

## **Economic Impact of Covid 19- on Kerala Economy**

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### **Abstract**

COVID-19 has created unprecedented socio-economic crisis, and made devastating impact on the life and livelihoods of the several millions of people across the world. The pandemic has caused a catastrophic impact on the already shrinking sectors of the Indian economy. In Kerala the pandemic induced shutdown of the economy created an economic devastation accompanied by widespread unemployment. Since the Kerala economy largely depends on the foreign remittance, the wide spread of global recession due to pandemic have made jobless to the several thousands of the Keralites, the major sectors of the Kerala economy i.e. Tourism, Hospitality, Real estate etc harshly scratched due to the pandemic. This paper examines the magnitude of the economic impact of the pandemic on Kerala economy in the initial months, the study has used various secondary sources for compiling the quantitative figures related to the economic loss.

### **Key words**

Covid 19 Pandemic, Kerala Economy, Economic Impact, Foreign remittance, Economic recession

### **Introduction**

The outbreak and spread of the Global pandemic COVID-19 has become not only the health crisis but also a devastated economic challenge to the world since December 2019. It is currently the greatest threat to life has faced since the World War II. COVID-19 has created unprecedented socio-economic crisis, and made devastating impact on the life and livelihoods of the several millions of people across the world. Most of the countries which affected covid 19 with wide variations, have implemented shutting down of the economy and effective social distancing practices to contain the pandemic. These unprecedented lockdowns have created numerous crises in several fronts: Economy, Production and Output, Tourism, Employment, Prices, Emigration and Remittances, Finance, Health, overall Fiscal capacity of Governments, etc.

In India we have been experiencing pre pandemic slow down in the economy, the pandemic caused a catastrophic impact on the already shrinking sectors of the economy.

In Kerala the pandemic induced shutdown of the economic sectors created an economic devastation accompanied by widespread unemployment. Since the Kerala economy largely depends on the foreign remittance, the wide spread of global recession due to pandemic have made jobless to the several thousands of the Keralites, the major sectors of the Kerala economy ie Tourism, Hospitality ,Real estate etc severely damaged, There is also be huge scale cascading effects for the aviation, hospitality and tourism industries.

This paper examines the magnitude of the economic impact of the pandemic on Kerala economy in the initial months of pandemic spread(March 2020 to December 2020), the study has used various secondary sources for compiling the quantitative figures related to the economic loss in the Kerala economy.

## **Review of Literature**

**Joint Statement Report ILO, FAO, IFAD and WHO(2019)** *“Impact of COVID-19 on people's livelihoods, their health and our food systems”* has examined economic and social disruption caused by the pandemic. It argues extreme poverty and unemployment plunged in the developing world. Nearly half of the world's 3.3 billion global workforce are at risk of losing their livelihoods. The report has evaluated the innumerable unemployment in the Informal economy where labourers are particularly vulnerable because the majorities lack social protection and access to quality health care

**Ila Patnaik and Rajeswari Sengupta (2020)** *“Impact of Covid-19 on the Indian Economy: An Analysis of Fiscal Scenarios”*

This working paper has attempted to analyze the impact of the pandemic on Indian economy from various fronts. It is assumed 5% contraction in real GDP and a 14.4% contraction in net tax revenue, and fiscal deficit of the central government will be 6.2% of GDP.the study has argued that High fiscal deficit results in an unsustainable rise in debt and weakens the macroeconomic fundamentals thereby triggering the possibility of a fiscal crisis leading into a currency crisis.

Further the study has observed that -5% real GDP growth and 5% inflation assumption, gives a nominal GDP growth rate of 0. In other words, we assume that for 2020-21, nominal GDP will remain the same as in 2019-20. It is further assumed corporate profit will fall by 20%. Even if sales and profits improve towards the later part of the year, overall we expect a 15% decline in corporate profits for the year 2020.

**Department of Economics and Statistics (2020)** “A quick study Report “Impact of COVID 19 in Unincorporated sector Enterprises in Kerala” has examined the pandemic induced lockdown resulted in an economic catastrophe accompanied by widespread unemployment. This Study was commenced at the end of July 2020 and completed within period of one week. This paper has observed economic upheaval resulted in unemployment at its extreme in Kerala. Most of the industries and firms worstly affected by lockdown enforced due to COVID 19 pandemic. This in turn brought down the revenue of firms in all sectors. It is found that the percentage of employment loss in service sector reduced to 37% , manufacturing sector reduced to 30% and in trade sector comes down to 14%.

