June period, it suffered a contraction for the first time since India began maintaining quarterly records in 1996. This steep fall is also against a growth of 3.1 per cent in Q4 [January - March] of FY 2019-20.

With this record of GDP growth during Q1, 2020-21 India became the fastest shrinking economy among the G-20 countries (Fig.1).

GDP in Q1 is estimated at Rs 26.9 lakh crore, as against Rs 35.4 lakh crore in Q1 of 2019-20.

The largest dip has been observed in sectors like construction (50.3%) and trade, hotels, transport etc (47.0%) and manufacturing (39.3%). The impact on income has resulted in catastrophic fall in private final consumption expenditure (27%), gross fixed capital formation (47%) and imports (40%) which will have serious consequences on the central and state tax mobilisation. The only silver line is the moderate rise in government final consumption expenditure of 16 per cent.

According to a press release issued by the National Statistical Office (NSO), under the Ministry of Statistics and Programme Implementation (MOSPI), quarterly GVA at



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***Goods and Services Tax [GST] revenue slumped to a three-month low in August 2020 and came in 12 per cent lower year-on-year (YoY), indicating slower recovery in economic activity. However, compensation cess collections rose for the first time in five months, and 6 per cent YoY, amid the tussle between the Centre and states.***

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Basic Price at constant (2011-12) prices for Q1 of 2020-21 is estimated at Rs 25.5 lakh crore, as against Rs 33.1 lakh crore in Q1 of 2019-20, showing a contraction of 22.8 percent. GDP at current prices in Q1 is estimated at Rs 38.1 lakh crore, as against Rs 49.2 lakh crore in Q1 2019-20, showing a contraction of 22.6 percent as compared to 8.1 percent growth in Q1 2019-20. GVA at basic price at current prices in Q1 2020-21, is estimated at Rs. 35.7 lakh crore, as against Rs. 44.9 lakh crore in Q1 2019-20, showing a contraction of 20.6 percent.

With a view to contain spread of the COVID-19 pandemic, restrictions were imposed on the economic activities as also on the movement of people from 25th March, 2020. Though the restrictions have been gradually lifted, there has been an impact on the economic activities as well as on the data collection mechanisms. The timelines for filing statutory returns were also extended by most regulatory bodies. In these circumstances, the usual data sources

were substituted by alternatives like GST, interactions with professional bodies etc. and which were clearly limited, the official press release added.

The data challenges in the case of other underlying macro-economic indicators like IIP and CPI, used in the estimation of national accounts aggregates, will also have implications on these estimates. Estimates are therefore likely to undergo revisions for the aforesaid causes in due course, as per the release calendar. NSO informed that the release of quarterly GDP estimates for the quarter July-September, 2020 (Q2 of 2020-21) will be on 27th November, 2020.

Goods and Services Tax [GST] revenue slumped to a three-month low in August 2020 and came in 12 per cent lower year-on-year (YoY), indicating slower recovery in economic activity. However, compensation cess collections rose for the first time in five months,

#### **States reject compromise formula on GST compensation,**

#### **Dr Thomas Isaac demands the Centre to monetize from RBI**

The ongoing tussle between the Centre and the state governments over GST compensation issue, is brewing further as a section of the State Ministers strongly opposing the package proposed by the Union Finance Ministry.

Last week, the Centre floated a compromise formula, asking states to either borrow Rs 97,000 crore, the shortfall estimated out of the loss of revenue due to the GST implementation from the Reserve Bank of India or to take Rs 2.35 trillion (the overall shortfall estimated due to the GST implementation and COVID-19 impact) from the market under different terms. But the central government is going back from this statutory obligation and asking the states to find the remedy themselves despite the worsening financial situation of the states due to the devastating effect of COVID-19. Most of the state governments including BJP lead have raised clear dissent on this. Five state finance ministers lead by Kerala minister Dr T M Thomas Isaac, who met virtually had posed pack of dissents and urged the Centre for the timely disbursement of GST compensation which is very crucial in running states' economy.

In an interview with a national medium, Dr Isaac said that all states that spoke at the GST Council, except Goa and Assam, expected full compensation, and that, too, borrowed and

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provided by the central government. The BJP-ruled states put it mildly, but the other states said the same sharply. "We are going to take a united stand that we reject both the options. We are writing to all chief ministers and the Prime Minister. All states prepared their budget factoring 14 per cent growth in GST. Now, the Central government is telling us, you cut your state budget by Rs 1 trillion".

He added that the Centre's formula is unacceptable. The reason being that the constitution does not distinguish between shortfall due to COVID- 19 or other factors. In fact, it is evident in Section 7 of GST Act (which defines how loss due to implementation of GST is calculated); it simply says projected income by 14 per cent growth minus actual collection. So the law is crystal clear. If states are to borrow, the FRBM Act has to be amended. The compensation each state requires is different from that of another. North-Eastern states are surplus states, while there are states that have seen about 40 per cent shortfall in revenue.

He also said that, whenever there is a surplus, as was the case in the first two years in the cess fund, it goes to the consolidated fund of India. Undistributed IGST goes to the same fund. So if there is a deficit, you should make use of the Consolidated Fund. If the state governments borrow, their fiscal deficit will go up. But the Centre can monetize it from the Reserve Bank. Every country in the world is monetizing it with their central banks, Issac added.

With GST compensation, emerging as a contentious issue, the discourse on centre - state relations are receiving yet another dimension, this may be the biggest threat to fiscal federalism. "We will fight to the end" Kerala FM said.

and 6 per cent YoY, amid the tussle between the Centre and States.

The overall GST mop-up remained well below the Rs 1 trillion mark for the sixth straight month owing to the pandemic. GST collection stood at Rs 86,449 crore in August, compared to Rs 87,422 crore in July, according to finance ministry data. A large portion of the fall could be attributed to imports, which were down 23 per cent YoY, while domestic transactions were down just 8 per cent YoY. During the month, revenues from imports were at 77 per cent and revenues from domestic transactions (including import of services) at 92 per cent of revenues from these sources during the same month last year, a ministry of finance press release said.

However, in July, revenue from domestic transactions had touched 96 per cent of last year's levels, with imports at 84 per cent of the same. Central GST collections fell to Rs 34,122 crore in August, against Rs 39,467 crore in July. State GST collections stood at Rs 35,714 crore,

lower than Rs 40,256 crore during the previous month. Integrated GST mop-up was also lower at Rs 42,264 crore, compared to Rs 42,592 crore in the previous month. Compensation cess came in at Rs 7215 crore in August - 5.7 per cent higher than the Rs 6,822 crore in August 2019. In order to improve collections, the government is planning more anti-evasion measures, including e-invoicing for large firms with turnover of Rs 500 crore, from October 1.

Author is a Consulting Editor, *Kerala Economy*

## State of state finances

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### Dwindling revenue and galloping expenditure in pandemic times

L Anithakumary and N Ramalingam

The deteriorating effect of the global economic slowdown had its serious impact on the finance of Kerala for the last couple of years and the state is facing serious revenue - expenditure gap. The COVID- 19 pandemic adds to the pain of the state, since spending on social security initiatives and public health is mounting up heavily. The undue delay of the central government in filling the revenue gap through the timely disbursement of GST compensation adversely affects the fiscal space of state. The revenue shrinkage coupled with the higher revenue expenditure naturally resort the Government to borrow more. The latest data

and 13.3 per cent of GSDP. These are realistic budget figures, compared to the previous couple of years under normal economic situation. But the effect of COVID-19 emulates with a 'new normal situation' which in turn tumbles the budgeted targets of 2020-21 (Table.1).

#### Revenue receipts

The state's own non tax revenue expected as 1.5 per cent of GSDP for all the three years. The major component of state's own non tax revenue is gross revenue from lottery which is 78.9 per cent of the total non-tax revenue of the state.

