Critical Development Issues of Kerala Economy: Strategy and Policies

B A Prakash

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I. Introduction

Kerala completed sixty-eight years as a State of the Indian Union and a regional economy in 2024. The development of the State's economy may be broadly divided into two periods based on the nature of economic policies pursued. During the first period between 1956 and 1990, the State pursued economic policies of excessive State intervention in the market, development through economic planning, public investment in education and health, and expansion of social welfare measures. The second phase, since 1991, witnessed a radical change in economic policies, and market-oriented liberalization and globalization policies were implemented. Besides the domestic factors, the large-scale emigration of Keralite workers to foreign countries and the receipt of a large amount of foreign remittances since the mid-1970s also contributed to the growth and development of the economy. Due to the COVID-19 (Coronavirus Disease 2019) induced crisis, the state economy of Kerala faced the worst recession since the formation of the state in 1956. In this context, the paper examines the economic policies of Kerala in the pre- and post-liberalisation period, the economic impact of migration to the Gulf on the state's economy, and the COVID-19 pandemic-induced economic recession in Kerala. Based on the analysis, we present the critical development issues Kerala faces.

Framework of Analysis

Based on the economic growth perspectives of Third World Countries, Michael P. Todaro identifies three crucial factors of economic growth: (a) capital accumulation, including all new investment in land, physical equipment and human resources; (b) population growth and the associated eventual increase in the labour force; and (c) technological progress (Todaro, 1998). The policy instruments widely used in developed and underdeveloped countries are general and specific (Chenery, 1958). The general instruments act as board aspect of the economy: the money supply, the government budget, investment, consumption, etc. The specific instruments are applied differently to individual sectors of the economy, as illustrated by subsidies, tariffs, etc. To achieve a given effect on the production or use of any commodity, there is a choice between controlling a price and controlling a quantity, by using either price or quantity variables as instruments. Thus, the main issues of economic policy are concerned with the choice between using general and specific instruments and between using prices and quantities as control variables.

II. Economic Policies of the Union Government of India

After the attainment of freedom from British colonial rule in 1947, India aimed to achieve rapid economic development through economic policies emphasizing excessive intervention in the market, centralized economic planning, expansion of public sector undertakings, and public investment in infrastructure, education, health, etc. These policies were pursued from 1947 to 1990. India wanted to achieve the socialistic pattern of society in a mixed economy framework by emphasizing private and public sectors in the production and distribution of goods and services. The key elements of the mixed economy of India were the following: (1) A framework of private agriculture based on public investment support. (2) The adoption of centralized planning aimed at coordinating large-scale investment in different sectors and regions of the economy. (3). Assignment of a major role to the public sector. (4) Regulation of external trade, foreign exchange, and private foreign capital. (5) Promotion of small and medium industries. (6). Adoption of a regime of administered prices in key sectors to regulate both the instabilities and the presumed inequalities of the market system.

A system of industrial licensing and a system of import licensing were introduced. These policies created barriers to entry, provided indiscriminate protection to domestic industries, prevented the existence of sick and non-viable units, imposed a system of physical controls, provided incentives for rent seeking, and acted as obstacles for technological development. In the external sector, the choice between import substitution-oriented strategies and export promotion-oriented strategies or a combination of the above two has been followed. The imposition of import controls, licensing, and restrictions was widely used to restrict imports. A fixed exchange rate regime was also pursued. Thus the excessive intervention in the market to regulate the domestic economy and external sector have distorted the market prices, interest rates, wages, foreign exchange rates, created incentives for entrepreneurs for rent seeking and corruption and prevented modernization and technological change.

In the context of an unprecedented economic crisis arising due to domestic and external factors, the Congress government, which came into power in the centre in 1991, implemented market-oriented economic reforms, viz. Structural Adjustment Reforms (SAR). The four major policy initiatives taken by the government were fiscal correction, trade policy reforms, industrial policy reforms, and public sector reforms. The objective of the trade policy reforms was to create an environment that would provide a stimulus to exports while at the same time reducing the degree of regulations and license control of foreign trade. The industrial policy announced in July 1991 sought to substantially deregulate industries to promote the growth of a more efficient and competitive industrial economy. The objective of the public sector reforms was to improve the operational efficiency of the public sector units whose performance was very poor and to implement a limited disinvestment of public sector equity. In March 1993, India moved from a dual exchange rate regime to a single, market-determined exchange rate system.

III. Economic Policies of Kerala Government

Since the formation of the State in 1956, political parties or groups that came into power either believed in communist or socialist ideologies. Hence, excessive State intervention in the market, development through economic planning, promotion of public sector undertakings, public investment in education and health, and expansion of social welfare measures were the cardinal elements of economic policy. Compared to the economic policy framework of the Central government, more market intervention-type policies were pursued by the successive governments in Kerala between 1956 and 1990. For example, during the first five Five-Year Plans (1951-79), the broad Plan objectives were to increase per capita income to that of the national level, to attain self-reliance in food by increasing rice production, to terminate the tenancy system, to create employment opportunities for solving the unemployment problem, to reduce regional disparities and to uplift the vulnerable sections of society, especially scheduled Castes and Tribes (State Planning Board, 1978). The basic weakness of the policy pursued was that it ignored the vital role of private investment in accelerating economic growth and development.