### **Statement of the Problem**

COVID-19 has created unprecedented socio-economic crisis, and made devastating impact on the life and livelihoods of the several millions of people across the world. These unprecedented lockdowns have created numerous crisis in several fronts: economy, production and output, tourism, employment, prices, emigration and remittances, finance, health, overall fiscal health of governments, etc. the pandemic caused a catastrophic impact on the already shrinking sectors of the Indian economy. In Kerala the pandemic induced shutdown of the economic sectors created an economic devastation accompanied by widespread unemployment. Since the Kerala economy largely depends on the foreign remittance, the wide spread of global recession due to pandemic have made jobless to the several thousands of the Keralites, In this context an attempt is made to examine the impact of COVID-19 on Kerala’s economy.

### **Methodology**

An attempt has made to examine the impact of the covid 19 pandemic and subsequent contraction of the economic activities on state GDP, employment, unemployment and migration in the state of Kerala. We have used secondary data of state, central governments and international organizations as well as published media reports both print and electronic.

### **Objectives of the Study**

1. To examine the economic impact of the covid 19 on Kerala Economy
2. To evaluate the intensity of impact on the different sectors of economy
3. To examine the revival measures of the state government introduced as remedy

### **Economic Impact to the Different Sectors**

#### **GSDP Loss (Gross State Domestic Product)**

It was assessed huge loss to the state domestic product due to the pandemic in the initial stage itself, we have compiled the figures of loss during the first locked down in the Kerala (69 days).The depth and magnitude of the loss in the recent months are not available, but one can assume the huge loss of the state economy due to the complete disruption of the economy. The below table shows the loss to the different sectors due to the locked down in the economy.

**Table-1**

**Total Loss of GSDP for 69 day lockdown in Kerala (□ in crore)**

No	Item	Amount of loss for 27 day (strict restrictions)	Amount of loss for 14 day (small relaxation)	Amount of loss for 28 day (large relaxation)	Total loss for 69 days
1	Agriculture, forestry and fishing	4035.69	150 19.28	2637.32	8192.29

2	Mining and quarrying	226.26	111.44	187.6	525.30
<b>Primary</b>		<b>4261.95</b>	<b>1630.72</b>	<b>2824.92</b>	<b>8717.59</b>
3	Manufacturing	4460.13	2023.56	3758.16	10241.85
4	Electricity, gas, water supply & other utility services	262.44	136.08	204.12	602.64
5	Construction	6804.54	3351.88	5632.48	15788.90
<b>Secondary</b>		<b>11527.11</b>	<b>5511.52</b>	<b>9594.76</b>	<b>26633.39</b>
6	Trade, repair, hotels and restaurants	7557.30	3145.24	4228.00	14930.54
7	Transport, storage, communication	2774.25	1350.72	2315.6	6440.57
8	Financial services	1427.76	687.40	1268.96	3384.12
9	Real estate, ownership of dwelling & professional services	7594.29	3718.96	6825.28	18138.53
10	Public administration	809.46	314.86	629.72	1754.04
11	Other services	5748.03	2607.92	4470.76	12826.71
<b>Tertiary</b>		<b>25911.09</b>	<b>11825.10</b>	<b>19738.32</b>	<b>57474.51</b>
<b>12</b>	<b>TOTAL GSVA at basic prices</b>	<b>41700.15</b>	<b>18967.34</b>	<b>32158.0</b>	<b>92825.49</b>
13	Taxes on Products	5226.39	2391.62	4065.05	11683.05
14	Subsidies on products	412.83	188.86	321.16	922.85
<b>15</b>	<b>Gross State Domestic Product</b>	<b>47339.37</b>	<b>21547.82</b>	<b>36544.20</b>	<b>105431.39</b>

Source: Department of Economics and Statistics, Based on GSDP 2018-19, Quick Estimate for Kerala

### Agriculture and allied Sectors

The agriculture sector has severely damaged due to the direct seizing the activities in farming and allied areas. The major impacts are the disruptions in agriculture supply chain, market access has interrupted due to the locked down, non availability of critical inputs especially labour has caused the contraction of the agricultural production and income.

During its first phase from 25 March 2020, lockdown has affected harvesting operations. Small and marginal farmers were hardly hit with reduction in price of their produce varying from one-third of the normal price to complete loss. Vegetable farmers faced hardship in finding markets for their produce. COVID-19 spread and lockdown have also hit the processing.