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***To facilitate increased capital expenditure, as an off-budget activity a Special Purpose Vehicle (SPV), Kerala Infrastructure Investment Fund Board (KIIFB) has been established for mobilising and investing funds in infrastructure development.***

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shows that the borrowing has increased substantially by 112.9 per cent to meet the higher expenditure needs.

Revenue, expenditure, debt and deficit/surplus constitute the four major components of state finance. The revenue entails the State's tax and non-tax revenues and Central Finance Commission's net proceeds to states and other grants-in aid from the Central Government. The finance accounts of Kerala for FY 2018-19 shows 11.9 per cent and 14.1 per cent of Gross State Domestic Product (GSDP) as Revenue Receipts(RR) and Revenue Expenditure (RE) respectively. The revised estimate for 2019-20 was fixed as 11.4 per cent for RR and 13.4 per cent for RE which is a slightly pegged down estimate from the previous year. During 2020-21 the budget estimate figured at 11.7 per cent

The other components of the kitty are interest receipts, dividends and profits, receipts from education, sports and culture, medical and public health and forestry and wild life. The Central transfers accounts to 3.9 per cent of GSDP for 2018-19 which is also pegged down as revised estimate and budgeted estimate during 2019-20 and 2020-21 as 3.5 per cent and 3.3 per cent respectively.

#### Revenue expenditure

Revenue expenditure consists of developmental and non developmental expenditure. Social and development services, expenditure on irrigation, public works (roads and bridges), forest, transport and communication (other than roads) and housing and urban development are the major components of development expenditure. The account 2018-19 says it as 7.3

per cent of GSDP. The revised estimate for 2019-20 is stretched down to 6.4 per cent with 7 per cent in 2020-21 budget. The major expenditure under the head of social and development services are education and health. For all the three years the share on education and health lingers around 2.2 per cent and 0.8 per cent of GSDP respectively.

The Non development expenditure consist of pension payments, interest payments, collection charges of taxes and duties, compensation and assignments, administrative services expenses such as police and vigilance, jails, administration of justice, parliament & state legislature and general administration. Though the non development expenditure accounts to 6.8 per cent of GSDP in 2018-19, the revised budget fixed it in a slightly higher plane as 7 per cent. But the budget for the current year (2020-21) has pulled down to 6.3 per cent of GSDP.

Capital expenditure with the limited upper cap

expenditure. Fiscal deficit figured as per the accounts during 2018-19 is 3.4 per cent of GSDP which is above the Fiscal Responsibility and Budget Management Act (FRBM) ceiling of 3 per cent. Though this is budgeted as 3 per cent during the subsequent two years, due to COVID-19 impact the likelihood of tumbling the target is more. This determines the borrowing limit of the state. Fiscal deficit is expected to grow at a rate of 11.9 per cent on year on year basis under normal conditions.

Primary deficit is the fiscal deficit minus interest payments. Primary deficit registered 1.31 per cent of GSDP in the year 2018-19 and targeted at 1 per cent during 2020-21. Total outstanding debt accounted as 30.1 per cent of GSDP in the year 2018-19. The estimated debt outstanding in Kerala are expected in the same proportion during 2019-20 and 2020-21 with an expected year-on-year growth rate of 11.4 per cent (Table 1).

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***Fiscal deficit figured as per the accounts during 2018-19 is 3.4 per cent of GSDP which is above the Fiscal Responsibility and Budget Management Act (FRBM) ceiling of 3 per cent. Though this is budgeted as 3 per cent during the subsequent two years, due to Covid-19 impact the likelihood of tumbling the target is more.***

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of our borrowing power, constitutes only 1 per cent of GSDP as per the accounts for 2018-19. This as a share on GSDP has increased to 1.3 per cent while budgeting 2020-21. To facilitate increased capital expenditure, as an off-budget activity a Special Purpose Vehicle (SPV), Kerala Infrastructure Investment Fund Board (KIIFB) has been established for mobilising and investing funds in infrastructure development.

Excess of revenue expenditure over revenue receipts is termed as revenue deficit. Though the accounts for the year 2018-19 figured revenue deficit as 2.2 per cent of GSDP the budgeted figures truncated it to 1.6 per cent during 2020-21 with a revised estimate of 2 per cent for 2019-20.

Fiscal deficit is the difference between total receipt (other than borrowings) and total

#### **COVID-19 reverberations on state finance**

Revenue receipts fall to the tune of Rs. 81,180.5 crore from the budget estimate of Rs. 114,636 crore is predicted during 2020-21 due to the multifarious impact of COVID-19 on the economy (GIFT 2020). Consequent to this a revenue deficit will be Rs.33,333.9 crore even after obtaining the full revenue deficit grant of Rs.15,323 crore from the 15th Finance Commission . In order to meet the budgeted revenue expenditure and beyond due to COVID-19, the state government has no other way other than resort to extra borrowings. In the context of enhancement of the borrowing limit of states from 3 per cent of GSDP to 5 per cent by the Government of India, Kerala would get a fiscal space of Rs.18,087 crore (Government of Kerala 2020) .

COVID- impacted state finance during first



**Table 1. State finances - Kerala 2018-19 to 2020-21 (Rs. Lakh Crore)**

| Sl. No. | Particulars                             | Per centage on GDP |         |         | Growth Rate (%)      |                      |                      |
|---------|---|--------------------|---------|---------|----------------------|----------------------|----------------------|
|         |   | 2020-21            | 2019-20 | 2018-19 | 2020-21 over 2019-20 | 2018-19 over 2019-20 | 2019-20 over 2018-19 |
| 1       | Total revenue receipts (2+3)            | 114.6              | 99      | 92.9    | 11.7                 | 11.4                 | 11.9                 |
| 2       | Tax revenue                             | 88.4               | 74.7    | 69.7    | 9.0                  | 8.6                  | 8.9                  |
| 3       | Non tax revenue                         | 26.3               | 24.4    | 23.2    | 2.7                  | 2.8                  | 3.0                  |
| 4       | State's own revenue (5+6)               | 82                 | 68.9    | 62.4    | 8.4                  | 7.9                  | 8.0                  |
| 5       | State's own tax revenue                 | 67.4               | 55.7    | 50.6    | 6.9                  | 6.4                  | 6.5                  |
| 6       | State's own non tax revenue             | 14.6               | 13.2    | 11.8    | 1.5                  | 1.5                  | 1.5                  |
| 6a      | Lotteries                               | 11.6               | 10.5    | 9.3     | 1.2                  | 1.2                  | 1.2                  |
| 7       | Central govt.transfers                  | 32.6               | 30.1    | 30.4    | 3.3                  | 3.5                  | 3.9                  |
| 7a      | Share of central taxes                  | 20.9               | 19      | 19      | 2.1                  | 2.2                  | 2.4                  |
| 7b      | Grants in aid                           | 11.7               | 11.1    | 11.4    | 1.2                  | 1.3                  | 1.5                  |
| 8       | Total revenue expenditure (9+11)        | 129.8              | 116.5   | 110.3   | 13.3                 | 13.4                 | 14.1                 |
| 9       | Total development expenditure           | 68.2               | 55.4    | 56.8    | 7.0                  | 6.4                  | 7.3                  |
| 10      | Total social and development services   | 53.2               | 42.9    | 42.7    | 5.4                  | 4.9                  | 5.5                  |
| 10a     | Education                               | 20.5               | 19      | 19      | 2.1                  | 2.2                  | 2.4                  |
| 10b     | Medical & public health, family welfare | 8                  | 7.4     | 7.3     | 0.8                  | 0.8                  | 0.9                  |
| 11      | Non development expenditure             | 61.6               | 61.1    | 53.5    | 6.3                  | 7.0                  | 6.8                  |
| 11a     | Interest payment                        | 19.9               | 18.4    | 16.7    | 2.0                  | 2.1                  | 2.1                  |
| 11b     | Pension                                 | 21                 | 20.4    | 19      | 2.1                  | 2.3                  | 2.4                  |
| 12      | Capital expenditure                     | 12.9               | 8       | 7.4     | 1.3                  | 0.9                  | 1.0                  |
| 13      | Total expenditure (8+12)                | 144.3              | 125.6   | 120.1   | 14.8                 | 14.4                 | 15.4                 |
| 14      | Revenue deficit/surplus(1-8)            | -15.2              | -17.5   | -17.5   | -1.6                 | -2.0                 | -2.2                 |
| 15      | Fiscal deficit/surplus                  | -29.3              | -26.2   | -27     | -3.0                 | -3.0                 | -3.4                 |
| 16      | Primary deficit (15-11a)                | -9.4               | -7.8    | -10.2   | -1.0                 | -0.9                 | -1.3                 |
| 17      | Outstanding debt                        | 292.1              | 262.3   | 235.6   | 29.9                 | 30.1                 | 30.1                 |
| 18      | Borrowing                               | 29.2               | 25.9    | 27      | 3.0                  | 3.0                  | 3.5                  |
| 19      | GSDP                                    | 978.1              | 871.5   | 781.7   |                      |                      |                      |