The strategy pursued for economic development between 1956 and 1990 was state-sponsored and state-funded through planning and public investment. It is believed that, with a small amount of public investment, the State can achieve rapid economic growth and development. The policies pursued were inward-looking, excessive State intervention in the market, more emphasis on equity and social welfare, and ignored private investment, production, productivity, employment generation, and technological development. Mechanization of activities in agriculture, industries, and tertiary sectors was considered anti-labour as it affects the employment opportunities of workers. Without considering the resource availability, a number of government departments, public sector undertakings, and semi-government institutions were started, which led to a shortage of funds and serious fiscal problems. The introduction of computers in banks, public sector undertakings, and government departments was strongly opposed by the trade unions in the 1980s.

The implementation of market-oriented economic reforms by the Central government since 1991 was not welcomed by the political parties, especially left parties in the State of Kerala. They conducted constant agitations against the reforms during the first half of the 1990s when the United Democratic Front (UDF) government was in power. When the left parties came to power during the second half of the 1990s, they said that they were not going to implement these policies, which were causing harm to Kerala and unfavorable impacts on the poor and weaker sections. Despite this, the liberalization policies implemented by the Central government since 1991, made revolutionary changes in the promotion of private investment, production, productivity, and technological development in the State in all sectors.

IV. Migration to the Gulf, inflow of remittances, and economic impact

The price hike of oil in 1973 and the consequent earnings of large revenue had accelerated a process of industrialisation and social change in the Gulf countries, characterised by massive investment in social and economic infrastructure, necessitating the service of a large number of foreign workers. The major destinations of the Indian workers in the Gulf were the United Arab Emirates (UAE), Saudi Arabia, Oman, Bahrain, Kuwait, Qatar, Yemen, and Iraq. A large number of Keralite workers began to migrate to Gulf countries based on labour contracts in the mid-1970s. The majority of the migrants to the Gulf belonged to the category of unskilled workers, semiskilled or skilled workers in manual or construction-related occupations. A household survey conducted to study the migration and receipt of remittances in Chavakkad village in Thrissur district in 1978 shows that the economic impact was substantial in the households (Prakash, B.A, 1978).

The migration, which started with a few thousand per year during the mid-1970's assumed large proportions during the 1980s. The Department of Economics and Statistics, Kerala, had conducted one census and two surveys to estimate the number of migrants from Kerala. According to the census of 1980, the total number of migrants was estimated as 1.86 lakh. In the two subsequent surveys, the number of migrants was estimated as 3 lakh in 1987 and 6.41 lakh in 1992-93. These surveys are the basic source of information that gives details about the profile of migrants, the process of migration and return migration, and other issues on Kerala emigration to the Gulf till 1993.

According to the census of 1980, nearly 90 percent of the international migration from Kerala was towards the Gulf countries. Though workers migrated from all the districts of the state, the census found that nearly half of them belonged to the three districts, viz. Trichur, Malappuram, and Trivandrum. It was found that the intensity of migration was high in northern Kerala compared to the south. In northern Kerala, the intensity of migration was high in five districts, viz. Trichur, Malappuram, Kozhikode, Cannanore, and Kasargod. This indicates that the economic and social impact of Gulf migration is largely concentrated in northern Kerala compared to the south.

Among the factors that determine labour migration from Kerala, the push and pull factors are the major ones. The high density of population, scarcity of land for cultivation, industrial backwardness, high incidence of unemployment and poverty are the major push factors. The pull factors are the high wages and expectations of more savings. The large-scale migration and consequent inflow of remittances had resulted in an unprecedented socio-economic change in areas having a high concentration of migrant households in Kerala since the mid-1970s.

During the decades 1970's and 1980's, it was widely believed that the demand for foreign labour in Gulf countries was a temporary phenomenon. However, the history of Indian migration to the Gulf shows that there has been a continuous increase in the total stock of Indian emigrants in GCC countries between 1990 and 2020. This is because the inflows of Indian emigrants to GCC countries were larger than the outflows of Indian emigrants (return emigration) from the GCC countries. Data on the stock of Indian emigrants in UAE, Saudi

Arabia, Oman, and Bahrain indicate that there has been a continuous increase in the stock of Indian emigrants in these countries between 1990 and 2020. However, there has been a fall in the stock of Indian emigrants during brief periods in two Gulf countries, viz. Kuwait and Qatar. Kuwait witnessed a fall in the stock of Indian emigrants during the period 1990 to 1995, and Qatar from 1995 to 2000. An estimate of the share of the stock of Indian emigrants in GCC countries indicates that of the total stock of foreign emigrants in GCC countries, the share of India was 31.1 percent in 2020. The total stock of Indian emigrants in GCC countries is estimated at 95.68 lakh persons in 2020.

