

## **Kerala budget 2021-22 : A few comments**

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The Budget was presented in the backdrop of severe economic slowdown caused by the pandemic COVID -19. Latest Consumer Confidence Survey of RBI has reported that economic situation of India is grave. According to the report, urban unemployment in India during the 2020 lockdown was 23.14% which has come down to 14.73% in 2021. But economic situation is worse in 2021 than in 2020 as wholesale price Index and consumer price index have worsened. Pew Research Centre, recently came out with the findings that poverty population has increased in India. The pew, defines poverty person as one whose daily income is equal to or less than 2 dollars a day. Poverty population in 2020 was 60 million which has increased to 134 million in 2021 in India.

Chief Minister of Kerala stated that unemployment in Kerala is around 11%. The new budget which is an extension of the election budget January 15, has given top priority to fight the pandemic. Covid -19 incentive package of Rs. 20,000 crore is praise worthy. We have to fight the pandemic and the recession. Great economists like J M Keynes had given the dictum that a recession should be fought with public expenditure.

Government has declared a 100 day work plan with the expenditure of Rs. 2464 crore. This project promises, 20 lakh work days in 100 days, 25000 hectares under organic farming, 10,000 houses under Life Mission, nine roads under rebuild Kerala initiative These are the major labour oriented programmes declared. If these promises are kept, Covid -19 economic impact on Kerala Economy during 2021-22 will definitely be minimised. These budgetary measures declared with a short term vision are praise worthy.

But, the long-term development vision shared in the budget, I am afraid, may take Kerala to a debt trap. Of course, infrastructure projects are good. If an industrial corridor -eg; Kochi-Bangalore- is completed, that will reduce the logistic costs and increase private investments,

would crowd in. But when we undertake long-term capital projects, with borrowed funds, we have to complete them in a strict time bound manner which is a mirage in Kerala.

There is yet another more serious danger. Kerala Government usually transfer money set apart for capital expenditure to revenue Expenditure. Every. Budget in Brief Document of Kerala government substantiates this statement. Money borrowed at the international level for Rebuild Kerala Initiative like The World Bank (1st and 2nd tranche) ,The German government, (1st and 2nd tranche) with certain beneficial conditions like (1) protection of river banks (2), reconstruction of flood damaged roads (3) restoration of flood displaced lives, (4) Preservation of ecology etc. are still on paper only.

### **Personal experience**

In 2019, immediately before the budget 2019-20, one memorandum prepared by people living on the bank of river Kabani in Wynad District, signed by 480 persons, mostly tribes, was handed over to the then Finance Minister Dr. Thomas Isaac, by me, leading the team. River bank of Kabani from Koodal to Kuruva Dweep (a tourist hot spot) was damaged, road was fully washed away, houses were destroyed. In the budget, there was lofty promises .But so far nothing has been done. Kavalappara, Pettimudi, Puthumala are all land slip damaged places which are still in doldrums.

Debt Profile Budget in brief 2021-22 Table A9, as per table A-9 total debt as percentage of GSDP was 29.86% in 2020- 21(BE), which has risen to 36.11% in the revised budget estimate. Because of the pandemic, Finance Minister of India had permitted states to borrow additional 2% as the second Covid -19 incentive. Even if that is taken into account, the revised GSDP/ debt ratio has to remain within 31% of GSDP. More worrying is the 37.39% as the GSDP/ debt ratio in the budget estimate 2021-22. In addition to this, Off-budget borrowing through KIIFB is there. Interest charges on these borrowings vary from 9.72% (CDPQ) downwards.

CAG report 2020 for Kerala highlights the debt maturity profile of Kerala budget the debt maturity profile of Kerala. The report shows that 51.22 % of Kerala States' debt would be maturing in 2026 March. This amount comes to about Rs 81056.92 crore. Sufficient precautions are needed to keep debt sustainable or to avert a debt trap.

