

State economy deeds, not words!

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It's growth, stupid!" could well be the theme for any discussion on the State's economy. For too long have we been focusing on the peripherals of the subject matter including the so-called overhang of debt that we have lost sight of the keystone or the purpose of all discourse. A development model tilted in favour of distribution/equity rather than growth has also been a contributing factor to the current impasse that we face.

Did we place too much of emphasis on welfare to the detriment of growth? What are the pluses and minuses of the famed Kerala model of development? Who were the political leaders or more precisely, heads of Government in the State, who contributed to the growth we have achieved so far? Over a period of the last 60 years, since the formation of Kerala, which political party can we credit with having made the largest and the most significant contribution to development and growth in the State? It is high time we studied these issues without biases and the answers then will point to the path that we need to pursue in future.

The contribution to the State Domestic Product comes from sectoral contributions as detailed in Table 1.

Table. 1 Sectoral contributions to state domestic product (Rs. Crore)

	2017-18	2018-19	2019-20
GSDP	516189.76	549672.93	568635.52
Primary Sector (GSVA)	47619.23	46004.41	42373.83
Secondary Sector (GSVA)	129866.26	138033.99	141805.63
Tertiary Sector (GSVA)	283268.51	305303.78	317781.22

(Source: Kerala State Planning Board - Economic Review 2020)

If we take the primary sector, we notice that there was a degrowth during 2018-2020, of - 2.38% and - 6.62% in the two years. But, as the Economic Survey of the State Planning Board notes "the growth of value added in agriculture and allied sectors in Kerala continued to remain slow or negative for most part of the period between 2011-12 and 2018-19"

No State can hope to achieve overall growth with its primary sector sluggish. Perhaps, there is only one country in the developed world which has managed to grow its economy and improve per capita income without the primary sector's contribution at all - Singapore. But the model of development and its system of governance are entirely different and its not an apt comparison.

So if Kerala has to grow, it is essential that Agriculture and allied sectors grow at reasonable rates. The development model that Kerala has pursued has not given enough of importance to economic growth or creation of surplus value as an objective within the State. This sector is primarily stunted because of the lack of a supportive ecosystem, with value-addition industries in the Agro/food processing sector and lack of investments in agri infrastructure. This negative growth is then related to our "approach" towards development.

The two political formations that are dominant in the State have an overwhelming "socialist/Left" touch, always. This is good as far as welfarism is concerned but is not so helpful when it comes to growth. The only leader who stuck a different path even while rooted in a "Left" stance was the late C. Achutha Menon. Of late, the current CM has come across as someone who is prone to such a "pragmatist" praxis.

That the State survives on remittance from NRIs is well known. Not so widely known is the fact that the State also receives money transfers, both through the formal channels and informally in cash, the proceeds of "surplus value" created in other States in India by the Keralites working there.

Why is it that the average Keralite has to go out of the State for jobs which they could have very well found here? Why is Kerala not a preferred destination yet for investments, though we have had some recent breakthroughs like the Nissan outfit in Thiruvananthapuram and a few IT showpieces?

Why is it that there is hardly a Rs 1000 Cr turnover manufacturing company in the State which also generates profits/is self-sustaining?

These are the questions which should bother us and we shall find plenty of political reasons why this has not happened. The political formations which have enabled major successes in the achievement of high level of social indicators and a more just and equitable society (compared to other States in India) are also responsible in parallel for this state of affairs.

None of the major corporates which are contributing to national output and jobs too - take the top 20 or 25 - have any presence in Kerala. It is high time we decided once and for all, whether we want them to come and invest or we would rather do without them. All I plead for is clarity on this matter. Responses like "yes, they can come but we shall not tolerate exploitation of labour or natural resources like in other States" are not good enough for two reasons.

First, if there is anything we do not want these "capitalists" to do, let us legislate and leave it at that. Let us not politicise this. (The recent hue and cry over the Adanis acquiring rights to run the Thiruvananthapuram airport is a case in point. If there is any violation of law/legal process, let's oppose it but if we are opposing it for political/"ideological" reasons, then we bring this factor into our growth discourse and to that extent growth will remain muted. I argue that this clarity of stance is very much required. Are we willing to sacrifice growth for ideology? If yes, let us say so openly. This will help neutral stakeholders understand the limitations in discussing the Kerala growth plans).

The second reason is that we are a State of the Union and we have to compete for investments. If all other States have a different view of private capital and the way it is treated, we should then realise we are giving up, on our own, what is in essence a level playing field. In other words, we would be consciously and wilfully "dislevelling" a common play field. You cannot hope to compete and win on these terms. Let me reiterate that I am okay with a stated position which indicates a preference for a separate paradigm of development which would sacrifice growth at the altar of ideology, provided that is also articulated clearly.

We have had too many back and forth movements on this issue. I remember the time when Industry Minister, the late KR Gouri went to Mumbai to meet industrialists in the 1990s to invite them to Kerala. Under the UDF, in 2002/03, Kerala held its first Global Investors Meet (GIM) which has then been followed up with similar attempts. Yet, in ease of doing business we merged 28th out of a total of 29 States in the EODB index!

As a banker I believe the following are the step to be taken for "growth" to be the centre of our planning and development.

- Immediately target an improvement in the EODB index (within a year itself) and capitalise on the improvements which would accompany the achievement of this target.
- Create a marketing team (from the existing bureaucracy itself) for scouting and attracting investments based on identified sectors. In these sectors, go the whole hog. No half-way steps.
- Please remember that debt (bank loans) will lag "equity". The Planning Board should function like the "Niti Aayog" at the Centre is being a driver of pro-growth policies so that equity comes in. Debt will follow. This is the model of all the neighbouring States where the CD ratio is about 100%.
- Along with K-Swift, let us examine whether some of the Central Acts can be "tamed" or "mellowed" in implementation at least for Micro units in the MSME sector. (At present, for instance, even a way side tea seller needs to "register" under the Food Safety and Standards Act of 2006. Non-registration is actually a violation of the law. This may affect credit flow too)
- Let us think of creating a State Development Council where proportional representation (based on perhaps the local bodies election vote share for all political parties including even the 20/20 is given) to build a consensus on development, investment and growth. Quarterly meeting of this SDC could be forums where continually we build and sustain a "Development Consensus" for the State irrespective of who is in power.