Economic Impact of Gulf Migration

Studies arrived at the following conclusions on the economic impact of Gulf migration on Kerala's economy. The large-scale migration and flows of remittances have resulted in unprecedented socio-economic changes in Kerala. Widespread changes have taken place in the labour market, consumption, saving, investment, poverty, income distribution, and regional development. The migration has resulted in a reduction in unemployment, created a shortage of construction workers, upgraded skills, increased wages, and promoted the migration of construction workers to Kerala. The migration has helped migrant households attain higher levels of income, consumption, and acquisition of assets compared to non-migrant households. As the majority of the migrant households are poor, the inflow of remittances has substantially reduced poverty in Kerala. The migration has pushed up prices of land, construction materials, consumer goods, food articles, rent and charges on health, education, transport, etc. As the volume of remittances received in Kerala was very large, the impact of this on the regional economy was very great. Thus, remittances have given the biggest push to the state's economy since the mid-1970s.

A study on the economic impact of Gulf Migration in Kerala presents the following hypothesis. "Since the mid-1970s, the factor which has had the greatest impact on the regional economy, especially on labour market, consumption, savings, investment, poverty, income distribution, and economic growth has been the Gulf migration and migrant remittances" (Prakash, B. A., 1998). The remittances received in Kerala from migrant workers from the Gulf were equivalent to 22 per cent of the net state domestic product of Kerala. The large-scale migration and flows of remittances have resulted in unprecedented economic changes in Kerala. Widespread changes have taken place in the labour market, consumption, savings, investment, poverty, income distribution, and regional development.

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Due to the COVID-19 pandemic, a large number of Indian emigrants from the Gulf countries returned to India. According to the Non-Resident Keralites Affairs Department (NORKA), 14.71 lakh Keralite emigrants returned from the Gulf and other countries till June 22, 2021. A study was conducted by the Centre for Development Studies (CDS) to examine the COVID-19 pandemic and the exodus of Keralite emigrant workers based on a sample survey of return emigrant workers (Prakash, B. A., 2022). The major findings of the survey of 404 return emigrant workers belonging to five districts of Kerala are the following. Keralite emigrants were forced to return to Kerala due to the loss of jobs. The return has resulted in total loss of remittances received by the households regularly, shattered their finances, increased their debt burden and pushed them to acute economic distress. The majority of the return emigrants who availed leave and came to Kerala could not return to GCC countries and were stranded in Kerala. Due to the return, most of the emigrant workers became unemployed, remained without income, faced high uncertainty in finding employment and were pushed to poverty. The local labour market experienced a fall in employment due to recession on the one hand and increased supply of labour on the other, increasing the unemployment rate. The return emigrant workers feel that the labour market situation and prospects of getting regular and remunerative jobs are bleak in Kerala.

V. COVID-19 pandemic induced a health crisis and economic recession

The COVID-19 pandemic, which has an origin in China, spread at an unprecedented speed across all regions and countries in the world within the first three months of the year 2020. Though the cases of the pandemic were lower in India during the early months of 2020, the position had drastically changed by October 2020. India became the second country having the largest number of COVID-19 cases in the world. The Government of India implemented unprecedented restrictions such as lockdowns, travel restrictions, closure of schools and educational institutions, closure of commercial and production units, imposition of restrictions on international air travel, etc.

During the first phase (January 30, 2020 to October 1, 2020), the growth in COVID-19 cases and deaths were very few in Kerala compared to other states due to effective implementation of preventive measures, prior experience in containing the outbreak of NIPAH virus and the existence of an elaborate public medical system in Kerala having government hospitals at panchayat, taluk and district levels. Despite the implementation of a number of preventive measures such as physical distancing, wearing masks, frequent cleaning of hands, introduction of quarantine, testing of nasal specimens, etc, the number of COVID-19 cases continued to increase in the second phase (October 1, 2020, to March 1, 2022). But the large-scale vaccination implemented for various sections of people, like old age people, since March 2021, has finally helped to contain the spread of the pandemic.

The pandemic-induced crisis has created an unprecedented fall in investment, a fall in production of goods and services, large-scale loss of jobs, an exodus of Keralite emigrant workers from Gulf countries, a heavy fall in remittances sent by Keralite emigrants, an acute fiscal crisis of the state, and pushed a large number of people into poverty. The pandemic-induced crisis has accelerated a process of structural change, such as vanishing traditional activities, emergence of new activities, shift to information technology (IT) based activities, rapid digitalisation, new infrastructural requirements, etc. The pandemic has created the worst health crisis in Kerala and effected basic changes in health care practices and the role of health institutions.

Due to the pandemic-induced economic crisis, the global economy experienced the deepest recession since 1945-46. The Indian economy and the State economy of Kerala also experienced the worst recession since 1951-52. The lockdowns implemented had created severe damage to the state economy. It was estimated that during the first quarter of 2020-21, the total losses in Gross Value Added (GVA) were around 10 percent of the total GVA of 2020-21. It was estimated that 70 per cent of the manufacturing production in the State was lost due to the lockdown and the disruptions. The other sectors that were severely hit by the lockdown were trade, hotels, restaurants, tourism, road transport, etc. The State experienced a negative growth of 9.2 percent of GSDP during 2020-21. Among the three sectors, the secondary and tertiary sectors witnessed a negative growth of more than 9 percent. The sub-sectors that experienced very high negative growth (more than 10 percent) were construction, road transport, water transport, air transport, storage, real estate, and public administration.

