

A daring vision on Kerala economy

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As an opening sentence I state that you have to consider both the documents that presented in the Assembly in January last and the revised budget presented in June together. One problem with the discussion is that it has been confined to the revised budget and then you will miss the whole logic of the budget document for FY 2021- 22. Now, without going into numbers that will definitely come later, what is the logic of this budget? Why does it become a major turning point in Kerala's economic revolution?

The logic is one; it wants to ensure a decent, secured livelihood for the people of Kerala. There is an unprecedented increase in the welfare expenditure like social security, livelihood and care economy during last few years. The provisions for this have been very generous in the last couple of budgets, given the present COVID situation when you have to provide relief to the people and support their livelihood. And for responding the situation, the budget has been very generous in providing for the social sectors and welfare.

Two, unlike in the past, for the last two- three years, despite the highest expenditure on social welfare and social sectors, we have been spending heavily on infrastructure, not directly from the budget, but from outside the budget. This has been a controversial stance, but after the presentation of last Union budget, I think nobody can contradict what we have done. What is Development Financial Institution (DFI); it is another form of KIIFB. Every sense, whatever the 4 lakh crore rupees, DFI is going to borrow, is not part of the budget. But on the other hand, the shareholding support and other support from the budget goes into that institution, need to use that money to leverage Rs 4 lakh crore. Kerala is leveraging something like Rs 60,000 crore and the processes is going on and you can see the dramatic impact upon the social infrastructure like education, healthcare, roads and so on. This is going to transform Kerala's infrastructure in another two three years time. Now there is a contradiction between

the welfare expenditure and expenditure on capital expenditure. For simple reason after welfare expenditure, you don't have sufficient resources for Kerala's capital expenditure. So it has been relatively one of the lowest in the country. But now we have found the solution for it. Of course, you cannot go on endlessly borrowing and investing in infrastructure and that certain norms has to be taken care of. There is enough capability in that institution, KIIFB to ensure this.

Now, assuming this a basic infrastructure is going to be in position within two - three years, we use this infrastructure created to transform our economic base, from a handicraft low productive economy to a knowledge based economy. It would produce quality jobs for the young people. How do you do it, what are the components of it? One, a major effort we have to make to integrate modern science and technology to every sector of production, traditional industry, agriculture, agro processing and so on. Two, in our SME sector and startups, we have to focus upon more knowledge intensive sectors, skill intensive sectors and we have to see that they absorb the innovation. We need to have a program for promoting innovation. Three, We have three industrial corridors, capital city region, Mangalore-Kochi and Manglore-Palakkad and with better ease of doing business, we will be able to attract more private investment to the state. Four, there are something like 50 to 60 lakh persons, mostly women, who are at present, outside the Labor force but educated . COVID creates a new opportunity that post-COVID world is going to be large proportion of workers who would be working digitally from home; may be something like 80 crore people working digitally from home. If we can attract a part of that employment opportunity to Kerala that will change our economic base, it will become the largest employment sector in Kerala. So we are able to negotiate with global players and employers and use our brand name to attract employment to Kerala. K- DISC could be an important institution for the new government as KIIFB was for the last government.

Now what has been the additions brought in the revised budget. Second wave of COVID has come and we have to address that, so there is a special package which addresses that. Secondly, three sectors, the coastal areas, plantation sector and crisis ridden sectors need special package. So the budget for FY 2021-22 gives a daring new vision for the progress of Kerala. Unlike what many people think during last five years, both the fiscal deficit and revenue deficit have been coming down, except for last year, which is inevitable. It could be

possible with the GST, that we can have fiscal consolidation of bringing down, that's very much possible. All the statements regarding huge debts etc, are totally baseless. For the simple reason no states in India has right to borrow as they want, they can borrow only up to 3 per cent of GDP. Therefore it is fully within the sustainable limits of what FRBM act is supposed to be. Therefore discussion about that, through number of debt etc is all misplaced, all debate that can take place is about sustainable off budget borrowing.