GOVERNMENT OF KERALA

ECONOMIC REVIEW 2014

State Planning Board, Thiruvananthapuram, Kerala, India
March 2015

Volume One





Shri. K. M. Chandrasekhar
Vice Chairman

GOVERNMENT OF KERALA

ECONOMIC REVIEW 2014

State Planning Board, Thiruvananthapuram, Kerala, India
March 2015

Volume One

o er *: Kerala Agricultural University Farm, Vellayani, Thiruvananthapuram*

Design, Layout and Photography *: Centre for Development of Imaging Technology (C-DIT)*



G. Vijayaraghavan
Member



C.P. John
Member



Dr.**Anuradha Balaram** IES
Member Secretary

FOREWORD

The Economic Review is a much awaited document as it provides valuable, balanced, comprehensive and timely information about Kerala's economic performance in the past year. This account is set against the context of global trends, national trends and the State's own performance in the recent past. It involves collection of data from innumerable implementing agencies at state, district and local body levels and putting the data together to give a meaningful interpretation of the state of the economy. A variety of stakeholders, including planners at the Central and State level, civil society, researchers, non-resident Keralites, media and informed citizens use this document, both to increase their awareness as well as to further their research. The book is published in the print media in English and Malayalam. An e-version is also uploaded on the State Planning Board website *www.spb.kerala.gov.in*. We are particularly proud of the e-book we have introduced this year, which apart from being highly interactive in terms of links, also has voice clippings on important developments in the state. The e-book can be downloaded in its entirety and used by readers whenever required.This is part of the Planning Board's endeavour to make the Review more relevant and user friendly.

The international environment was favourable for India as there was a substantial reduction in global prices of various commodities that form a major part of the country's import bill. The substantial reduction in oil prices, however is a not as good news for Keralites as it is for the rest of the country, since it is likely to have an adverse impact on employment opportunities for non resident Keralites in the Gulf region, which might impact remittances adversely and worsen the already high unemployment within the state. The fall in rubber prices has been another major concern for rubber planters in Kerala.

At the national level, 2014 brought about some significant changes including the dismantling of the Planning Commission with an assurance for an enhanced role for States in the co-operative federal regime; the emphasis on "minimum government-maximum governance"; the setting up of an Expenditure Commission to rationalize public expenditure; an all round effort to improve the investment scenario including Foreign Direct Investment, especially in manufacturing and infrastructure and a nation – wide drive for financial inclusion, cleanliness and quicker environmental clearances. Other reforms included deregulation of diesel prices, replacement of

cooking gas subsidy by direct transfers, coal sector reforms and a greater focus on self sufficient smart cities and urban infrastructure. Government of Kerala is actively engaging in a dialogue with the Union Government on state specific developmental concerns.

Some of the major achievements in the state include identifying a set of high priority projects to be taken up on a Mission Mode (Mission 676), special attention to the tribal sector by providing additional funding (ATSP) and setting up a High Level Task Force under the Honourable Minister for Scheduled Tribes, the successful completion of state of the art infrastructure for the 35th National Games, obtaining "in principle" Viability Gap Grant Assistance for Vizhinjam Port (the first port project in the country to get such assistance from the Centre), launching of State Initiative on Disabilities and many others. The Government took a series of initiatives to give an impetus to the agriculture sector by giving a thrust to organic farming, through a Global Agro Meet, increased focus on soil health and integrated pest management and development. The establishment of an Indian Institute of Information Technology (IIT) is a long standing dream of the people of Kerala. A detailed project report for setting up IIT in Kerala was prepared and submitted to the Union Government. The Kochi Metro is likely to be completed on time, thus promoting mass rapid transport in the state.

The Government, with the expertise of the Kerala State Planning Board, has introduced a series of initiatives, which are likely to have a long term impact on Kerala's development. One such initiative was the Kerala Perspective Plan 2030, which has been approved by the Government of Kerala. It sets out goals and strategies for the state to achieve significant economic growth, high human standards of living,greater social inclusiveness and better environmental protection. Another major initiative approved by the Government is the setting up of a Consortium of Retired Experts(CRED) to supplement the much needed skills that the State needs. By involving a variety of stakeholders, the Planning Board brought out a draft Scientific Mining Policy and a draft Infrastructure Bill, which are under consideration of the Government. An Empowered Task Force provided a series of recommendations to improve entrepreneurship opportunities in the state. As a consequence Government has set up a Mission on Employment Generation. Various systemic reforms were introduced to make Plan allocation, implementation and monitoring process more scientific and robust. These include the effective use of an on-line real time plan expenditure monitoring system *Planspace* and incentivization through awards to well performing Departments/Implementing Agencies and Local Bodies.