The pandemic has also created huge losses of employment in all subsectors of the secondary and tertiary sectors.

The Russian invasion of Ukraine in February 2022 has worsened the global economic crisis, arrested the process of global recovery from recession, altered the prevailing global economic order, and pushed the global economy into high high-inflation mode. As the state of Kerala is highly integrated with the world economy, these global changes have a huge adverse impact on Kerala.

Table: COVID-19 induced changes in economic system of countries

COVID-19 Period	Post COVID-19 Period
COVID-19 spread throughout the World. Became a global health crisis	New variants of the COVID-19 pandemic. Possibilities of new pandemics and epidemics
Deepest global recession	Recession/stagflation will happen
More state intervention in market system	The trend will continue
Faster shift to mixed economy	The trend will continue
Deglobalisation in many areas	Faster deglobalisation
Reverse migration	Arrested new migration
From international to domestic tourism	Promotion of tourism
Decline of traditional activities and creation of new activities	Faster structural change in many areas
Digitalisation	Rapid digitalisation
Arrested urbanization/deurbanisation	Growth in urbanisation
More domestic production of agriculture, livestock and fisheries	The trend will continue
Friend shoring and near shoring in international trade	The trend will continue

VI. Critical Development Issues of Kerala

1. Kerala's persistent fiscal crisis and fiscal collapse

A basic issue in Kerala's development is poor performance of education and health services; unsatisfactory implementation of social welfare services to weaker sections; poor implementation of plan and development projects; and poor provision of public services provided by local governments such as three-tier panchayats, municipalities, and municipal corporations (MCs). A major cause of this is the acute shortage of funds arising out of the persistent fiscal crisis of the state government. A major cause attributed to this is the fiscal extravagance nature of fiscal policies pursued by the successive governments, resulting in a persistent fiscal crisis of the state. In this context, we examine the current state of state finances in Kerala.

Kerala has been facing a fiscal crisis since the early 1980's and the crisis became severe in the last years of the decade 1990s. The white paper of 2001 on state finances gives a clear picture about the unprecedented and acute fiscal crisis faced by Kerala during 1998–2001. On the one hand, there was huge growth in revenue expenditure due to unsustainable salary and pension bill built up over time, commitments on debt servicing, liberal support given by using state funds to cover losses of public sector undertakings, fixing plan size with total disregard to resource availability, wasteful expenditure on many fronts, borrowing to meet the additional liability arising out of the pay and pension revision of 1997, financial liability due to implementation of the Plus Two School scheme, etc. On the other hand, the state's own tax and non-tax resources stagnated due to narrow tax base of the state with heavy dependence on sales tax, non-repayment of loans by public sector undertakings and agencies, seasonality of revenue inflow with minimum inflow during the first quarter, falling trend in resource transfer from the central government, the slow growth of the economy affecting revenue collection, etc. (GoK, 2001).

The 2016 white paper on state finances predicted a fiscal collapse (GoK, 2016). The persistent failure of successive budgets to address the causes of the fiscal crisis mentioned in the white paper on state finances of 2016 on two fronts, namely expenditure control and resource mobilisation, is are major reasons for the crisis. The huge increase in revenue expenditure due to the revision of salary and pension once every five years is another major reason. The other factors that contributed to the crisis are the fall in the share of central taxes due to the Fifteenth Finance Commission, the stoppage of goods and services tax compensation, the lack of clear norms about the items coming under borrowing within the budget and outside the budget and the lack of clarity on inclusion of items in the public account (Prakash, B. A., 2023).

The alarming fiscal crisis of the state is present in CAG's report 2023-24. The total amount borrowed from various sources was Rs 1,04,354 crore. Of this the ways and means advance (WMA) from the Reserve Bank of India was Rs 53,307 crore. The number of times WMA taken during the financial year 2023-24 was 225 times and the number of times overdrafts taken was 67 times. Of the total borrowing the WMA accounted for 51 percent.

The other items of borrowing are market loans (Rs 42,438 crore), loans from financial institutions (Rs 611 crore), special securities issued on national savings (Rs 7070 crore), loans from the central government (Rs 901 crore), and others Rs 29 crore (Account General, Kerala, 2024). This is an unprecedented borrowing in a single year. Of the borrowing Rs 74,365 crore is used for public debt repayment. This indicates that the state is in a debt trap and heading towards fiscal collapse. The root cause for the economic crisis of the state is the persistent fiscal crisis.

The successive governments in Kerala have been following fiscal policies neglecting resource mobilisation for political gains on the one side and resorting to fiscal extravagance to satisfy the demands of powerful vested interest and pressure groups on the other, leading to a vicious circle of persistent low revenue receipts, higher non-plan revenue expenditure (NPRE) and higher rate of revenue and fiscal deficits. Political considerations are the major factors behind lack of timely revision of taxes and non-taxes, poor collection, laxity in collection of arrears, fixing inflated annual plan outlays and fiscal extravagance (Prakash, B. A., and Jerry Alwin, 2018).

Kerala economy is in a vicious circle of persistent fiscal crisis, mounting debt and repayment burden, facing acute shortage of funds for meeting expenditure on administration, social welfare and development and is in a debt trap. In spite of this, fiscal extravagance nature of spending is done to provide luxury to the ruling class of people. To save Kerala from the fiscal collapse and debt trap, the only option is to destroy the politics of fiscal extravagance. This is the basic issue to be addressed by the people of Kerala.