*Source: Computed from Budget Documents Data, Government of Kerala \*BE-Budget Estimate, RE - Revised Estimate*

quarter of 2020-21 is analysed with the monthly fiscal indicator data of Kerala by the Comptroller and Auditor General (C&AG). The data of the various components of the state finances for the quarter are compared to the same period of 2019 (Table-2). A flat 30 per cent fall of revenue receipts is figured in the provisional accounts published by C&AG. In absolute terms the state has lost Rs.5715 crore during the first quarter of 2020 when compared to the same period of 2019. The tax revenue element within the revenue receipt has seriously hit by a short-fall of 51 per cent due to lock down.

As predicted, the revenue expenditure has swelled by 15 per cent the first quarter of 2020 when compared to 2019. The revenue shrinkage coupled with the higher revenue expenditure naturally resort the Government to borrow more. The data shows that the borrowing has increased substantially by 112.9 per cent to meet the higher expenditure needs. This is followed by a rise of 66.7 per cent in the case of subsidy expenditure and 21.8 per cent in capital expenditure. Revenue deficit shoots up disturbingly to 138.9 per cent in the first quarter of 2020 compared to the same period in 2019.

Fiscal deficit shows an alarming hike of 112.9 per cent during the first three months of 2020 itself. The mobilisation of own revenue has become a sweltering issue for the State during the pandemic period. The state of state finance equation to the layman is simple - a fall in revenue with a committed rise in expenditure recurses borrowings. ■

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| Sl. No. | Description                        | April to June 20 | April to June 19 | Revenue Difference | Growth rate (Percentage) |
|---------|------------------------------------|------------------|------------------|--------------------|--------------------------|
| 1       | Revenue Receipts (a+b)             | 13329.85         | 19044.86         | -5715.01           | -30.0                    |
| a)      | Tax Revenue                        | 7533.11          | 15541.71         | -8008.60           | -51.5                    |
| b)      | Non-Tax Revenue                    | 5796.74          | 3503.15          | 2293.59            | 65.5                     |
| 2       | Capital Receipts                   | 20000.71         | 9430.13          | 10570.58           | 112.1                    |
| 2a      | Borrowings & Other Liabilities     | 19951.05         | 9372.47          | 10578.58           | 112.9                    |
| 3       | Total Receipts (1+2)               | 33330.56         | 28474.99         | 4855.57            | 17.1                     |
| 4       | Revenue Expenditure                | 30316.52         | 26154.26         | 4162.26            | 15.9                     |
| 4(a)    | Expenditure on Interest Payment    | 3690.23          | 3516.61          | 173.62             | 4.9                      |
| 4(b)    | Expenditure on salaries and wages  | 6897.24          | 8873.97          | -1976.73           | -22.3                    |
| 4(c)    | Expenditure on Pension             | 4188.25          | 5096.94          | -908.69            | -17.8                    |
| 4(d)    | Expenditure on Subsidy             | 802.37           | 481.36           | 321.01             | 66.7                     |
| 5       | Capital Expenditure                | 2396.55          | 1967.03          | 429.52             | 21.8                     |
| 5(a)    | Expenditure on Capital account     | 2375.22          | 1935.98          | 439.24             | 22.7                     |
| 6       | Sector wise Expenditure            | 30569.51         | 27115.12         | 3454.39            | 12.7                     |
| 7       | Total Expenditure(4+5)             | 32713.07         | 28121.29         | 4591.78            | 16.3                     |
| 8       | Revenue Surplus(+)/Deficit(-)(1-4) | -16986.67        | -7109.4          | -9877.27           | 138.9                    |
| 9       | Fiscal Surplus/Deficit             | -19951.05        | -9372.47         | -10578.58          | 112.9                    |
| 10      | Primary Deficit(10-4a)             | -16260.81        | -5855.86         | -10404.95          | 177.7                    |

\*\*Sector wise expenditure include general, social and economic sectors and grants-in-aid-contributions  
Source: Computed from C&AG Data

## Tax monitor

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### Major tax revenue heads nosedive with Covid -19

N Ramalingam and L Anithakumary

**T**ax revenue contributes around two third of the total revenue receipts of Kerala. It constitutes states' own tax revenue and union's share of taxes by finance commission devolutions. As per the accounts of 2018-19, state's own tax revenue figured 72.7 per cent of the total tax revenue. The major revenue turners of the State's Own Tax Revenue (SOTR) are Goods and Services Tax (GST), sales tax

from petrol, diesel and alcohol and back log remittances from Value Added Tax (VAT). The other SOTR are state excise duties, tax on vehicles, stamps and registration, land revenue and taxes and duties on electricity. The comparison of percentage of tax revenue on Gross State Domestic Product (GSDP) at current prices for the year 2020-21 with the past two years discloses realistic budgeted

#### Box - 1

- A. Goods and Services Tax: The figure consists of State's receipts under the heads - State Goods and Services Tax (SGST) and Integrated Goods and Services Tax (IGST). Finance Commission's Share of net proceeds assigned to State on Central Goods and Services Tax (CGST) and Share of net proceeds assigned to State on Integrated Goods and Services Tax are also included in this head.
- B. Taxes on Sales, Trade etc.: This consists of receipt under Central Sales Tax Act, Kerala General Sales Tax Act (Petrol, Diesel, ATF, Crude Oil, Natural Gas, Liquor for human consumption etc.) and Kerala State Value-added Tax Act.
- C. Stamps and Registration Fees: Receipts from Stamps -Judicial and Non-Judicial and Registration Fees.
- D. Land Revenue: Receipts from Land revenue/tax, taxes on plantation etc.
- E. State Excise Duties: It consist of receipts from country spirits, foreign liquors and spirits etc.
- F. Other Taxes and Duties: Taxes on Agricultural Income, Taxes on Immovable property other than agricultural Income tax, taxes on Vehicles, Taxes on Goods and Passengers, Taxes and Duties on Electricity. Taxes on vehicles are the major component.
- G. State's Share of Union Taxes and Duties: it consist of State's share of Union taxes and Duties such as Corporation tax, taxes on Income other than Corporation tax, State's share of net proceeds of wealth tax assigned to state, State's Share of net proceeds from Customs, Union Excise Duty & Service Tax (but does not include State Share on GST as explained in (A) above).