### Tourism Sector

Tourism is one of the major sector of the Kerala economy which contribute a major share in the state GDP (GSDP) it has virtually collapsed with the outbreak of the COVID-19 pandemic. In Kerala, over 15 lakh people are engaged directly and 20 lakh indirectly in the tourism sector which generates a total income of around Rs 45,000 crore in the 2019-20 fiscal year, which is almost 12 per cent of the GDP of the state. As a result of the nationwide lockdown, with no travel possible, the tourism industry in Kerala is typically devastated. Since the lockdown was announced, almost all hotels, travel agencies and handicraft shops are having been shut down. Travel and tourism sector, which provides employment directly and indirectly for more than 10 lakh people in Kerala, inclined a loss of more than 90 per cent due to lockdown. The official statistics from kerala tourism department website shows there is 61% decline in tourist arrivals. Similarly decline in domestic arrivals was almost 75%.The total loss the sector had incurred between January and September 2020 was Rs.24,971 crore. While the loss in earnings decline in foreign tourist arrivals is estimated as Rs. 5274 crore and estimated earnings from the domestic arrivals are estimated around Rs. 19697 crore.

### **Loss of Employment**

The lockdown has resulted in unprecedented loss of employment in all the sectors of the state's economy, and loss of wages and income to lakhs of workers. The impact of the loss of employment was severe in the case of self-employed and casual workers in the state. Further, the lockdown has pushed more than two-thirds of self-employed and casual workers to acute unemployment, financial crisis, indebtedness and economic distress.

The state with greater dependence on the service sector, higher levels of informality and weak safeguards against the termination of employment has been facing higher initial job losses. Almost all categories and sectors huge loss of employment,those who are working in the informal sectors as casual labourers (90% of the total workforce)have apparently lost the jobs.one official estimate accounts the total loss of employment in manufacturing and construction was more than 50 percent. The only category of workers who were not affected are those workers in public sector viz. state and central governments, public sector undertakings.

### **Emigration and Decline of the Foreign Remittance**

One of the pillars of the Kerala model of development for the last four decades has been emigration and the remittances. The COVID- 19 pandemic has started the process of destroying the pillar. According to a migration survey of Centre for Development Studies, Kerala has 21.22 lakh emigrants of them 18.94lakh migrated to West Asian countries viz. UAE, Saudi Arabia, Oman, Kuwait, Bahrain and Qatar. The share of non-Gulf countries is only 11%. USA, UK, Australia, New Zealand, Canada, Singapore and Malaysia are the non-Gulf countries having sizable number of Keralite emigrants.

It is estimated that the total remittances received in Kerala from the emigrants increased from Rs 13652 crore in 1998 to Rs 85092 crore in 2018. during pandemic the expected the remittances in 2020 in Kerala is assessed a decline of Rs 10,000 crores to Rs 15,000 crores. The total migrant remittance received in Kerala was more than the total expenditure of Kerala for several years.

**Table-2**  
**Remittances and Total Expenditure of Government of Kerala**

<b>Year</b>	<b>Remittances (Rs Crore)</b>	<b>Total Expenditure (TE)* of Govt.</b>	<b>Remittances as % of TE</b>
1998	13,652	9,880	138.2
2003	18,465	17,427	106.0
2008	43,288	30,904	140.1
2011	49,695	50,896	97.6
2013	71,142	66,244	107.4
2018	85,092	1,20,070	70.9

Source: S. Irudaya Rajan, K C Zachariah (2019). Kerala Migration Survey

The fall in remittances will adversely affect private investment, consumption expenditure, construction works, expenditure on education, deterioration of health, repayment of loans to banks in those districts which have high intensity of emigration. It is likely that thousands of households which solely depend on remittances for their survival will face severe economic misery.

### **Conclusion**

As to conclude covid 19 pandemic induced shutdown of the economy created an economic devastation accompanied by widespread unemployment in Kerala, the official statistics shows the

massive decline of the GSDP of the different sectors and huge unemployment in the informal sector where 90% of the people are depending their lively hood. It is also found that the unprecedented fall in foreign remittance may create havoc on the Kerala economy, since the Kerala is largely depends on the foreign remittance, the wide spread of global recession due to pandemic have made jobless to the several thousands of the non resident Keralites, apart from the major sectors of the Kerala economy ie tourism, hospitality, real estate etc severely damaged, There is also severe impact on the aviation, hospitality and tourism industries.

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