This year, as is the norm, the latest available data has been included on Government policy, plan priorities and on-going major programmes/schemes and projects to provide a clear picture of how Kerala's economy has performed during the XIth Plan (2007/08-2011/12) and the first few years of the XIIth Plan (2012/13 and 2013/14). Information upto September 2014 has been captured and in some cases, information upto December has been made available. Accomplishments as well as challenges faced by Implementing Agencies in achieving their objectives is brought out sector-wise in Volume I and corresponding data is provided in Volume II. In addition, a theme paper on Employment in Kerala, a major concern for the State, is included in this year's Economic Review.

CONTENTS

	Kerala - AQuick Look	*ix*
	Districts at a Glance	*xii*
	List of Tables	*xvii*
	List of Boxes	*xix*
	List of Figures	*xxiii*
Chapter 1	MACRO ECONOMIC PROFILE	1-34
	Demography	3
	Urbanisation in Kerala	6
	National Income	7
	Poverty	13
	Prices	15
	State Finances	17
	Banking	27
	Annual Plan 2014-15	32
Chapter 2	AGRICULTURE AND ALLIED SECTORS	35-86
	Performance of Agriculture	37
	Land use Pattern	41
	Crop wise Analysis	42
	Livestock Development	52
	Fisheries Development	57
	Water Resources	62
	Forestry and Wild Life	68
	Environment	72
	Co-operation & Agricultural Finance	73
	Rural Development Programmes	79
	Food Security	83

Chapter 3	INDUSTRY AND LABOUR	87-132
	Manufacturing	89
	Public Sector Undertakings	92
	Micro, Small and Medium Enterprises	97
	Industrial Cluster Development	102
	Food Processing	109
	Traditional Industries	111
	Labour and Labour Welfare	126
Chapter 4	SOCIAL SERVICE	133-210
	Education	135
	Higher Secondary Education	141
	Vocational Higher Secondary Education	142
	University and Higher Education	142
	Technical Education	146
	Art & Culture	149
	Medical and Public Health	150
	Health Sector Financing during Twelfth Plan	153
	Major Health Problems in Kerala	154
	Indian Systems of Medicine	162
	Homoeopathy	163
	Social Security and Welfare	163
	Drinking Water	175
	Gender Development	185
	Welfare of SCs/STs, OBCs and Minorities	194
Chapter 5	INFRASTRUCTURE	211-268
	Transport Infrastructure	213
	State Road Network	214
	Road Transport Services	219
	Motor Vehicle Population	219
	Road Accidents	221
	Railways	223
	Air Transport	225
	Water Transport Sector	226
	Energy	232
	Generation	236
	Transmission	238
	Distribution	239
	Urban Infrastructure	251

	Communication Infrastructure	252
	Information Technology	253
	Sports Infrastucture	258
	Housing	261
	Information & Publicity	265
Chapter 6	EXTERNAL SECTOR	269-286
	External Trade	271
	Non-Resident Keralites (NRKs)	275
	Tourism	279
Chapter 7	CAPACITY BUILDING	287-302
	Scientific Services & Research	289
	Kerala State Council for Science, Technology and Environment.	290
	Skill Development	296
	Project Structuring and Financing	298
Chapter 8	LOCAL GOVERNMENTS AND DECENTRALISED PLANNING	303-314
	XIIth Plan Approach	303
	SCP and TSP under Decentralisation	304
	Perfomance of Local Governments	306
	Category-wise Performance	307
	Sector-wise Performance	308
	Performance under Special Sector Plans	312
	Best Practices	313
Chapter 9	EMPLOYMENT	315-340
	Conceptual Framework	317
	Employment Situation in Kerala	320
	Employment in Organised Sector	327
	Employment in Unorganised/ Informal Sector	328
	Employment Exchanges and their Services	330
	Existing schemes for Employment Generation	333
	Issues related to the Employment Situation in the State	334
	Recent Initiatives	336
	Glossary	341-342
	Abbreviations	343-346