Note: Even though GST has been implemented from July 2017, up to the month of October 2018 the figures under Goods and Services Tax (A) and State's Share of Union Taxes and Duties (G) are merged and shown under the head - Other Taxes and Duties (F). Hence the monthly analysis with regard to these three heads during the months/quarters up to October 2018 will not give a correct picture of the receipts

| Sl. No. | Particulars            | Rs. Crore    |              |                    |              | Percentage share on GSDP |                    |  |
|---------|------------------------|--------------|--------------|--------------------|--------------|--------------------------|--------------------|--|
|         |                        | 2020-21 (BE) | 2019-20 (RE) | 2018-19 (Accounts) | 2020-21 (BE) | 2019-20 (RE)             | 2018-19 (Accounts) |  |
| 1       | Revenue Receipts       | 114636       | 99043        | 92854              | 11.72        | 11.36                    | 11.88              |  |
| 2       | Tax Revenue            | 88355        | 74671        | 69682              | 9.03         | 8.57                     | 8.91               |  |
| 3       | Own Tax Revenues       | 67420        | 55671        | 50644              | 6.89         | 6.39                     | 6.48               |  |
| 4       | GST                    | 32388        | 23690        | 21015              | 3.31         | 2.72                     | 2.69               |  |
| 5       | Sales Tax and VAT      | 23623        | 21148        | 19226              | 2.42         | 2.43                     | 2.46               |  |
| 6       | Land Revenue           | 376          | 305          | 203                | 0.04         | 0.03                     | 0.03               |  |
| 7       | Excise Duty            | 2801         | 2610         | 2521               | 0.29         | 0.3                      | 0.32               |  |
| 8       | Stamp and Registration | 4306         | 3915         | 3693               | 0.44         | 0.45                     | 0.47               |  |
| 9       | Motor Vehicle Tax      | 3968         | 3709         | 3709               | 0.41         | 0.43                     | 0.47               |  |
| 10      | Other Taxes            | 694          | 295          | 278                | 0.07         | 0.03                     | 0.04               |  |
| 11      | Share in Taxes         | 20935        | 19000        | 19038              | 2.14         | 2.18                     | 2.44               |  |
| 12      | GST Compensation       |              | 4721         | 2884               |              |                          |                    |  |
| 13      | GSDP                   | 978064       | 871534       | 781653             |              |                          |                    |  |

Source: Computed from Budget Documents Data, Govt. of Kerala 2020-21.

\*BE-Budget Estimate, RE-Revised Estimate

**Table 2. Tax revenue 2020 - Quarter -1 (Rs.Crores)**

| Sl. No. | Particulars                  | April to June 2020 | April to June 2019 | Revenue difference (+/-) 2020 over 2019 | Growth Rate 2020 over 2019 |
|---------|------------------------------|--------------------|--------------------|---|----------------------------|
| 1       | GST                          | 2990.29(39.70)     | 6596.62(42.44)     | -3606.3                                 | -54.7                      |
| 2       | Taxes on sales, Trade*       | 1600.18(21.24)     | 4131.25(26.58)     | -2531.1                                 | -61.3                      |
| 3       | Stamp duty and registration  | 418.24(5.55)       | 840.19(5.41)       | -422.0                                  | -50.2                      |
| 4       | Land Revenue                 | 101.84(1.35)       | 79.38(0.51)        | 22.5                                    | 28.3                       |
| 5       | State Excise duties          | 374.29(4.97)       | 568.8(3.66)        | -194.5                                  | -34.2                      |
| 6       | Other Taxes and Duties**     | 346.47(4.60)       | 975.12(6.27)       | -628.7                                  | -64.5                      |
| 7       | States share of Union Taxes  | 1701.8(22.59)      | 2350.35 (15.12)    | -648.6                                  | -27.6                      |
| 8       | Total Tax Revenue (Quarter1) | 7533.11 (100)      | 15541.71 (100)     | -8008.6                                 | -51.5                      |

\* Includes tax on vehicles, electricity duty and other taxes  
\*\* Figures in the parenthesis shows percentage share  
Source: Computed from C&AG Data

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***During the first quarter of 2020-21 a tax revenue short-fall of Rs 8008 crore has been recorded. It estimated at a 51.5 per cent decline compared to the first quarter of 2019-20.***

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expectations for the state (Table 1). But the COVID-19 crisis has lopsided the revenue flow for the first quarter (Table 2).

#### **Components of State's own tax revenue**

**1. Goods and Services Tax [GST]:** During the first year of the introduction GST, the collection was Rs 14,302 crore (SGST plus IGST settlement) and Rs. 2102 crore due to GST compensation. (Period 1-7-2017 to 31-3-2018). During the second year (2018-19) the revenue was Rs. 24,651 crore and compensation was to the tune of Rs.3532 crore. A marginal upward trend felt during the third year (2019-20), Rs.25,864.9 crore with a compensation amount of Rs.3743 crore. The current year (2020-21) budgeted estimate pegged it to Rs.32,388 crore.

**2. Sales Tax and VAT:** The remittances from non-GST components like petrol, diesel, alcohol and VAT arrears was Rs.19,225.8 crore during the year 2018-19 which comes to 37.9 percent of the state's own tax revenue.

**3. Excise Duty:** Excise duty is levied by State on the manufacturing point of liquor in Kerala. During 2018-19, excise duty collected was Rs.2541.4 crore.

**4. Stamp Duty and Registration:** The amount collected as Stamp duty and registration fee was Rs.3693.2crore in 2018-19.

**5. Land Revenue:** The land revenue collection during the year 2018-19 was Rs. 202.78 crore accounting for 0.40 per cent of state's own tax revenue.

**6. Taxes on Vehicles:** Motor vehicle tax collection during the year 2018-19 was Rs. 3708.6crore.

**7. Other Taxes:** Taxes and duties on electricity, tax on goods and passengers and others contribute Rs.277.7crore during 2018-19.

#### **Tax revenue: The first quarter picture**

The data of the Comptroller and Auditor General of India (C&AG) published as unaudited provisional figures on the tax revenue of states as monthly key indicators are taken for analysis. (Refer Box 1 for brief explanation of the taxes as perceived by C&AG).

It is evident from Table - 2 that, except land revenue, all the items of tax revenue recorded negative growth during the first quarter of 2020-21 as compared the first quarter of the previous year. GST remittance declined by 54.7 per cent while that from taxes on sales and trade being as high as 61 per cent. Similarly, around 50 per cent decline is registered in remittances from taxes on sales, trade, stamp duty and registration and other taxes. Altogether during the first quarter of 2020-21 a tax revenue short-fall of Rs 8008 crore has

#### **GST Compensation**

GST (Compensation to States) Act 2017 guarantees 100 per cent compensation for revenue loss for a period of five years since the introduction of GST. The GST revenue loss to a State is the difference between the actual revenue collected from GST and the projected revenue by considering 14 percent yearly increase, base year being 2015-16. The compensation amount is being met through the 'GST Compensation Cess' levied on items such as luxury cars, tobacco products, cigarettes, pan masala, aerated drinks etc

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**Remittances from non-GST components like petrol, diesel, alcohol and VAT arrears was Rs.19,225.8 crore during the year 2018-19 which comes to 37.9 percent of the State's own tax revenue.**

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been recorded that is estimated at a 51.5 per cent decline as compared to the first quarter of 2019-20.

The GST revenue has been short by 78.5 per cent (Rs.1890.3 crore) during the month of April, followed by 51.4 per cent (Rs.1038.9 crore) short during May and 31.2 per cent (Rs.677.1 crore) short by June 2020 with a predictable expectation of a gradual recovery sign during the coming months. Similar reduction in revenue is witnessed by the state for other components of tax revenue like taxes like sales tax (petrol, diesel and alcohol), stamp duty and registration, other taxes and duties. State excise registered a positive sign in the month of June 2020 when compared to June

2019. Month on month land revenue remittance registered a positive sign for May and June 2020. With the Central Government shying away from paying the legitimate GST compensation to the states and given the massive decline in the own tax revenue of the state, the finance of Kerala will be in trouble. The economic slowdown and the pandemic outbreak put the state's finance in the doldrums as dependence on central disbursements becoming more. This simply opens an obvious threat to the fiscal federalism of our country.



