



IMPACT OF LOCK DOWN IN THE STATE ECONOMY KERALA

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ABSTRACT

Kerala's financial position has been stained over the years. At the time beginning of 2020 Kerala economy overcome many crucial problems such as Demonetization policy, Policies of nationalization, deferred liabilities of the previous government, financial management problem, and nipah virus, occasionally flood etc. unfortunately the COVID-19 and Lockdown are come from beginning of the new financial year. Impacts of lockdown faces each and every economy of the world. this paper analyse the impact of lockdown in the state economy of Kerala based on Secondary data.

KEY POINTS: *Economic impacts, pandemic, Growth rate,*

INTRODUCTION

Kerala has had unique economic and social history within India which has influenced its economic growth path over the last 50 years. Historically, physically and culturally Kerala is one of the most distinctive states of India. It is endowed with rich human, social and environment capital, which present enormous opportunities for its policy makers. It has had a unique pattern of development which is as much an outcome of its geography as of history. Today, Kerala is one of the most eligible aspirants for achieving a developed economy status among Indian state. Unfortunately, the unprecedented COVID-19 in Kerala caused extensive effects to economic and social situations. The total population of Kerala had been directly affected by the Covid-19 and related lockdown. Kerala economy contributes nearly 4 % OF GDP to the country's to the Indian economy. Thus, the southern state's per capita income is 60% higher than India's average. It is not a surprise that lockdown of the financial capital comes at a huge economic cost. Economists are predicting the GDP growth rate in the country will be about 1-2 per cent and in worst case scenario, it may enter negative territory. Lock down was firstly declared by the Kerala state in India to the first step for overcome from the pandemic. The economic impact of Covid-19 and lockdown crisis is unprecedented. Previous disasters were mainly natural disasters, when the economy suffered damage to its productive

capacity over a specific time. The production of goods and services during the Covid-19 pandemic came to an abrupt and almost total halt. Further, the halt to production during the Covid-19 pandemic is not locality-specific or scale-specific. Its effects are from top to bottom and across all locations.

GROWTH RATE

Kerala's financial position has been stained over the years. At the time beginning of 2020 Kerala economy overcome many crucial problems such as Demonetization policy, Policies of nationalization, deferred liabilities of the previous government, financial management problem, and nipah virus, occasionally flood etc. State has smoothly overcome these type of problems. Preparedness and response to COVID-19 have differed at the state level. Kerala has drawn on its experience with the Nipah virus in 2018 to use extensive testing, contact tracing, and community mobilisation to contain the virus and maintain a very low mortality rate.

The State has always been proud of its high growth in State GDP with regard to the national average. However, the latest statistics of Central Statistical Organisation (CSO), State GDP growth are not very encouraging in this regard. The growth in the State economy now lags behind the national average for the first time. The Gross State Domestic Product (GSDP) of Kerala grew from the last 5 year. The Gross State Domestic Product of Kerala for



2020-21 (at current prices) is projected to be Rs 9,78,064 crore. This is 12.2% higher than the revised estimate for 2019-20. COVID 19 and related consequences are the greatly affected at this time. COVID -19 and lockdown effect should be reduced the growth rate of Kerala around above 1.5 % at from the estimated growth rate. According to Kerala Planning Board stimulates a loss of about Rs 80,000 crore in gross value added (GVA) to the Kerala economy in Q1 (Apr-Jun) of 2020. For March, the shortfall in GVA could have been roughly Rs 29,000 crore. The direct and indirect losses in gross state value addition (GSVA), based on an input-output model, is estimated to be 10% in 2019-20 and 20% in 2020-21.

SERVICE SECTOR

Kerala economy has a service sector oriented economy. The service sector including tourism, public administration, banking and finance, transportation, and communication etc. services sector has the maximum contribution (63.1%) to GSDP. Manufacturing and agriculture contribute 25.6% and 11.3% to GSDP, respectively. The services sector accounts for about 63% of Kerala's gross state value added and of which tourism alone accounts for about 10%. The other two services that are complementary to tourism are hotels, restaurants and retail trade, besides transportation (essentially air and rail). The tourism industry will be among the worst hit in the state. The total losses in the tourism sector from March to September 2020 is estimated to be Rs 20,000 crore. The demand slowdown is expected to continue till September 2021. At the time of recover from the flood related issues on the basis of rebuild the infrastructure of tourism related areas and promote tourism on ecofriendly covid 19 create a troublesome in the sector. It should make a crucial impact on our service sector and growth rate of the economy.