KERALA – A QUICK LOOK

Sl. No.	Item	Units	1960-61	1970-71	1980-81	1990-91	2000-01	2010-11	2013-14
1	Geographical Area	'000 Sq.Km.	38856.7	38864	38863	38863	38863	38863	38863
Administrative Setup									
2	Revenue Divisions	No.						21	21
3	Districts	-do	9	10	12	14	14	14	14
4	Taluks	-do	55	56	58	61	63	63	75
5	Villages	-do		1326	1331	1364	1452	1532	1535
6	Towns	-do	92	88	106	197	159	520	520
Population as per Census			1951	1961	1971	1981	1991	2001	2011
7	Total	(in 000s)	13549.1	16903.72	21347.38	25453.68	29098.51	31843.8	33406.06
8	Males	-do		8361.93	10587.85	12608.74	14288.99	15468.61	16027.41
9	Females	-do		8541.89	10759.52	12885.08	14809.52	16372.76	17378.65
10	Rural	-do		14351	17880	20682.4	21618	23574.45	17471
11	Urban	-do		2552	3467	4771.3	7018	8266.93	15935
12	Scheduled Castes	-do		1422	2002	2549	2886.52	3123.94	3040
13	Scheduled Tribes	-do		208	193	261	320.97	364.19	485
14	Density of Population	Per Sq.Km.		435	549	655	749	819	860
15	Literacy Rate	Percentage		55.08	60.42	70.42	89.81	90.9	94
16	Sex Ratio	Females per 1000 males		1022	1016	1032	1036	1058	1084
17	Urban Population	Percentage		15.1	16.24	18.74	24.11	26	47.7
State Income -at constant prices			1960-61	1970-71	1980-81	1990-91	2000-01	2009-10	2013-14 (Q)
18	State Income	Rs.Crore	462	1255	3823	12195	63715	180812	226208
19	Primary Sector	-do	241	652.6	1682.12	4756.05	7304.02	15966	20737
20	Secondary Sector	-do	68	163.15	841.06	3170.7	14017.3	38249	45105

21	Tertiary Sector	-do	153	439.25	1299.82	4268.25	35680.4	126597	160367
22	Percapita Income	Rupees	276	594	1508	4207	19951	47360	58961
Agriculture			1960-61	1970-71	1980-81	1990-91	2000-01	2009-10	2013-14
23	Net Area Sown	'000 Ha.	1923.7	2171	2179.6	2246.8	2206.1	2078.7	2050.99
24	Gross Cropped Area	-do	2349	2933	2884.8	3020	3021.67	2668.7	2616.67
25	Gross Irrigated Area	-do-			380.9	384.5	460.3	457.78	468.32
26	Gross Irrigated Area to Gross Cropped Area	Percentage			13.2	12.7	15.2	17.66	17.94
Area under Principal Crops			1960-61	1970-71	1980-81	1990-91	2000-01	2012-13	2013-14
27	Paddy	'000 Ha.	778.9	874.9	801.7	559.45	347.45	197.28	199.61
28	All Pulses	-do	44.1	39.54	33.86	23.38	6.99	2.948	2.989
29	Total Foodgrains	-do	1565.1		1778	1496.2	331.69	358	156.24
30	Sugarcane	-do-	9.15	7.65	8.04	7.62	3.37	1.74	2.210
31	Rubber	-do	132.84	188	237.8	384	474.36	545	548.23
32	Tea	-do	39.79	37.27	36.13	34.71	36.85	30.21	30.21
33	Coconut	-do	500.76	719.14	651.37	870	925.78	798.16	808.65
34	Areca nut	-do	54.26	85.82	61.24	64.82	87.36	101.78	118.23
35	Groundnut	-do	16.03	14.69	9.4	12.82	3.68	0.699	0.45
36	Pepper	-do	99.75	11.75	108.07	168.51	202.13	84.71	84.06
37	Cardamomum	-do	28.6	47.49	56.38	66.89	41.29	41.6	39.73
38	Ginger	-do-	12	12.17	12.66	14.14	11.61	4.51	4.51
Production of Principal Crops			1960-61	1970-71	1980-81	1990-91	2000-01	2012-13	2013-14
39	Rice	'000 tonnes	1067.53	1298.01	1271.96	1086.58	751.33	508.99	564.33
40	All Pulses	-do	17.56	13.05	22.45	16.54	5.47	3.25	3.02
41	Canegur	-do	38.09	37.63	48.18	51.98	27.55	16.52	22.152
42	Rubber	-do	24.103	88	140.333	307.521	579.866	800.05	648.22
43	Tea	-do	39.476	43.012	47.631	63.416	69.132	62.963	62.937
44	Coconut	In million nuts	3220	3981	3008	4232	5536	5799	5921
45	Areca nut	'000 tonnes	7.74	12.74	10.8	13.07	87.95	118.23	100.02
46	Groundnut	-do	13.8	16.09	8.2	9.53	9.76	8.59	6.21
47	Pepper	-do	27.03	25.03	28.52	46.8	60.93	46.29	29.41
48	Cardamomum	-do	1.28	1.25	3.1	3.4	7.6	10.2	14
49	Ginger	-do-	11.27	19.68	32.04	45.68	42.7	22.06	21.52
Live Stock Census			1977	1982	1987	1996	2003	2007	2012
50	Total Livestock	in lakh	53.17	56.45	55.01	55.77	34.81	35.87	27.35
51	Total Poultry	-do		151.86	184.59	308.24	138.64	127.14	242.82
Forest			1960-61	1970-71	1980-81	1990-91	2000-01	2011-12	2013-14
52	Forest Area	'000 Ha.	1056.05	1055.73	1081.51	1081.51	1081.51	1081.51	1093

