

**N K SINGH***Sunday, December 18, 2005*

RING SIDE

**Kerala not yet God's own country**

Kerala is witnessing intense debate on its economic future. An interactive session on "Kerala in the global economy" was organised this week by the Asian School of Business, the Kerala Global Support Network comprising successful expatriates in partnership with the Stanford Center for International Development. It brought together academics, policy-makers, trade union leaders and civil society. This was preceded by a well-attended International Congress of Kerala Studies in which, according to newspapers, CPM leaders "exhibited new found pragmatism in adapting an alternative agenda for Kerala's development by accepting neo-liberal economics" with significant role to private sector and direct foreign investment. The divisions within the Left party has evinced wide interest in what is being loosely described as the moderate "Bengal model versus the conservative Kerala model". These are all relevant as a backdrop to the impending Assembly elections. There is a general feeling that Kerala has been somewhat left behind in the development race compared to its neighbouring States.

So what are the facts?

Kerala is one of the smaller States of India with a geographical area of 0.39 lakhs sq kms. With 1.3 per cent of total area, it has 3.1 per cent of our population with a per capita income of over Rs 22,000 — well above the national average. The growth rates since the 1990s has been around 6 per cent. However, demographic advantages have yielded an average per capita income growth during 1990s of 4.71 per cent, which in the subsequent two years remained over 7 per cent. The contribution of services to GDP is around 63 per cent while that of agriculture has tapered down to 20 per cent, with the balance coming from Industry which has remained stagnant during this period. On the poverty index, the poverty ratio which was 59.79 per cent in 1973-74, came down to 12.72 per cent in 1999-2000 compared to the all India average of 29 per cent.

In the social sector, literacy in Kerala is 87.8 per cent compared to the all India average of 54 per cent, life expectancy is 74 years against the country's 65.3 years and infant mortality rate of 15.3 is far below the country's average. It has topped in the Human Development Index among all States in India with 0.638 compared to the overall average of 0.472. The above figures would suggest what Professor Nair of the Asian School of Business describes as "a paradox of social development and economic backwardness".

On migration, according to the report by the Centre for Development of States, emigrants exceeded 1.8 million in 2004; 90 per cent going to the Middle-East. In fact, about 10 per cent of the working population of the State of Kerala now works in the Middle-East. Indeed, if remittance income is included in the calculation, per capita income would be above 60 per cent of the national average. Nonetheless, unemployment is a high 19.2 per cent; a high percentage being educated youths. The migration of unskilled labourers has created the anomaly of unemployment co-existing with the need for dependence on migrant labour for manual work

particularly in agriculture and construction.

So what is the way forward?

First and foremost, given the peculiar nature of coalition politics in Kerala where both the Congress and the Left coalitions have broadly followed similar policies, the need for a consensus on “a development agenda”. This must include increased role for private initiatives inter alia in infrastructure and education where Kerala has comparative advantages in attracting foreign investment.

Second, even while labour market inflexibilities have resulted in migration, both within and outside the country, its redressal without upsetting the overall social equilibrium is a difficult orchestration.

Third, Chief Minister Oommen Chandy told us that perception about Kerala needs change. So must its image; an image of difficult labour environment and an economy embedded in excessive regulation which inhibits private flows. Infrastructure in general and transport sector in particular requires major upgradation. The road network is denser than most States — Kerala is one continuous urban township — roads are narrow, poorly maintained or congested. The Government of Kerala’s own Economic Review describes the Thiruvananthapuram-Kaliyikkavila stretch of NH-47 as being “almost like a road”! Coherence of policy between Centre and States, fostering public private partnership and taking advantage of the emerging opportunities of national level changes as well as harnessing potential resources through credible public-private partnership, must be part of this initiative. Streamlining land acquisition and credible procedures for contract negotiations, allocation of risks and dispute resolution can improve the climate for investment.

Fourth, Kerala’s tourist inflow has been steadily rising with foreign tourists, including medical and health tourism, averaging a 17% growth in the last three years. This is indicative of the vast untapped potential. Improving the transportation network, activating its neglected inland waterways, optimum use of its international airports, increasing hotel accommodation will have beneficial effects both for Tourism and export promotion.

Finally creating centres of educational excellence, harnessing the multiplier effects of IT-related investments and high value service sector activities will enable both employment generation and capitalise on its comparative factor advantages.

Kerala, notwithstanding its breathtaking scenic beauty, skills of its people and high quality of human resources, is nowhere near realising its full economic potential. It is yet to become God’s own country.

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