According to planning board on each day during the period of the lockdown, the total loss of wages or earnings by the self-employed and casual workers in Kerala amounts to roughly Rs 350 crore.

The Fiscal Responsibility and Budget Management (FRBM) Act, 2003 provides annual targets to progressively reduce the outstanding liabilities, revenue deficit and fiscal deficit of the state government. Revenue deficit means that excess of revenue expenditure over revenue receipts. A revenue deficit implies that the government needs to borrow in order to finance its expenses which do not create capital assets. The budget estimates a revenue deficit of Rs 12,860 crore (1.7% of GSDP) in 2018-19. The 14th Finance Commission had recommended that states should eliminate revenue deficits. The estimates in the Kerala Budget 2019-20

suggest that the state will not be meeting this target of eliminating revenue deficit. Fiscal deficit means that excess of total expenditure over total receipts. This gap is filled by borrowings by the government, and leads to an increase in total liabilities.. Fiscal deficit may be increases aftermath of lockdown effect.

AGRICULTURAL SECTOR

COVID-19 and lock down can have a long-term negative impact on agriculture and rural livelihoods. all type of agriculture is negatively affected by due to lockdown. In Kerala state, lock down period is also the harvest time in majority farming. The demand of such products decline due to exporting stagnation. The lower price is directly affected by farmers very deeply. There has a 3000 crore estimated loss in agriculture sector in Kerala. This significantly affects the livelihoods of the population dependent on agriculture for their income. however, the recovery period is moderately in low agricultural sector compared to other sector. Prices and demand may increase after the outbreak.

RETAIL AND WHOLESALE

Demand for essential commodities will not be negatively impacted due to lock down. But the availability and price fluctuations are the major problems in this sector. The recovery period is very short related to essential commodities. With fewer vehicles plying on roads, consumption of petrol fell by 16.4 percent in March 2020 over a year ago, according to data from the Petroleum Planning and Analysis Cell. Diesel, consumed in factories and for plying commercial vehicles, saw a sharper hit as consumption fell by 24.2 percent year-on-year in March 2020. Analysts believe that fuel demand may remain weak even after the lockdown.

AUTOMOBILE

The automobile industry, along with the auto components industry, is one of the core industries in India. A well-developed transportation system plays a key role in the development of an economy, and Kerala has no exception to it. Automobile is one of the largest industries in the global market. Demand for car likely to differed or dropped in the lockdown situation. the recovery period is very long in Automobile sector compared to other sector.

ELECTRONICS

In this sector face a long term impact due to consumer expected to postponed their purchases. About 50-60 % of the products and 70 -80 % of the components are imported. So deficiency of products is an another problem faced in this sector



BANKING SECTOR

The impact of the Lockdown is also severe in Kerala because of the distinct character of its banking sector. Kerala is the 10th largest state in terms of overall bank credit. Kerala share in total bank credit was 3.2% in 2018. Banking sector struggle due to Moratorium and there is a chance of increases the NPA.

CONCLUSION

Impact of lockdown is faced by each and every economy of the world. State would be need about Rs.50000 crore for recovery. The Kerala government already announced an economic package to stimulate the economy. Free Ration distribution, food kit, loans for Kudambasree members, advance pension, community kitchen, special care to Migrant labour are the right move and initiatives of Kerala government.

Recovery of State and lives of people had the enormity of task. of flood affected people by government. Large number of people had contributed to Chief Minister's Distress Relief Fund (CMDRF). Salary cut is announced by government for stabilizing financial position of the government. Government has decided to re-prioritisation of already approved plan schemes of the 2019-20. Kerala government should overcome from all the problems at short period of time after the lockdown.

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