Factories			1971	1981	1991	2001	2011	2012	2014
53	Working Factories	No.	3024	9106	13255	18554	19676	20473	21764
54	Employees	-do	206839	300515	368738	436410	644606	644802	646923
55	Employees per lakh population	-do	969	1181	1267	1370	1930	1930	1930
Electricity			1970-71	1980-81	1990-91	2000-01	2009-10	2011-12	2013-14
56	Total Generation	Mu	2125.99	5242	5490.8	7655.57	6494.5	8350.74	8218.1
57	Total Consumption	-do		2869	5281.86	10319	12877.65	16181.63	18365.43
58	Industrial Consumption	-do		2025.3	2696.78	3784	4002.37	4926.43	8131.32
59	Agricultural Consumption	-do		124.6	287.57	350	225.22	286.18	317.81
60	Domestic Consumption	-do		409.2	1620.93	4688	5931.27	7705.86	8739.52
Education			1970-71	1980-81	1990-91	2000-01	2009-10	2012-13	2013-14
61	Primary Schools	No.	9437	9605	9682	9714	9828	9737	9662
62	Enrolment	'000s	4156	4284	4402	3637	3015	2545	2442
63	High Schools	No.	1199	1971	2451	2596	2814	2890	2964
64	Enrolment	'000s		1310	1498	1611	1443	1426	1406
Health			1970-71	1980-81	1990-91	2000-01	2009-10	2011-12	2013-14
65	Hospitals	No.	553	746	1199	1319	1254	1255	1281
66	No. of Beds	-do	21777	32447	38726	38242	37021	37388	38241
Vital statistics			1970-71	1980-81	1990-91	2001	2009	2010	2011
67	Birth Rate/1000 population		32.26	25.5	20.3	16	14.6	14.7	14.8
68	Death Rate		9.23	6.4	6.1	6.6	6.6	6.8	7
69	Infant Mortality Rate		61	37	21	11	12	14	13
Transport			1970-71	1980-81	1990-91	2000-01	2010-11	2011-12	2013-14
70	Railway Route Length	Kms.	892	921.35	988	1148	1257	1257	1257
71	Total Road Length	-do	18037	94145	128403	125835	151652	244373	331372
72	Motor Vehicles	'000s	86234	195000	648000	2111885	6072019	8048673	8547966
Local bodies			1990-91	2000-01	2006-07	2007-08	2008-09	2010-11	2013-14
73	District Panchayat	No.		14	14	14	14	14	14
74	Gram Panchayats	-do	983	990	999	999	999	978	978
75	Block Panchyats	-do		152	152	152	152	152	152
76	Municipalities	-do	58	53	53	53	53	60	60
77	Corporations	-do	3	5	5	5	5	5	5

DISTRICTS AT A GLANCE

Sl.No.	Items	TVM	KLM	PTA	ALP	KTM	IDK	EKM
1	Area	2192	2491	2637	1414	2208	4358	3068
2	Forest Cover (sq Km) *	1316	1395	1754	113	890	3852	698
3	Population (in lakhs) 2011	33.01	26.35	11.97	21.28	19.75	11.09	32.82
	Rural	15.3	14.48	10.66	9.8	14.09	10.56	10.47
	Male	7.25	6.81	5	4.65	6.93	5.27	5.18
	Female	8.05	7.67	5.66	5.15	7.16	5.29	5.29
	% Decadal Growth (2001-2011)	-28.6	-31.7	-4	-34.2	-14.8	-1.4	-35.7
	Urban	17.72	11.87	1.32	11.48	5.66	0.51	22.34
	Male	8.57	5.66	0.62	5.48	2.76	0.25	11.01
	Female	9.15	6.21	0.7	6	2.9	0.26	11.33
	% Decadal Growth (2001-2011)	62.3	154.8	6.3	84.8	88.6	-9.6	51.3
	Density	1508	1061	452	1504	895	255	1072
	Fishermen Population (in No.)	164883	123100	2073	167794	24420	691	133387
	SC population as % of Total Population	11.3	12.5	13.7	9.5	7.8	13.1	8.2
	ST population as % of Total Population	0.8	0.4	0.7	0.3	1.1	5	0.5
4	Literacy rate (2011)							
	Male	94.16	95.83	97.7	97.9	97.17	94.84	97.14
	Female	90.89	91.95	96.26	94.8	95.67	89.59	94.27