2. Poor execution of the functions of local governments (LGs)

A study of the finances, fiscal decentralisation, and decentralised planning based on the sample data collected from 56 grama panchayats (GPs) and 14 municipalities belonging to all districts of Kerala arrived at the following conclusions (Prakash B. A., 2022). Kerala has transferred a large number of functions coming under the category of mandatory, civic, and development. Transfer of a large number of functions to the GPs and municipalities without considering the size of administrative set-up, staff, fiscal powers, availability of resources, etc., has resulted in overburdening of their activities and poor performance on all fronts.

The state government has transferred a few institutions to GPs and municipalities and assigned a few functions to them. The major institutions transferred to GPs are krishi bhavans, veterinary dispensaries, primary health centres, government dispensaries and government lower primary schools. Most of the powers relating to administration, staff, activities, etc., of the institutions are retained by the state government. However, the GPs and municipalities are assigned the role of maintaining and repairing the assets and providing funds for its day-to-day activities. This dual control has created total confusion regarding the powers of administration, control over staff and other aspects of the working of the institutions.

According to the Kerala Panchayat Raj Act (KPRA), 1994, and the Kerala Municipality Act (KMA), 1994, the basic functions of GPs and municipalities are to execute civic functions that are directly related to the public health and welfare of the people. The important civic functions are collection and disposal of solid waste, regulation of liquid waste disposal, maintenance of environmental hygiene, vector control, regulation of slaughtering of animals, street lighting, adoption of programmes of immunization, prevention and control of diseases, establishment of burning and burial grounds, provision of parking places for vehicles, construction of waiting sheds, public toilets and bathing ghat and control of stray dogs. But most of the LGs failed to execute the functions in a satisfactory manner. The assignment of agency functions such as the distribution of welfare pensions, implementation of MGNREGA and other schemes have adversely affected the execution of their mandatory, civic and developmental functions of the GPs, and municipalities.

The preconditions for sound fiscal decentralization are allocation of own sources of revenue to LGs and giving full freedom to levy, collect and revise the rate of taxes and non-tax items. But the policy pursued by successive governments in Kerala has been non-transfer of new taxes to LGs, and non-transfer of powers to revise rates or effect periodical revision, thereby curtailing LGs freedom to mobilize their own resources.

Lack of implementation of State Finance Commissions (SFC) recommendations is a serious issue in Kerala's intergovernmental fiscal transfers. The recommendations of the Fifth SFC, have not been implemented for two years. Most of the core devolution recommendations of the Fifth SFC, have been rejected. As a result, the fiscal decentralisation system in Kerala has been subverted (Prakash B. A., 2018). Kerala has 1200 LGs consisting of 941 GPs, 152 Block Panchayats, 14 District Panchayats, 87 Municipalities and 6 Municipal Corporations.

Poor plan formulation and execution are the major issues of development plans of the LGs in Kerala. It can be attributed to factors such as irrational and irrelevant plan formulation guidelines, giving too much emphasis for pre-project preparation formalities, unsuitable and uniform plan guidelines meant for all categories of LGs, non-functioning working groups, low priority and very little time given for actual project preparations, implementation of a large and unmanageable number of projects, execution of projects by incompetent beneficiary committees, bunching of plan expenditure to the last quarter or last month, restrictions imposed on passing bills etc.

The above analysis shows that Kerala has not succeeded in improving the delivery of services and implementation of development projects in a satisfactory manner.

3. Poor Execution of Development Projects

The CAG's finance account report gives a list of incomplete capital works of Kerala (projects) having a cost of Rs one crore and above. The report has a list of 233 projects consists of 140 roads, 53 buildings, 33 bridges and 7 canals and irrigation works. Majority of the projects are small projects with an estimated cost ranging between one to four crores and have a target of completion of one to two years (CAG, 2023).

Let us examine the road projects in the list. The list has 140 road improvements and widening projects having an estimated cost of more than Rs one crore. Of this, 78 projects had a cost ranging from Rs one crore to Rs 4 crore and the target of completion is one year. Majority of the projects started construction prior to 2012, 2016 and 2017 and not completed even by 2022-23. This is the state of execution of the road projects in Kerala.

This indicates that the government departments such as PWD and irrigation do not have the administrative and technical capacity to execute even a very small project. Nobody is concerned about the targets to complete the projects. The administrative procedures such as issue of administrative sanction, release of funds, restrictions in passing the bills in state treasuries also contributed to this. We have to conclude that the state government departments do not have the competence to implement even small public works having a cost of Rs one to four crores.

No responsible officer from the Assistant Engineer to the Chief engineer of the Department consider the execution of the project is a serious thing. The ministers in the concerned departments totally failed to monitor the progress of the works. This indicates the incompetency of the ministers of the Department. We have to conclude that a chaotic situation prevailed in the government departments which execute the development projects in the state. There is a need to change the procedures of implementation of the projects of PWD and other departments. The responsibility of the implementations should be fixed on an officer/engineer with allocation of sufficient funds and freedom for execution and fund release.