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## Price monitor

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### Kerala price curve moves southward as national inflation nearing 7 per cent

Pyaralal Raghavan and George Joseph

COVID-19 pandemic has once again put the consumer prices in the spotlight. After suspending the consumer price data collection for two months in April and May 2020 the National Statistical Office (NSO) has brought out the Consumer Price Index (CPI) for June and July 2020. The headline numbers show that the consumer prices have spurred up to 6.9 per cent in July as compared to 6.2 per cent in June and 5.8 per cent in March pushing the levels above 6 percent, targeted by the Reserve Bank of India [RBI]. According to NSO data, inflation in rural area is 7 per cent whereas in the urban sector it is 6.8 percent.

#### Kerala paints a different picture

Meanwhile according to the data released by the Economics and Statistics Department, Kerala, prices of various baskets of essential commodities moderated/slowed down during June 2020, compared to the previous month. (Government of Kerala 2020). A notable fall in the average price was registered in the case of spices while the other baskets of essential commodities showed a rather weak price trend. Accordingly, dip in the prices of essential commodities was more obvious in the month of July. There is a notable dip in the

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***At the national level, meat and fish prices rose 18.8 per cent, prices of pulses soared 15.9 per cent. Oils and fats surged 12.4 per cent, vegetables shot up 11.3 per cent and spices were dearer by 13.3 per cent during the month. Prices of personal care products rose 13.6 per cent according NSO data.***

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Food inflation soared to an annual 9.6 per cent in July from 8.7 per cent in the previous month as supply disruptions continued to take a toll in various states. At the national level, meat and fish prices rose 18.8 per cent, prices of pulses soared 15.9 per cent. Oils and fats surged 12.4 per cent, vegetables shot up 11.3 per cent and spices were dearer by 13.3 per cent during the month. Prices of personal care products rose 13.6 per cent according NSO data.

Unfortunately, due to the COVID- 19 restrictions the data collected by NSO failed to meet the adequacy criteria for generating state level consumer price indices in June 2020. Thus, the NSO has now missed out on computing consumer price index for all the states including Kerala for the first three months of the fiscal year 2020-21.

prices of commodities like rice and chicken and a moderate increase registered in the case of most of the vegetables in July 2020. In the case of chicken the average price dropped to Rs 95/ kg as against Rs 125 in June.

The COVID- 19 package announced by Kerala, timely disbursement of direct benefit transfer including various pensions and a bunch of welfare measures helped the markets to come out from the lockdown impact. Lock down due to the pandemic accelerated the existing economic slowdown and a sharp fall in personal income was the immediate impact of this peculiar economic crisis. This is obvious in the case daily wage workers as economic activity was almost stalled in various production sectors. This led to a shortage in



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***The largest gains in the consumer price front in Kerala was witnessed in the case of vegetables and fruits.***

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demand in the commodity markets, but supply disruption was kept at the minimum level through the timely intervention by the state. Hence, the prices of various commodities showed a moderating trend during June and July.

Recent trends for the month of June show that the consumer price increases in Kerala have been benign compared to the all India scenario with the price increases in most products, especially food, much lower than that at the all India level. The price trends show that the below 5 per cent increase in prices of rice in Kerala was much lower than the increase in consumer prices of cereals as a whole at the all India level which was 6.5 per cent in June 2020. However, in the case of pulses the consumer price increase at the all India level was significantly lower (16.7 per cent) than that registered by a large number of pulses used in Kerala which in some cases went up above 35 per cent. However, in sharp contrast in the case of meat and eggs the consumer price increases in Kerala were significantly lower than at the all India level [18.8 per cent].

During June 2020, prices of five top selling varieties of rice showed an average decline of 1.8 per cent compared to the previous month. But year on year comparison of prices showed a sharp increase of 4.2 per cent in June compared to the same month in the previous year. Price of wheat registered 1.16 per cent

decline in June compared to the previous month when there was an increase of 3.7 per cent on YoY basis, as per the price bulletin in June 2020, released by the Department of Economics and Statistics.

Other important consumer goods where price increase in June was benign in Kerala included sugar, tea, coffee, oil and oilseeds, tobacco, clothing and personal care products. In the case of spices also the price increases in Kerala was much slower than that at the all India level and the major exceptions to this was red chilly and garlic where the consumer prices in Kerala rose sharply by 35.9 per cent and 16.7 per cent respectively.

However, the largest gains in the consumer price front in Kerala was witnessed in the case of vegetables and fruits. While the consumer prices of vegetables went up by a marginal 1.9 per cent in June 2020 the prices of most vegetables in Kerala fell by around a quarter. The highest fall in vegetable prices in Kerala were in cabbage (33.5 per cent), green chillies (26.6 per cent), snake gourd (25.6 per cent), pumpkin (25 per cent), tomato (23.6 per cent), onion (20.6 per cent), lady's finger (20.5 per cent), bitter gourd (15.9 per cent), brinjal (14.9 per cent) and cucumber by 11.9 per cent. The only important vegetable where prices went up in Kerala in June 2020 was ash gourd where prices moved up by 5.8 per cent. The scenario was similar in the case of fruits. While

| Item         | May    | June   |
|--------------|--------|--------|
| Rice & Wheat | 39.45  | 38.76  |
| Pulses       | 102.99 | 99.83  |
| Edible oils  | 145.53 | 143.61 |
| Spices       | 258.23 | 159.70 |
| Other Items  | 239.74 | 237.87 |

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***While some of the decline in prices of vegetables, fruits, meat and eggs in Kerala can be attributed to fall in prices of imports from Tamil Nadu and Karnataka a major portion of the dip in consumer prices would have to be attributed to the efforts made by the Kerala government to increase domestic production of vegetables, fruits, meat and eggs especially during the lockdown period.***

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some of the decline in prices of vegetables, fruits, meat and eggs in Kerala can be attributed to fall in prices of imports from Tamil Nadu and Karnataka a major portion of the dip in consumer prices would have to be attributed to the efforts made by the Kerala government to increase domestic production of vegetables, fruits, meat and eggs especially during the lockdown period. But a firm conclusion on this would have to await the publication of the detailed numbers on the increase in agriculture production in Kerala

in the current fiscal year.

■  
Authors are the Consulting Editors of  
*Kerala Economy*

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## Labour and employment

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### Employment challenges in Kerala

A.V. Jose

This article spotlights on some comparative estimates of labour and employment in Kerala and the whole of India. The evidence used is from the most recent round of the Periodic Labour Force Survey (PLFS) 2018-19 held by the Government of India. The PLFS is a large-scale yearly national survey meant to provide quarterly estimates of labour and employment in every state. The latest survey was held under conditions of normalcy that prevailed before the onset of the COVID-19 pandemic in India.

The resident population of Kerala estimated at 30.1 million was less than the total population of the state (34.5 million) derived from the

unemployed out of the population in the working age groups. It is an important ratio that figures prominently in all discussions of the employment situation. We look at the LFPR separately for men and women. It was 69 per cent for men and 28 per cent for women (Rows 5,6). The rates are not strikingly different from the national averages; only marginally higher for women in comparison to the all India average. What is distinct at this stage is that Kerala, despite the higher level of the urban population - 48 per cent compared to the all India average of 31 per cent (Row 4) - has not had much success in reaping a demographic dividend through increased absorption of

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***Kerala, despite the higher level of the urban population (48 per cent) compared to the national level (31 per cent), has not had much success in reaping a demographic dividend through increased absorption of women in the labour force.***

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Census projections (Row 1). The PLFS has estimated the population and labour force in the working-age groups, i.e., those above the age of 15 years. The total population in the working-age groups is 24.1 million - 11.1 million men and 13 million women - which includes the employed, the unemployed and those outside the labour force. The labour force, which consists of the employed and the unemployed taking part in remunerative work, came to a total of 11.4 million. Among them, 7.8 million were men and 3.4 million women, according to the data.