Sl.No.	Items	TVM	KLM	PTA	ALP	KTM	IDK	EKM
5	% of dropouts 2012-13							
	Lower Primary	1.56	0.51	0.98	0.28	0.58	1.35	0.55
	Upper Primary	0.47	0.21	0.18	0.15	0.24	0.44	0.17
	Higher Secondary	0.49	0.47	0.14	0.35	0.62	1.01	0.72
6	GSDP 2013-14 (Quick)							
	GSDP at constant prices(in lakhs)	2557684	1693013	934826	1499499	1561907	776133	3264509
	Share in(%)							
	Agriculture & allied and quariying	6	12	11	6	12	25	6
	Manufacturing	21	16	12	19	16	14	32
	Services	73	72	77	75	72	61	62
7	Production of Rice in Kerala (13-14)	5326	3234	7554	106866	50729	1796	9056
8	Net area under irrigation	7658	3911	4987	38063	12395	37441	24752
9	Number of Commercial Banks	632	351	361	340	458	158	872
	CD ratio	68.29	62.14	30.13	55.58	60.23	127.19	88.71
10	Registered SSI / MSME	31365	16249	9764	17456	23747	5124	30851
11	Length of roads**	2600.79	2179.36	2039.764	1473.96	3449.3	2851.76	3140.756
12	No. of Motor Vehicles	1066318	600398	340619	561495	550237	194107	1467028
13	Tourist arrivals 2013							
	Foreign (in No:s)	268444	11403	1255	55364	40932	68880	352314
	Domestic (in No.s)	1556435	235593	103276	225061	382197	586546	2545573

Sl.No.	Items	TSR	PLK	MLP	KKD	WYD	KNR	KSD	TOTAL
1	Area	3032	4480	3550	2344	2131	2966	1992	38863
2	Forest Cover (sq Km) *	1068	1628	1255	690	1776	866	621	17922
3	Population (in lakhs) 2011	31.21	28.1	41.13	30.86	8.17	25.23	13.07	334.04
	Rural	10.24	21.31	22.95	10.14	7.86	8.82	7.99	174.67
	Male	4.88	10.31	10.95	4.85	3.86	4.26	3.88	84.08
	Female	5.36	11.01	12	5.29	4	4.56	4.11	90.6
	% Decadal Growth (2001-2011)	-52	-5.7	-29.8	-43	-4.6	-26.3	-17.7	-25.9
	Urban	20.96	6.77	18.17	20.72	0.31	16.41	5.09	159.33
	Male	9.92	3.28	8.65	9.86	0.15	7.56	2.41	76.18
	Female	11.04	3.49	9.52	10.86	0.16	8.85	2.68	83.15
	% Decadal Growth (2001-2011)	149.7	89.8	410.2	88.2	6.6	35.3	117.8	92.8
	Density	1031	627	1157	1316	384	852	657	860
	Fishermen Population (in No.)	90306	2534	82044	106613	230	60208	43342	1001625
	SC population as % of Total Population	10.4	14.4	7.5	6.5	4	3.3	4.1	9.1
	ST population as % of Total Population	0.3	1.7	0.6	0.5	18.5	1.6	3.7	1.5
4	Literacy rate (2011)								
	Male	96.98	92.27	95.78	97.57	92.84	97.54	93.93	96.1
	Female	93.85	84.99	91.55	93.16	85.94	93.57	86.13	92.1
5	% of dropouts 2012-13								

Sl.No.	Items	TSR	PLK	MLP	KKD	WYD	KNR	KSD	TOTAL
	Lower Primary	0.28	0.75	0.32	0.43	0.99	0.3	0.97	0.6
	Upper Primary	0.15	0.38	0.15	0.16	1.41	0.13	0.49	0.27
	Higher Secondary	0.59	0.88	0.3	0.24	2.77	0.31	0.8	0.56
6	GSDP 2013-14 (Quick)								
	GSDP at constant prices(in lakhs)	2220384	1688606	1684897	1954414	436137	1610924	737916	22620849
	Share in(%)								
	Agriculture & allied and quariying	6	11	10	7	19	8	16	9
	Manufacturing	21	22	17	20	11	18	12	21
	Services	73	67	73	73	70	74	72	70
7	Production of Rice in Kerala (12-13)	66653	238065	19709	3850	30755	11293	9439	564325
8	Net area under irrigation	63580	90021	30621	4931	13256	15980	49580	397176
9	Number of Commercial Banks	627	365	399	393	108	343	195	5602
	CD ratio	59.8	70.2	64.08	77.17	124.63	58.59	85.34	67.73
10	Registered SSI / MSME	30461	15917	12702	18271	3543	12070	6731	234251
11	Length of roads**	2055.76	2172.78	2675.89	2441.1	1029.305	2257.895	1443.16	31811.58
12	No. of Motor Vehicles	895730	588140	739133	757103	117466	464885	205307	8547966
13	Tourist arrivals 2013								
	Foreign (in No:s)	6459	1874	20569	10489	10844	6972	2344	858143
	Domestic (in No.s)	2366389	438552	419884	728041	519306	553899	197059	10857811