4. COVID-19 pandemic induced structural changes

COVID-19 has been effecting rapid structural changes, such as the vanishing of a number of traditional activities and the generation of new activities based on new technologies. In Kerala, investors have built a large number of hotels, restaurants, resorts, Ayurveda centres, convention centres for conducting international conferences, luxury houseboats and other tourist infrastructure meant for foreign tourists. But COVID-19 has shifted a good part of the tourists from foreign to domestic. Investors invested in feature films and big cinema halls lost their relevance, and it shifted to Over The Top (OTT) platforms. Traditional entertainment items such as stage programmes, *ganamela* and other items of entertainment were adversely affected. A large number of parallel colleges and coaching centres to teach students became irrelevant due to online learning. The publishing industry witnessed a shift from book publishing to e-books, e-journals and other digital platforms. Instead of newspapers, people prefer digital platforms for reading news. A large number of investors invested in tourist buses, tempo travellers, and other vehicles such as mini buses, jeeps, etc, were forced to stop their operations due to the pandemic. A sizeable number of investors who used borrowed funds for investment in the above activities became bankrupt. A substantial share of sales of consumer products, groceries, food items, etc, are shifted to e-commerce. A large share of office work and IT work was shifted from workplaces to home. A good part of the money transaction shifted to e-payment. On the whole, COVID-19 has effected a basic structural shift in economic activities and employment from the pre-COVID-19 system to a new system in the post-pandemic period. This structural change in economic activities has resulted in enormous economic losses for one category, while the other has benefited greatly. In this context, sound policies have to be formulated and implemented to address this structural change in economic activities and employment in the state.

5. Return of Keralite emigrants from GCC countries

The COVID-19 pandemic has resulted in an unprecedented exodus of Indian emigrants from the Gulf Cooperation Council (GCC) Countries, viz. United Arab Emirates (UAE), Saudi Arabia, Oman, Kuwait, Qatar, and Bahrain. According to the Department of Non-Resident Keralite's Affairs (NORKA), nearly 14.15 lakh Keralites returned to Kerala due to the COVID-19 pandemic from GCC countries alone. A study on the return migration suggests that the return has resulted in total loss of remittances received by the households regularly, shattered their finances, increased their debt burden, and pushed them to acute economic distress (Prakash, B. A., 2022). The majority of the return emigrants who availed leave and came to Kerala could not return to GCC countries and were stranded in Kerala. In this context, the state government should formulate schemes to assist, such as bank loans for remigration, credit support to find employment, changing APL ration card to BPL, pension to return emigrants who are suffering from chronic deceases, etc.

The pandemic induced recession has drastically changed the whole labour market situation in the Gulf. The pandemic, resultant recession and the localization of labour policies pursued by the GCC countries have totally blocked the return of the Keralite emigrants already came to Kerala and created bleak prospects for new migration. Keralites, who relied heavily on Gulf migration and remittances for the last five decades will have to find other destinations of migration. Taking into account the above changes the state government should provide necessary support for migrant workers to migrate to non-gulf foreign countries.

6. Digitalisation and Digital Infrastructure

Following the introduction of lockdown in India, digital payments got a boost as people avoided the use of cash for fear of virus transmission through currency notes. Nearly 100 million consumers in India move to online, doubling the online market for consumers. Banking and payments have experienced a large shift to digitalization. The COVID-19 led to a spurt in remote working arrangements, shift of office work to home using internet and computers, online learning of students and growth in digital platforms. Growing internet and mobile penetration, availability of low-cost data plans and shift from offline to online shopping channels gave a fillip to adoption of digital technologies. E-learning, e-healthcare services, e-business, e-marketing, e-commerce, e-banking etc were some digital technologies which were introduced. All these require digital infrastructure development. Digital infrastructure is the physical hardware and software-based technologies that enable digital services. It includes the IT systems and networks that enable organisations to operate and communicate. To maintain the steady growth of digitalisation, the state government should pursue sound policies for development of digital infrastructure.

7. Rapid urbanisation and urban problems

According to the 2011 census, Kerala was the third most urbanised state in the country after Goa and Tamil Nadu, with a share of urban population of 47.2 percent. The share of urban population will likely rise to about 80 percent by 2031. As per the census of India, urban areas constitute statutory towns, census towns, and urban outgrowths. An analysis of the components of urban growth, namely, natural increase, net migration, and areal reclassification, reveals that urbanisation in Kerala is mainly due to areal reclassification. The spatial distribution of urban areas within the State shows that urban areas of Kerala are concentrated in coastal and midland regions. During the 1960s and 1970's the pace of urbanisation was high in the southern parts of Kerala. But since then, it has shifted to the central and northern parts of the State.