The labour force participation rates (LFPR) is the percentage share of the employed plus the

women in the labour force. In all developed countries, such uptake has been instrumental for raising the aggregate earning strength and income mobility of all households.

The marginally higher LFPR of women in Kerala has occurred along with a diversification of the labour force into the non-agricultural sectors. The percentage shares of men and women engaged in the primary sector - agriculture, animal husbandry and fisheries - in Kerala are among the lowest in India (Rows 7,8) and the shares of men and women in the tertiary sector - trade, transport and services - are among the highest (Rows 11,12). In the secondary sector, including manufacturing and construction, women are quite

| <b>Table 1.</b> Estimates of population, labour force, employment and unemployment in Kerala and India, 2018-19. |  |        |        |
|--|--|--------|--------|
| Sl. No   |  | Kerala | India  |
| 1  | Estimated Resident Population (million)              | 30.1   | 1078.1 |
| 2  | Population aged 15 + years - Million - Men           | 11.1   | 404.2  |
| 3  | Population aged 15 + years - Million - Women         | 13.0   | 398.4  |
| 4  | Percentage of urban population in 2011               | 47.7   | 31.2   |
| 5  | Labour force participation (%) of Men (15+ years)    | 69.8   | 74.9   |
| 6  | Labour force participation (%) of Women (15+ years)  | 28.3   | 21.6   |
| 7  | Share of workers (%) in Primary Sector - Men         | 19.7   | 37.4   |
| 8  | Share of workers (%) in Primary Sector - Women       | 18.3   | 49.7   |
| 9  | Share of workers (%) in Secondary Sector - Men       | 33.0   | 27.1   |
| 10   | Share of workers (%) in Secondary Sector - Women     | 26.5   | 20.5   |
| 11   | Share of workers (%) in Tertiary Sector - Men        | 47.2   | 35.4   |
| 12   | Share of workers (%) in Tertiary Sector - Women      | 55.2   | 29.8   |
| 13   | Share of workers (%) regular wage/salary - Men*      | 27.1   | 25.2   |
| 14   | Share of workers (%) regular wage/salary - Women*    | 46.4   | 25.3   |
| 15   | Regular workers with social security (%) Men**       | 55.7   | 51.2   |
| 16   | Regular workers with social security (%) Women**     | 52.5   | 54.4   |
| 17   | Unemployment rate (%) among Men (15+ years) *        | 8.0    | 8.7    |
| 18   | Unemployment rate (%) among Women (15+years) *       | 19.8   | 8.7    |
| 19.  | Unemployment rate (%) Men, Secondary edu.&above) **  | 9.1    | 9.7    |
| 20   | Unemployment rate(%) Women, Secondary edu.&above)*** | 28.3   | 17.1   |

Source: Rows 1 to 3: (PLFS 2018-19 A-5); Row 4: Census of India, Government of India (2017);  
 Rows 5 to 6: A-217; Rows 7- 12: A-225; Row 13: A-251; Row 14: A-252; Row 15-16: A-255;  
 Row 17,18: A-221; Rows 19,20: A-144, A-145 all from PLFS 2018-19.  
 \*Percentages based on current weekly status estimates; \*\* Access to PF/ pension, gratuity, health care and maternity benefit; \*\*\* Percentages based on yearly usual status estimates

visibly present (Row 10).

The status-wise distribution of workers into three broad categories - self-employed, regularly paid and casual labour - gives interesting information. Regularly paid workers receiving wages or salaries account for 27 per cent of all male workers; the corresponding proportion among women is 46 per cent (Rows 13,14). The share of women with regular jobs in Kerala is among the highest in Indian states. The total number of regular workers came to 3.8 million - 2.1 million men and 1.7 million women - just about a third of the entire labour force in the state. More than half of these regular workers - 56 per cent of men and 53 per cent of women - were entitled to some social security benefits including

pensions, gratuity, health and maternity benefits etc (Rows 15,16). Included in this crowd are the 1.3 million workers formally employed by the government and private corporate sectors, mostly for service-related activities (Government of Kerala, 2020, Appendix 7.2.9).

The rest of the labour force (two-third of a total of 11.4 million as estimated in 2018-19) are incumbents of the informal economy. They belong to different status groups like the self-employed, regular wage earners in small establishments, casual workers or the unemployed. Many of them fall outside the purview of social security provisions mandated by the state. The situation is just the same in other Indian states, where the relative

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**Based on the latest data on the employment front, there are three main challenges before the policymakers: one, raise the work participation of women, two, bring more workers into the status category of the regular employees, and three, ensure that all workers become entitled to social security benefits.**

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proportions of workers with regular jobs and access to social security are similar and often lower too (Rows 13-16).

The inadequacy of jobs for aspiring workers gets reflected in the higher rates of unemployment among women. The unemployment rate among women of working age groups in Kerala (20 per cent) was more than twice the corresponding average for men (Rows 17,18). The ratio goes up as women move up the ladder of skill development. The unemployment rate among women with secondary education and above was three times the corresponding rate for men (Rows 19,20). The difference was sizeable but less sharp at the all India level. The educated labour force is always in the lookout for formal jobs, which offer better wages and working conditions. The State Planning Board of Kerala estimated that in 2019, there were 3.8 million such job seekers in the state, among whom 63 per cent were women (Government of Kerala 2020, Appendix Table 7.2.10).

The track record of the state with the creation of formal sector jobs has so far been unremarkable. The growth of such jobs was slow in the organised manufacturing industries. As per estimates of the Annual Survey of Industries (ASI, 2020), total factory employment of establishments hiring more than ten workers in Kerala was 0.3 million in 2017-18, less than 3 per cent of the total employment in the state. Big manufacturing establishments have never been robust sources of jobs in Kerala. Currently, there are more workers absorbed into manufacturing establishments outside the formal sector. In

2019 there were 0.42 million workers employed in smaller factory establishments outside the organised domain. Their numbers have increased in recent times (Government of Kerala, 2020 Appendix Table 2.1.4).

Based on the evidence furnished above, one can surmise that on the employment front, there are three main challenges before the policymakers: i) Raise the labour force participation rates of women, ii) Bring more workers into the status category of the regular employees, and iii) Ensure that all workers become entitled to social security benefits. There is a long way to go before Kerala can claim any tangible progress on all fronts. ■

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## Sectoral focus

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### Growth driver crashes: Kerala tourism in COVID-19 times

D. Narayana

The Kerala economy is one of the most open among the economies of the Indian states. The growth drivers of the economy are its commodity exports, tourism receipts and remittances. Among the commodity exports seafood, cashew, coir and spices stand out. While exports of seafood, cashew and coir have suffered in the first quarter of 2020-21, spices export have behaved differently largely because the perception that spices improve immunity is gaining ground in COVID-19 times.

Despite the diverse disruptions in the export markets and within India since early 2020, exports of spices from India in 2019-20 was 11.83

Tourism refers to the activity of visitors, who take a trip outside their usual environment for business, leisure or any other purpose. It is an important social and economic phenomenon and a key driver of economic growth through the creation of jobs, infrastructure and export revenue earned. Tourism activities are embedded in services and are not separately identified in the national accounts as an industry, or sector. Tourism is defined by the status of the consumer, not according to the status of the producer. Hence, contribution of tourism to the GDP needs to be estimated by developing satellite accounts.

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***Remittances have been adversely affected by job loss and salary reduction in the destination countries. But there is a positive side to remittances in that rupee has depreciated by over 15 per cent during this period boosting remittances in rupee terms.***

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lakh tonnes, valued at Rs 21,515 crore recording a growth of 10 per cent in rupee terms. Initial months of lockdown did see disruptions in exports but exports from India have gone up 23 per cent in US Dollar terms to 359 million (Rs 2721 crore) in June 2020 compared to US Dollar 292 million (Rs 2030 crore) in the same month last year. Kerala is the main beneficiary of this growth.