** open forest included ** others - 6132*

LIST OF TABLES

Sl. No.	Item	Page
Table 1.1	National Income , Domestic Product & Per Capita Income at factor cost	7
Table 1.2	State Domestic Product and Per Capita Income of Kerala	9
Table 1.3	District-wise Distribution of Gross State Domestic Product	11
Table 1.4	District-wise Per Capita Income at constant (2004-05) Prices	12
Table 1.5	NSDP of Southern States of India at Constant Price (Base- 2004-05)	13
Table 1.6	Major Deficit Indicators	18
Table 1.7	Financial Indicators for State Government	19
Table 1.8	Central Transfers: 2008-09 to 2014-15 (BE)	21
Table 1.9	Comparative Position of Central Transfers to Neighbouring States - 2013-14 (BE)	21
Table 1.10	Trend in Revenue Expenditure from 2010-11 to 2013-14	23
Table 1.11	Debt of the State	24
Table 1.12	Outstanding Guarantees	25
Table 1.13	Annual Plan 2012-13, 2013-14 and 2014-15- Sector wise Outlay Comparative Statement	32
Table 2.1	Annual Growth rate in Agricultural Income and share of agricultural GSDP in Kerala	38
Table 2.2	Area, Production and Productivity of Principal Crops	42
Table 2.3	Average Annual Growth Rate of Milk Production	52
Table 2.4	Production and Investment Credit to agriculture in the state.	77
Table 3.1	Plan Outlay and Expenditure	92
Table 3.2	Financial, Promotional and Training Institutions	103
Table 3.3	Contribution under Credit Guarantee Fund Scheme	108
Table 4.1	Annual Plan Outlay & Expenditure during the first three years of XIIth Plan	136
Table 4.2	Achievements under SSA	141

TABLE

Sl. No.	Item	Page
Table 4.3	Demographic, Socio-economic and Health profile of Kerala as compared to India	151
Table 4.4	Department wise Outlay and Expenditure for the XIIth Plan	154
Table 4.5	District wise distribution of Leprosy unit in Kerala- 2014	156
Table 4.6	Prevalence of Public Health Diseases during 2013 & 2014	157
Table 4.7	Status of Medical College Hospitals and Attached Institutions during 2013 & 14	161
Table 4.8	Reports of Environmental Monitoring Programme on Water Quality	179
Table 4.9	Drinking water standards	180
Table 4.10	Drinking Water and Sewerage – Total State Plan Outlay and Expenditure	183
Table 4.11	Sex Ratio - General & Children	186
Table 4.12	Seats in National Parliament	188
Table 4.13	Female Representation in Parliament / Legislature - Kerala	188
Table 4.14	Work Participation Rate	189
Table 4.15	Percentage of Female Self-employed Workers/FWPR	190
Table 4.16	Workforce Participation Rate in Kerala	191
Table 4.17	Women Component in Annual Plan	192
Table 5.1	Outlay and Expenditure in Transport Sector during 2012-13 to 2014-15	214
Table 5.2	Agency wise distribution of State roads in Kerala during 2013-14	215
Table 5.3	Total Installed Capacity in India as on 31.12.2014	233
Table 5.4	18th Electric Power Survey (EPS) Projections	235
Table 5.5	Outlay and Expenditure	235
Table 5.6	Anti-Power Theft Squad (APTS) Inspection	240
Table 5.7	Plan Outlay and Expenditure	254
Table 5.8	Financial Progress of National Games Infrastructure	259
Table 5.9	Physical progress of National Games infrastructure	259
Table 6.1	Cargo Handled at Cochin Port during 2009-10 to 2013-14	272
Table 6.2	Export Trend of Marine Products – India & Kerala 2009-10 to 2013-14	273
Table 6.3	Export of Cashew Kernels – Kerala & India (2009-10 to 2013-14)	273
Table 7.1	Year wise Plan Outlay and Expenditure	290
Table 7.2	A comparison of state sector PPP projects	299
Table 8.1	SCP & TSP Allocation of the LGs	304
Table 8.2	Category wise Allocation of Grant-in-aid to LGs during 2013-14	307
Table 8.3	Productive Sector- Local Body wise Allocation & Expenditure during 2013-14	309
Table 8.4	Service Sector - Allocation & Expenditure during2013-14	310
Table 8.5	Infrastructural Sector - Allocation & Expenditure during 2013-14	311
Table 8.6	Allocation and expenditure of Special Sector Plan for 2013-14	312