### **Possible way out**

If the govt. wanted to keep debt sustainable, reduce incremental debt and depend more on state's own sources of revenue on the one hand and reduce extravaganza on the other hand. Ten year Pay Revision without doing any damage to the civil servants is one important step. Tax / GSDP ratio is around 8% for the state while it is above 30 percent for the developed economies It may be raised above. 20 per cent for the state Non tax revenue was around 33 percent of State's own revenue in the 1956-57 -1966-67 Period. It has declined to less than 10%. There are 36 sources of non- tax revenue. Quick steps are necessary to be taken to tap revenue from these sources. Third Kerala Public Expenditure Review Committee (KPERC) had made a detailed study of non-tax revenue. Following that non-tax revenue share in State's own revenue increased from 6% to 13%. Latter, Instead of further rise, it slipped down below 10%.( I am ready for a discussion to improve this).

### **Environmental fiscal policy:**

Environmental fiscal policy would help the growth of revenue. An Eco tax. based on the cost benefit analysis of environment is the order of the day in every country. Forest revenue was 21% of the non- tax revenue in 2001. It has declined to less than 7% in the recent years. Forest mafia, Quarry mafia etc. should be subjected to Eco tax.

Lottery revenue is swallowed By lottery administration. Steps are required to bridle it.

### **Knowledge hub**

Knowledge hub is a multifaceted vision strategy.

Technology hub may prepare ground for electric mobility of the country and the world. Lithium-ion batteries and electrodes would be required on a large scale in the shift to electric vehicles. Right now, demand for lithium-ion and cobalt requirement of battery manufacturers is met by imports from China Vietnam and Hong Kong. Lithium has medical and environmental uses as well. Technological universities and related research centres of Kerala can promote the production of lithium and cobalt. Individual and group fellowships can meet the requirement of industry and perhaps create new patents.

### **Start-up innovation hub**

Our organic products like, jack fruit, coconut and spices based products are internationally accredited food products and can attract the world market as food delicacies and as organic

medicinal food for life-style diseases. COVID-19 virus inspired spurt in demand for ginger based products of India from the north America and Europe is a case in point. Innovate new products from these to capture the new generation need. ISO Certification in the quality packing etc of the product needs assembly line production and packing. Internship programme of engineering students with industry should be made compulsory and part of the expenses should be financed by the government. Kudumbasree micro-enterprises may be taken into confidence. Traditional food delicacies produced and marketed by them have already captured the market.

Ayurveda medical tourism is another area with immense potential for development. Ayurveda research should be linked with western ghat exploration to identify new herbal medicines .Such internships may be linked with responsible tourism. In the initial stages government may have to meet part of the expenses. Later it will work wonders.

#### **AI and machine learning:**

Perhaps Kerala has most congenial atmosphere for the development of artificial intelligence, machine learning, robotics etc. If academic support and financial assistance are given, Kerala might leap forward ahead of china in these sectors. Data, being the brain of AI and Machine learning, there exists an immediate need to establish a data hub.

#### **Keltron and light electronics:**

Either grow as a technology centre or perish must be the attitude to Keltron. Budget provision to a Public Sector Enterprise for mere survival is penalising the tax payer, When digital platform is becoming universal light electronic equipment like sensors, camera etc would be high in demand. Keltron can give a lead in the production of such light electronic items. Engineering internship should be linked to Keltron. An incubation cluster hub along with Keltron should be financially supported by the government.

#### **Rebuild Kuttanad**

Geological similarities of Netherlands and Kuttanad may be examined.A committee led by people like Padmasree Sanker, R.V.G.Menon etc should be appointed to do the job. Priority given to High Speed Rail should be shifted to re-building Kuttanad.This is important for three reasons; rehabilitating the population for a decent life, correcting the damage already done to the ecology, and finally to safeguard one of the granaries of Kerala.

High-speed rail is both uneconomic and unsustainable. When countries move to Hyper-loop mode of transport can Kerala cope with that? High speed rail is a debt weight on public revenue, unbound damage to environment, takes over many hectores of paddy fields of food deficient state of Kerala and debt vulnerability of the state will be worsened.

### **A Tribal Study Centre**

A tribal study centre to be set up in Waynad which is the highest tribal density district in Kerala. A Sports University in Trivandrum.

Last but not least: Do not kill Re-build Kerala initiative.