The other two drivers of growth, namely remittances and tourism have suffered owing to COVID-19. Remittances have been adversely affected by job loss and salary reduction in the destination countries. But there is a positive side to remittances in that rupee has depreciated by over 15 per cent during this period boosting remittances in rupee terms.

Without going into the methodology of tourism satellite account, it is enough to mention that tourism characteristic consumption products and activities are accommodation services, food and beverages services, transport services, rental services, cultural services and so on. In addition, tourism gross fixed capital formation and tourism collective consumption are also related to tourism and enter into value added computations. For each of these industries, the fraction of its gross value added corresponding to the contribution of its output to tourism consumption is estimated and summed up over all industries to arrive at Tourism Direct Gross Value Added (TDGVA). In Kerala, around 70 per cent of accommodation services, 53 per cent

**Table 1. Tourist arrivals in Kerala, foreign and domestic, 2019 and 2020**

| Month    | Foreign |        |         | Domestic |         |         |
|----------|---------|--------|---------|----------|---------|---------|
|          | 2019    | 2020   | %Change | 2019     | 2020    | %Change |
| January  | 160588  | 176646 | 10.00   | 1515551  | 1818661 | 20.00   |
| February | 148024  | 130261 | -12.00  | 1335665  | 1442518 | 8.00    |
| March    | 113857  | 37573  | -67.00  | 1339252  | 562486  | -58.00  |
| April    | 86693   | 2861   | -96.70  | 1613257  | 19359   | -98.80  |
| May      | 49952   | 549    | -99.00  | 1818986  | 21828   | -98.80  |
| June     | 45675   | 502    | -99.00  | 1341496  | 32196   | -97.60  |

of food and beverages services, 63 per cent of transport services, 80% of air and rail services and around 30 per cent of health and medical services are accounted for by tourism. TDGVA and Tourism Direct Gross Domestic Product (TDGDP) together with the associated use tables provide the basis to compute input-output tables and facilitate estimation of indirect contribution of tourism to the economy. The share of Gross Value Added of Tourism Industry of Kerala in its GSDP was estimated to

be 10.5 percent in 2009-10. If indirect contributions are added, the share goes up to 21.3 per cent (NCAER, Regional Tourism Satellite Account for Kerala and Madhya Pradesh - 2009-10, NCAER (available at [http://tourism.gov.in/sites/default/files/Other/TSA\\_Kerala\\_MP%20new.pdf](http://tourism.gov.in/sites/default/files/Other/TSA_Kerala_MP%20new.pdf)).

We have no reason to believe that the contribution of tourism industry to the GSDP in 2020-21 would be any different from that in 2009-10.

COVID-19 had begun affecting tourism from February 2020 as foreign tourist arrivals showed a sharp fall. By March foreign tourist arrivals fell by two thirds compared to 2019 and domestic arrivals too started falling by an almost equal magnitude. The first quarter of 2020-21 saw almost 100 per cent fall in arrivals of both foreign and domestic tourists with a complete lockdown of air, rail and road transport. As tourism contributes to one-fifth of the GSDP an equivalent loss in the quarterly GSDP could be expected.

An important dimension of tourism characteristic activities is that they are all highly employment intensive. Accommodation, food, road transport and medical tourism have fairly high employment coefficients that too semi-skilled or skilled. It is estimated that tourism accounts for 23.52 per cent of the employment - direct and indirect - in the economy. A complete crash of the sector during the quarter implies a quarter of the workforce is unemployed with severe job and income loss. ■

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#### Maldives tops the repatriation table

According to the action taken report [ATR] of the Kerala Tourism, 2663 overseas tourists were repatriated from the state during the lock down period. Tourists from Maldives tops the list with 346 persons, followed by UK and Germany. Here is the country-wise break up.

| Country      | No. Of repatriates |
|--------------|--------------------|
| Maldives     | 346                |
| UK           | 273                |
| Germany      | 232                |
| France       | 229                |
| Russia       | 212                |
| Switzerland  | 164                |
| Saudi Arabia | 136                |
| Australia    | 127                |
| USA          | 42                 |

The Tourism Department identified around 85,000 rooms in 6000 hotel/resort units across Kerala and shared the same for the State Disaster Management Cell for paid quarantine facility.

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*(We have made all efforts to be exhaustive. If any study is excluded inadvertently, please let us know, we shall include in the next issue- Editor-in-Chief)*

## What is new(s) from GIFT

### A Webinars

#### 1. Webinar on COVID-19 pandemic and fiscal federalism

While the fiscal federal relations between the Centre and the States have been deteriorating over time, the outbreak of COVID- 19 has imposed heavy fiscal burden on states towards protecting the lives and livelihood of people. In this context, GIFT pioneered the initiative of bringing together different stakeholders online by organizing this webinar during 27-28 April 2020. Through this webinar, which was inaugurated by the Hon'ble Chief Minister of Kerala, Shri Pinarai Vijayan, GIFT brought together Finance Ministers of different States, leaders of major political parties, senior administrators, eminent academicians and captains of fourth estate. The webinar had a viewership from 3244 participants.

For more details, please visit <https://www.gift.res.in/index.php/workshop/detail/18/27042020-Webinar-on-COVID-19-Pandemic-and-fiscal-federalism-in-India>

#### 2. Webinar on labour regulations in India

While decent work is emerging as the paradigm governing labour and employment across the world, the recent labour regulations implemented by different states in

India amounted to depriving the labour of the privileges that they enjoyed. In this context, GIFT organized a webinar on labour regulations in India which was held on 13 June 2020. In the webinar, inaugurated by the Hon'ble Minister for labor, Shri T.P Ramakrishnan, over 35 experts, both from within and outside the country, shared their views. They included Dr.TM Thomas Isaac, Hon'ble Minister for Finance and coir, Representatives of ILO, leaders all the important trade unions, administrative heads of leading Industry Associations like CII and FICCI and scholars of eminence like Amit Bhaduri, A V Jose among others. There were over 550 online participants for this programme

For more details <https://www.gift.res.in/index.php/workshop/detail/20/13062020-Webinar-on-Labour-Regulations-in-India>

#### 3. Webinar on deagriculturalisation in India and technical change

This webinar presented by Prof K Pushpangadan, based on the research undertaken by him in GIFT as ICSSR Senior Fellow, was chaired by Prof K P Kannan. Discussants included Prof K L Krishna, Prof Alwin Prakash, Dr Abdul Azeez Erumban, Shri S S Nagesh and Prof K J Joseph.

For more details <https://www.gift.res.in/index.php/workshop/detail/21/16072020-Deagriculturalisation-and-Technical-change-A-studyof-crop-husbandry-in-Kerala>

#### 4. Webinar series on Indialics

GIFT initiated a webinar series jointly with Indialics (India chapter of Globelics) The series was opened with conversation between Prof Bengt Ake Lundvall, the founder of Globelics and Prof Rishiksha T Krishnan, Director IIMB and Prof K J Joseph.

For more details <https://www.gift.res.in/index.php/events/detail/38/Indialics-Webinar-Series>

#### 5. Webinar on the COVID- 19 pandemic and Local Governments, May 16-17, 2020 organized jointly with KILA.

This webinar, organized jointly with KILA, was in the context of the pandemic that impacted the lives and livelihood of people and the local governments shouldering the major responsibility. The event was inaugurated by Shri A C Moideen, Hon'ble Minister of local Self Governments and Chaired by Shri Mani Shankar Aiyar, former Minister of Panchayathi Raj, Government of India. Apart from Dr Thomas Isaac, Hon'ble Finance Minister of Kerala Champions of decentralization from different states, representative of UNICEF, senior administrators, eminent academicians and representatives local governments joined deliberations. The webinar brought to the fore the experiences of states other than Kerala with special sessions on MGNREGS and financing local governments in times of pandemic. It also dealt at length on the Kerala experience with three thematic sessions with special focus on Disaster Management, COVID-

19 Pandemic and Kudumbashree.

For more details please visit <https://www.gift.res.in/index.php/workshop/detail/19/16052020-Webinar-on-COVID-19-and-Local-Governments-in-India>

#### 6. National webinar series: Local Governments for Sustainable Development - Good Practices from Kerala

Subsequently, in the context of 25 years of decentralized planning in Kerala, GIFT jointly with KILA and Haritha Kerala Mission initiated this Webinar series.