LIST OF BOXES

Sl. No.	Item	Page
Box 1.1	Suggestions of the Expert Group (Rangarajan) for measurement of poverty	14
Box 1.2	RBI – Recent Announcements	28
Box 1.3	Highlights of Annual Plan 2014-15	33
Box 2.1	International Year of Soils –Healthy Soil for Healthy Life	47
Box 2.2	Salient features of Evaluation study on Micro Irrigation schemes	66
Box 3.1	Major issues in Mining in Kerala	91
Box 3.2	State Mining Policy- An initiative by State Planning Board	91
Box 3.3	Major Initiatives in PSUs during 2013-14	93
Box 3.4	Major Projects developed by KSIDC	95
Box 3.5	Business Incubator for Medical Devices and Biomaterials An initiative by State Planning Board	95
Box 3.6	Mission on Employment Generation (MEGA) – An initiative by State Planning Board	96
Box 3.7	The Micro, Small & Medium Enterprises Development Act, 2006	98
Box 3.8	'Make in India' Campaign for MSMEs	106
Box 3.9	India Signs MoU with South Africa for Developing Youth Enterprises	108
Box 3.10	Initiatives which impact Small Scale Industries	109
Box 3.11	Food Processing – Growth Drivers	111
Box 3.12	Important recommendations of the Evaluation Study Report for reviving handloom industry in the state	115
Box 3.13	National Coir Policy	122
Box 4.1	New Initiatives in Education	138
Box 4.2	The Kerala Perspective Plan 2030 on Education	143
Box 4.3	Autonomous Colleges – Selection Criteria and Privileges	144
Box 4.4	Honours Degree Course in Govt. Colleges	145

BOX

Sl. No.	Item	Page
Box 4.5	Twelfth Plan Document on PPP in Education	146
Box 4.6	Indian Institute of Technology in Kerala	147
Box 4.7	Indian Institute of Information Technology in Kerala	148
Box 4.8	Major Achievements of Homoeopathy Department during 2014	163
Box 4.9	Major Initiatives of Social Justice Department	165
Box 4.10	Key Initiatives of State Planning Board	169
Box 4.11	Strengthening and Restructuring of ICDS	175
Box 4.12	Accelerated Rural Water Supply Programme	181
Box 4.13	Gender Inequality Index	186
Box 4.14	Kudumbashree – A success story	190
Box 4.15	Crises and Response Centres for violence affected women	193
Box 4.16	Major Schemes of SC Development	198
Box 4.17	New Initiatives in SC Development Department during 2013-14	200
Box 4.18	Major Schemes of ST Development	202
Box 4.19	ATSP Fund/Special Package	207
Box 5.1	Major Activities of PWD (R&B) during 2013-14	216
Box 5.2	Major Activities of KHRI during 2013-14	219
Box 5.3	Internal Indicators of KSRTC	223
Box 5.4	New Trains introduced during 2013-14	224
Box 5.5	Major Achievements of the Port sector during 2013-14 are	227
Box 5.6	Latest Status of Vizhinjam Deep Water International Container Trans-shipment Terminal	230
Box 5.7	Main achievements of State Water Department	231
Box 5.8	Challenges in the Energy Sector	232
Box 5.9	A State Planning Board Initiative Solar Power Project in West Kallada Grama Panchayat	242
Box 5.10	Major Activities of Kerala Postal Circle during 2013-14 up to 30.09. 2014	252
Box 5.11	Status of Telecom Sector in Kerala as on 31.03.2014	253
Box 5.12	Citizen Services through Akshaya	255
Box 5.13	Academic programs currently offered at IIITM-K	256
Box 5.14	National Youth Policy 2014	258
Box 5.15	Central Housing Policy	261
Box 5.16	Housing schemes and implementing agencies	262
Box 5.17	Central Government& Housing	264
Box 5.18	Similar Housing Schemes in Other South Indian States	265
Box 6.1	Plan schemes,Services and Own Project Offered by Norka Roots	278
Box 6.2	Key Announcements in Central Budget 2014-15 for Tourism Sector	283
Box 6.3	Key Elements in Perspective Plan 2030 for Tourism	284

Sl. No.	Item	Page
Box 7.1	Awards & Recognitions	294
Box 7.2	Profile of Regional Cancer Center for 2013-14 At A Glance	295
Box 8.1	Kerala Local Government Service Delivery Project (KLGSDP)	312
Box 8.2	Meenvallom Hydro Electric Power Project (Best Practice)	313
Box 9.1	Key indicators of Employment and Unemployment: Basic concepts	318
Box 9.2	Different approaches adopted in India for the estimation of Key Employment and Unemployment Indicators	319
Box 9.3	Kerala's Twelfth Plan approach on Employment generation and Skill Development	336