The rapid urbanization has been creating the following serious problems in all six municipal corporations (Thiruvananthapuram, Kollam, Kochi, Thrissur, Kozhikode, and Kannur) and 87 other municipalities in the state. (1) Due to the lack of widening the roads within the area of urban bodies, on the one hand, and the rapid increase in motor vehicles, on the other, has created traffic congestion on urban roads. (2) A serious problem in traffic management in urban areas is the lack of coordinated transport systems among airports, railway stations, bus stations, water transport terminals, metro stations etc. (3) Kerala does not have an efficient urban bus transport system either in the public or private sector to cater to the fast growing transport requirement of the urban passengers. (4) The municipal bodies failed to provide motor vehicle parking facilities by creating modern parking infrastructure. (5) The authorities of public utilities have not succeeded in expanding the supply of drinking water, sewerage system, waste water disposal, solid waste collection and processing, providing public toilets, etc, with the fast growth of the urban requirements. (6) Due to the lack of proper planning in urban housing and the lack of plans to provide housing assistance to the poor, urban slums are emerging in most of the municipal corporations and municipalities in Kerala. (7) A large number of migrant workers from other states who work in urban areas face serious problems in getting an affordable and modest accommodation to live. (8) The natural environment and bio-diversity in urban areas have been under severe stress largely due to indiscriminate construction, large scale conversions of paddy land and wet land for construction purposes, pollution creating industrial units, generation of solid and liquid waste etc. (9) Effective administrative mechanisms are not available to protect, conserve and restore their eco-system, environment and biodiversity in urban areas. (10) The urban local bodies do not have the power, authority, administrative mechanism, and leadership to address and solve the complex urban problems. For addressing the above problems, active intervention of government departments and agencies is needed. (11) Without the direct involvement of the state government, it is not possible to improve the poor state of affairs of municipal corporations and municipalities. A separate department of municipal affairs is needed to bring all the municipal-related activities under one umbrella with a minister.

8. Stagnant roads and exponential growth of motor vehicles

Kerala has a large number of motor vehicles, which is beyond the capacity of the roads in the state. The number of motor vehicles has been increasing at a very high rate but the majority of roads remain without widening or development during the last three decades. The total number of motor vehicles in Kerala increased from 87.93lakh in 2013-14 to 174.08 lakh in 2023-24, an increase of 98 percent (KSPB, 2025). Another significant development is the rapid growth of two wheelers viz. motor cycles and scooters. During the above period the number of two-wheelers increased from 54.19 lakh to 113.58 lakh, a growth of 109.6 percent.

This large number of vehicles and lack of road space to accommodate them is the basic issue of Kerala's transport development. The major share of roads belonged to municipalities, municipal corporations and the three-tier panchayats, remain without broadening and development, poor state and in dilapidated condition. The roads connecting district headquarters with interior rural areas, high ranges and forest areas of the district also remain in poor condition without proper maintenance. Persistent shortage of funds of the state and local governments due to the persistent fiscal crisis of the state is the root cause for this state of affairs. Frequent rains, poor maintenance, heavy use due to heavy traffic also contributed to the deterioration of roads. Only the national highways and state highways are maintained in a satisfactory manner compared to the other categories of roads. This is an important factor which retards the mobility of passengers and goods, vehicle breakdown and damages and frequent road accidents, including fatal accidents. This is a basic issue which needs the attention of all concerned parties responsible for road construction, development, maintenance and traffic regulation. The State, and Local Governments should consider this as a basic issue and top priority should be given to address this issue. Unless the state improves its finances, you cannot solve this critical problem.

9. Outdated higher education system

Though Kerala has achieved substantial progress in school education, the higher education sector remained backward with traditional courses and is unsuitable to the present day labour market and requirements. The higher education sector witnessed quality deterioration, lack of innovation and creativity, lack of generation of new knowledge, outdated courses and examination systems, restricted autonomy to autonomous colleges, outdated laws and practices of universities etc. The most important issue is the poor quality of higher education. Kerala does not have a centre of excellence category of higher educational institutions in subjects such as arts and science, engineering, medicine, agriculture and other subjects. Higher education in colleges and universities are viewed by society and students to get certificates for qualifying for government or public sector jobs. Lakhs of candidates apply for clerical jobs or last grade jobs in government and public sector. The traditional type of courses which have little practical relevance, are taught in almost all subjects in arts and science colleges without much change. Application-oriented courses are not taught in colleges. Degree and post-graduate courses are taught without the required laboratory, library, computer labs, internet accessibilities and other facilities. The graduate and post graduate students do not have the knowledge of information technology (IT) tools to study the subjects. The research degree viz. PhD is viewed to acquire qualification for jobs or promotion of teaching posts. Creation of new knowledge in social sciences, sciences, engineering, medicine and other subjects are meagre. Kerala does not have institutions except Industrial Training Institutes to train students for vocational and job training courses. Training youth to become investors or entrepreneurs is totally absent. A dismal situation prevails in the higher education sector in Kerala. So structural reforms are required in the higher educational sector, taking into consideration the above issues.