One webinar each is being organized every week (Saturday). Seven webinars have already been organized from 4 July onwards on the following issues

For more details please visit <https://www.gift.res.in/index.php/events/detail/37/National-Webinar-Series-Local-Governments-for-Sustainable-Development-Good-Practices-from-Kerala>

**6.1 Reduction of waste through behavioral change: The Green Protocol Experiences of LSGIs 22.08.2020**

**6.2 Non-Biodegradable Waste Management and Local Governments 15.08.2020**

**6.3 Organic Waste Management and the Local Self Governments 01.08.2020**

**6.4 Innovative Water Conservation Practices in Local Self Governments of Kattakkada Assembly Constituency 25.07.2020**

**6.5 National Webinar on Local Governments for Sustainable Development on Child Friendly Local Governance 18.07.2020**

**6.6 Effective Intervention of Local Governments in Water**

**Conservation 11.07.2020**

**6.7 National Webinar on Local Governments for Sustainable Development of Local Governments Experiences on Agriculture and allied Sectors 04.07.2020**

**7. Webinar on Supporting MSME in COVID-19 crisis was organized jointly with KFC.**

This webinar was organized in the context of the adverse impact of COVID-19 on MSMEs in Kerala. In the webinar, inaugurated by Dr T.M. Thomas Isaac, Hon'ble Finance Minister of Kerala, Shri Rajesh Kumar Singh IAS, Additional Chief Secretary, Shri Sanjay Kaul IAS Chairman and Managing Director, KFC and Dr K. J. Joseph, Director, GIFT addressed the audience. The Hon'ble Minister and the senior officials responded to the concerns and queries of the entrepreneurs. Total 9731 participants have viewed the webinar.

For more details <https://www.gift.res.in/index.php/events/detail/35/Webinar-on-Supporting-MSMEs-in-COVID-19-Crisis-on-23062020>

**8. Webinar on Business continuity for startups in COVID-19 crisis :Kerala Financial Corporation 2020-Jul-14 8.4**

**9. Webinar on 'Supporting MSMEs in COVID-19 Crisis' on 23.06.2020 : Kerala Financial Corporation 2020-Jun-23**

**B. Teaching and training programmes**

**1. KFC-GIFT partnership for training the entrepreneurs under the Chief Minister's Entrepreneurship Development Program**

GIFT, jointly with Kerala Finance Corporation (KFC) has been organizing a week long training program for all the the prospective entrepreneurs being promoted

under the Chief Minister's Entrepreneurship Development Programme (CMEDP).

For details about this ongoing programme please visit <https://www.gift.res.in/index.php/events>

**2. Post Graduate Diploma in Goods and Services Tax (PGDGST)**

Admission for the third batch of the Post Graduate Diploma in Goods and Service Tax (PGDGST) stated with an overwhelming response

For mote more details <https://www.gift.res.in/index.php/course/detail/14/PGD-GST>

**3. Research Capacity Building Programme (RCBP) in Social Sciences for young scholars.**

Along with the Ph.D programme, GIFT started a Research Capacity Building Programme (RCBP) in social sciences for the young scholars

For details please visit <https://www.gift.res.in/index.php/training/detail/13/Research-Capacity-Building-Programme-RCBP-for-Social-Sciences>

**C. New distinguished associates of GIFT**

**1. Honorary Professors**

Professor M Govinda Rao, Shri Jairam Ramesh, Professor Prabhat Patnaik, Professor Jayati Ghosh, Professor M A Oommen, Shri G Vijayaraghavan, Professor Venkitesh Athereya, Dr A V Jose and Professor D Narayana, designated as the Honorary Professors in GIFT

For details please visit <https://www.gift.res.in/index.php/faculty/details/3/Honorary-Faculty>

**2. ICSSR National fellow**

Dr Sreekumar Chattopadhyaya joined as ICSSR National Fellow

[https://www.gift.res.in/faculty/faculty\\_details/42/Dr-Srikumar-Chattopadhyay](https://www.gift.res.in/faculty/faculty_details/42/Dr-Srikumar-Chattopadhyay)

### 3. Visiting faculty

Dr N Vijayamohan Pillai joined as Visiting Faculty in GIFT

[https://www.gift.res.in/faculty/faculty\\_details/43/Dr-Vijayamohan-Pillai-N](https://www.gift.res.in/faculty/faculty_details/43/Dr-Vijayamohan-Pillai-N)

## D. Publications

### 1. Reports

1. GIFT (2020) Economic and fiscal shock of COVID-19 on Kerala: Socio economic response and macro economic recovery, Gulati Institute of Finance and taxation, Thiruvananthapuram

For more details please visit [https://www.gift.res.in/index.php/publish/list\\_detail/150/May-2020-Economic-and-Fiscal-Shock-of-COVID-19-on-Kerala](https://www.gift.res.in/index.php/publish/list_detail/150/May-2020-Economic-and-Fiscal-Shock-of-COVID-19-on-Kerala)

2. Government of Kerala (2020) COVID-19 pandemic and Kerala - A response strategy, Department of Finance, Government of Kerala, Thiruvananthapuram (GIFT Faculty associated)

For details: [https://www.gift.res.in/index.php/publish/list\\_detail/161/Government-of-Kerala-2020-COVID-19-pandemic-and-Kerala-A-response-strategy](https://www.gift.res.in/index.php/publish/list_detail/161/Government-of-Kerala-2020-COVID-19-pandemic-and-Kerala-A-response-strategy)

For more details please visit: Government of Kerala (2020) Report on the additional revenue mobilization from own tax and non tax revenue sources of Kerala, Department of Finance, Government of Kerala (GIFT faculty associated - not for public circulation)

### 2. Kerala Tax Reporter (KTR)

The flagship publication of GIFT, Kerala Tax Reporter which was

started in 1992, has gone online <https://www.gift.res.in/ktr/>

### 3. Innovation and Development

A Routledge journal from GIFT, Volume 10, No. 1 published. (Editor in Chief, KJ Joseph). For details please visit <https://www.tandfonline.com/toc/riad20/current>

### 4. Weekly update on the Indian economy

This new initiative at the instance of Young Scholars' Forum, GIFT will keep you updated on Indian economy. Please visit

[https://www.gift.res.in/index.php/publish/publish\\_list/9/Weekly-Updates-on-Indian-Economy-prepared-by-GIFT-Young-Scholars-Forum](https://www.gift.res.in/index.php/publish/publish_list/9/Weekly-Updates-on-Indian-Economy-prepared-by-GIFT-Young-Scholars-Forum)







Gulati Institute of Finance and Taxation (GIFT), Thiruvananthapuram, Kerala, formerly Centre for Taxation Studies, has been conceived as a premier national institute to promote theoretically grounded and empirically based research within an interdisciplinary perspective to aid policy making at the national and sub-national level. Affiliated to Cochin University of Science and Technology, GIFT is also mandated to facilitate research leading to PhD and undertake training programs for capacity building of different stakeholders, including government officials. It also offers a Post Graduate Diploma in Goods and Service Tax. Recently, GIFT joined hands with Kerala Financial Corporation (KFC) in training the new entrepreneurs being promoted under the Chief Minister's Entrepreneurship Development Programme (CMEDP).

The governance of the Institute is entrusted with a Governing Body and an Executive Committee, consisting of scholars of eminence and senior administrators representing both the Central and the State Governments. Dr T M Thomas Isaac, Minister of Finance and Coir, Government of Kerala, is the Chairperson of the Institute.

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