Vikàsàrth

Development and Economy

Rebuilding the Kerala Economy: Time for a paradigm shift?

Introduction

CPPR Centre for Comparative Studies in collaboration with Institute for New Economic Thinking (INET) is organizing a round table on "Rebuilding the Kerala Economy: Time for a paradigm shift?" on 22nd March 2019 and 23rd March 2019.

Rebuilding the Kerala Economy: Time for a paradigm shift?

Quiet often parallels are drawn between Kerala and the Nordic countries in terms of achievements in human development. While it is true that Kerala has high literacy rates and health outcomes compared to other states in India, the state also has a very high rate of unemployment and growing debt trajectory. The state of Kerala has highly depended on remittances from its citizens who work beyond its borders. Initiatives to redefine the state as business-friendly are more often met with strikes and hartals. Kerala is still one of the least preferred destinations for private investors. The fiscal health of the state is also deteriorating with the rising fiscal deficit and debt.

The deluge of 2018 which destroyed human lives, livelihood and property aggravated this situation. The floods brought in an added pressure to the government which is already passing through a phase of the fiscal crisis. For instance, in 2016-17 fiscal and revenue deficit as a share of GSDP stands at 4.28 percent and 2.51 percent respectively. The total debt of the state stands at Rs 1, 86,453.86 crores. The state also lags behind in employment generation and registers the highest unemployment rate in the country. The unemployment rate in Kerala is 12.5 percent against the national average of 5 percent.

Topics deliberated at the Round table

Against this background, the round table will focus on the major issues faced by the economy of Kerala. The round table shall be centered on four key themes:

(1) The deteriorating fiscal health of Kerala: How the state can achieve fiscal discipline?

Kerala contributes around five percent to the GDP (Gross Domestic Product) of the country with a GSDP (Gross State Domestic Product) of 6.1 lakh crore. Kerala also tops in terms of per capita income and also receives the highest share of remittances. Nevertheless, when the fiscal indicators of the state are taken into consideration, the state does not hold a favorable position. The total debt of the state stands at 2.4 lakh crore, with debt to GSDP ratio of the state at 30.70 percent. The fiscal deficit of the state has also crossed the prescribed limit of 3 percent of GSDP at 4.29 percent. When the total market borrowing of the state is considered, it is exhibiting an upward trend. The increasing debt and market borrowing put the extra pressure of interest payment in addition to debt repayment. The situation calls for a need to bring in more fiscal discipline as the state cannot sustain merely by borrowing. The discussions shall focus on the following points -

- The fiscal health of Kerala
- Revisiting the expenditure pattern of Kerala
- Avenues for revenue generation
- Size of government and investment climate
- E-governance

(2) Why Kerala is way behind in employment generation?

The state that registers high literacy rates and health outcomes also registers the highest unemployment rate in the country. The unemployment rate in Kerala is 12.5 percent against the national average of 5 percent, more than double the national average. On the hand, Kerala is highly dependent on the remittances from its people who work beyond its borders. Kerala receives the highest share of remittances in India and the remittances to the state is estimated at ₹ 85,092 crores. As per estimates, in 2016 there were 2.24 million emigrants from Kerala. The numbers clearly show that ample employment opportunities are not created in the state. Kerala is one of the least preferred investment destinations in the country and still holds the tag of business unfriendly state. It calls the need to rework and revisit various policies in the state that act as a hindrance for investment opportunities in the state. The focus points for discussion here are the following -

- Remittance Economy
- Labour laws
- Gig Economy
- Trade Unionism
- Infrastructural development

(3) How to address second-generation issues in health and education sector in Kerala?

In both health and education sector, the problems faced by Kerala is termed as 'second generation problems.' Second generation problems refer to the next stages of concerns after achieving a set of specific targets in health and education indicators. The state registers the highest literacy rate, reduced fertility rate, and lowest mortality rates. In the health sector, the state now faces issues relating to lifestyle diseases and geriatric problems. On the other hand, there exist serious concerns about the quality of education that is provided in the state. The higher education sector in Kerala is not transforming itself to meet the challenges of those seeking and offering employment. It results in a huge outflow of the student community to other states/countries. The issues faced by the state in health and education sector is completely different from the problems faced by the rest of the country. In Kerala, emphasis needs to be given to quality rather than quantity. It requires a complete shift in the policies and programmes that are practiced in the state, to achieve the desired results. Here we shall focus on these points -

- Role of government in the health and education sector in the changing scenario
- Where the state should focus on health and education: primary, secondary or tertiary?
- Quality of services provided in the health and education sector
- Clinical Establishment Act
- Higher Education Sector in Kerala: Case of Private Universities

(4) State Public Sector Units (PSUs): Role and Significance in the 21st century

As on 31st March 2016, there were 128 PSUs in Kerala, out of which 113 are currently functional while 15 have become defunct. The functional PSUs in Kerala had an accumulated loss of Rs 3136.8 crore with a total investment of Rs 29,786.9 crores. As per the Economic Review (2017), total profit clocked by 50 PSUs in Kerala stood at Rs 395.5 crore, whereas the total loss of 56 PSUs in the state was Rs 10,19.3 crore. The numbers clearly show that the PSUs are bringing in huge burden to the state exchequer. This session shall focus on the following points -

- The contribution of PSUs towards Kerala's Economy
- PSUs and private investment in the state
- Disinvestment of PSUs

The format of the Round table

The round table will be held for two days in Kochi. In each session, there will be four speakers. It will be of dialogue and Q&A type but the presentations are welcome.

About CPPR and INET

The Centre for Public Policy Research (CPPR), founded in 2004, is a Kochi-based think tank devoted to developing and disseminating policy recommendations. CPPR's research activities are categorized under three core study centers: The Centre for Urban Studies, Centre for Comparative Studies, and the Centre for Strategic Studies. CPPR's mission is to conduct and promote high-quality, evidence-based research and training; and provide government bodies, private organizations, and academic institutions with practical and innovative recommendations, and influence decision-making.

The Institute for New Economic Thinking (INET) is dedicated to the rigorous pursuit of innovative economic theories and methods that address society's most pressing concerns. Founded in 2009, it is a nonpartisan, non-profit organization supporting relevant, pioneering work in the following issue areas: The relationship between finance and the broader economy; Inequality and distribution; The economics of innovation; Environment and resource sustainability.