10. Deterioration of the public health system

We are living in a chaotic world where we can expect natural or manmade pandemics at anytime and anywhere, which can spread like a wildfire and kill human beings. The world has seen the disastrous consequences of the spread of the COVID-19 pandemic for two and a half years. Scientists say that SARS-CoV-2 is expected to remain in circulation for the long term, and further mutations of the virus remain a key risk to the world. So, the first and foremost objective of Kerala should be to strengthen the public and private health systems to face this challenge. In Kerala, the majority of the people depend on free or subsidized medical treatment in public hospitals. Due to very poor management of public health institutions and an acute shortage of public funds, the public health system in Kerala is experiencing continuous deterioration in its services. In this context, top priority should be given to strengthening the public hospitals and other medical institutions through the provision of better facilities and equipment, adequate staff, both medical and non-medical, adequate supply of medicines, and other requirements. The local governments such as three tier panchayats, municipalities and municipal corporations should take urgent steps for preventing the spread of diseases through effective mosquito eradication schemes, collection of solid waste and its disposal, better disposal of liquid waste and waste water, improving the system of sewerage, starting public toilets in public places and ensuring better cleaning of markets and other public places. The acute shortage of funds due to the grave fiscal crisis of the Kerala government is a basic cause. Without improving the fiscal situation of the state, we cannot address this issue. Effective measures to be implemented to strengthen the management and functioning of all medical care institutions that come under the state government and local government.

11. Kerala’s waste management crisis

Out of the 10,044 Tonnes Per Day (TPD) of Solid Waste generated in Kerala, 49% of the waste is generated in households, 36% in institutions and 15% in public places. 77% of wastes are biodegradable, 18% are non-biodegradable, and 5% are insert wastes. Biodegradable Waste and Plastic Waste are the major segments of Solid Wastes which need to be addressed on a priority basis. Currently, 70% of biodegradable waste is treated at households, institutions, and community level. With the present envisaged projects for installation of 14.89 lakh households level composting or bio-methanation units, the waste treatment capacity will increase to 85%. The non-biodegradable waste is collected from the sources and temporarily stored in Material Collection Facility (MCF). The non-biodegradable waste is collected by LSGs from the door-steps of 46 lakh sources (35.7 Lakh in rural local bodies (RLBs) and 10.3 Lakh in urban local bodies (ULBs)) by active Haritha Karma Sena and other partner collection agencies.

E-Waste of 173 tonnes is collected by Clean Kerala Company in 2019-20 FY. The e-waste collected are now being transported to recycling plants of other states since the state does not have own e-Waste recycling facilities. Bio-Medical Waste generation has quickly risen in the context of Covid 19 pandemic. And the local bodies have partnered with the IMAGE to handle these wastes. Industries themselves are legally bound to manage Hazardous Wastes and thus prevented them from entering the ecosystem. The local governments are mandated to manage the waste generated within their domain as per the prevailing rules under Environmental (Protection) Act, 1986, Kerala Municipality Act, 1994 and Kerala Panchayat Raj Act, 1994.

Taking into consideration the huge quantity of solid waste generated every day it is not possible to collect the waste by panchayats and municipalities. All those who generate large quantities of waste such as shops, hotels, hospitals, public markets etc., should take the responsibility to collect the waste and dispose it scientifically. Measures may be taken for waste reduction by the 3R principle viz. Reduce waste, Reuse waste and Recycle waste.

12. Human-Wildlife conflicts in Kerala

Human-wildlife conflict has emerged as a very serious issue in Kerala in recent years. Frequent death of human beings are reported in Kerala due to this. Kerala has a forest cover that approximates to 11,521 Sq.km, extending over 29.65% of the total geographical area of the State. In the past few years have seen escalated tensions in wildlife management in Kerala, and settlers near reserve forests and sanctuaries express a heightened sense of insecurity. The growing pressure of the ever-increasing human population, habitat loss and fragmentation, changes in cropping patterns, and increasing wildlife population are considered the major causes. An analysis of threats to biodiversity conservation and management of natural resources in various Forest Divisions of Kerala shows that human-wildlife conflict is a threat in almost all Divisions, especially in Wayanad and the rest of the northern region.

A more recent phenomenon is the proliferation of conflict issues in areas far removed from forest fringes. Due to a combination of factors like abandoned farmlands, massive accumulation of garbage, behaviour of species involved (generalists) and their breeding success, conflict creating species like wild boar, bonnet macaque, peafowl, etc., which were hitherto confined to forest fringes, have migrated to these new habitats and started successfully breeding there. They have started establishing new populations away from forest fringes. Hence serious conflict issues have moved from forest fringes to faraway settlements and even urban areas. Hence, conflict can no more be treated as a purely forest-fringe phenomenon.

There are several methods used to prevent crop-raiding by wild animals, including trenches, solar-powered fences, translocation of animals, etc., and strategies to recompense losses by ex-gratia payments. However, these have only been partially successful, and an integrated strategy is called for. Some of the measures proposed to mitigate human-wildlife conflicts by working group of Kerala State Planning Board are as follows (KSPB, 2022). (1) Creation of physical barriers to prevent animals from reaching the human habitations and crop fields. (2) Adoption of measures to avoid the interface between humans and wild animals. (3) Developing infrastructure and human resources for effective mitigation of human-wildlife conflicts. (4) Providing ex-gratia, crop insurance, life insurance, and ex-gratia to the victims of wildlife damage. (5) Involving Panchayaths and government departments to assist in conflict management. (6) Strengthening people's participation in the mitigation of human-wildlife conflicts. (7) Improvement of the habitat of animals in the forest including grasslands and waterholes to provide adequate food and water inside the forest itself. (8) Training, awareness creation, and research to reduce the conflict.

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