LIST OF FIGURES

Sl. No.	Item	Page
Fig 1.1	Decadal Growth of Population in India and Kerala 1901-2011	4
Fig 1.2	Child Population in Kerala	4
Fig 1.3	Percentage Share of Population in different Age Groups- Kerala 2011	6
Fig 1.4	Growth Rate of GSDP at Constant (2004-05) Prices – Kerala	8
Fig 1.5	Per Capita State Income at Constant Price	10
Fig 1.6	Sectoral Distribution of GSDP 2013-14	10
Fig 1.7	Month wise Price Fluctuation Index in 2014	16
Fig 1.8	Trends in Revenue Receipts	19
Fig 1.9	Trends in Revenue Expenditure	22
Fig 1.10	Trends in Capital Expenditure	24
Fig 1.11	Bank Deposits in Kerala	29
Fig 1.12	Credit Deposit Ratio of the Public Sector Banks in Kerala	30
Fig 1.13	District Wise Bank Branches in Kerala	31
Fig 2.1	South West Monsoon Rainfall received from 1st June – 30th Sept 2014	40
Fig 2.2	North East Monsoon Rainfall received from 1st October to 17th December 2014	40
Fig 2.3	Land Use Pattern Of Kerala 2013-14	41
Fig 2.4	Percentage change in area and production of rice in major districts of Kerala during 2013-14 over 2012-13	43
Fig 2.5	Trend in Average Prices of Livestock Products from 2008-09 to 2013-14	56
Fig 2.6	Marine and Inland Fish Production All India (2013-14)Marine and Inland Fish Production Kerala (2013-14)	58
Fig 2.7	Fish Production in Kerala (2009-10 to 2013-14)	58
Fig 2.8	Live storage Position in the Reservoirs (2012-14)	62
Fig 2.9	Live storage position in the Reservoirs (Average for 10 years): (2012-14)	63
Fig 2.10	Forest Revenue in Kerala (2009-10 to 2013-14)	70

FIGURE

Sl. No.	Item	Page
Fig 2.11	Mid-day Meal Programme	85
Fig 3.1	Contribution of Manufacturing Sector to GSDP at 2004-05 prices	90
Fig 3.2	Sector wise number of PSUs as on 31.3.2014	93
Fig 3.3	Percentage increase for the year 2013-14 over the previous year	99
Fig 3.4	Investment, Production & Employment in MSME sector over the last 7 years	99
Fig 3.5	MSME units & Employment generated in MSME sector over the last 7 years	100
Fig 3.6	Comparison of MSMEs- Kerala and India	105
Fig 3.7	No of Projects assisted under PMEGP during last 5 years of Southern States	107
Fig 3.8	Estimated Employment generated under PMEGP during last 5 years	107
Fig 3.9	Production and Employment in Handloom sector	114
Fig 3.10	Khadi and Village Industries	117
Fig 3.11	Export of Coir and Coir Products during last 5 years	121
Fig 3.12	Man-days lost due to strikes and lockouts	127
Fig 3.13	Number of Working Factories in Kerala	128
Fig 3.14	Industrial Disputes Details	128
Fig 3.15	Origin of Inter State Migrant Workers in Kerala	130
Fig 3.16	District Wise ISM Workers in Kerala	131
Fig 4.1	Management wise share of schools in the State	137
Fig 4.2	The enrolment of students in LP school	139
Fig 4.3	Maternal Mortality Ratio 2012-13 and 2013-14	158
Fig 4.4	Doctor Bed Ratio 2013-14	159
Fig 4.5	Proportion of disabled persons by type of disability	167
Fig 4.6	Trends in crimes against children in Kerala (in numbers)	170
Fig 4.7	District wise proportion of girl child in the age group 0 to 6 years to total population in Kerala	171
Fig 4.8	Trends in in-country and Inter-country adoption in Kerala	172
Fig 4.9	Source wise drinking water availability in Kerala	177
Fig 4.10	Access to Safe Drinking Water	178
Fig 4.11	Quality Profile of Drinking Water in Kerala	179
Fig 4.12	Percentage of SC Population to total Population in the Districts as per 2011 Population Census	196
Fig 4.13	Percentage of ST Population to total Population in the Districts as per 2011 Population Census	197
Fig 4.14	SCP/TSP-Yearwise Outlay	198
Fig 4.15	Corpus Fund (2010-11to 2014-15)	201
Fig 4.16	Expenditure of Educational Sector (Plan)	204
Fig 4.17	Housing Programmes undertaken by ST Development Department	204

Sl. No.	Item	Page
Fig 4.18	Outlay and Expenditure under Corpus Fund	205
Fig 4.19	Outlay and Expenditure under SCA to TSP during 2010-11 to 2014-15	206
Fig 5.1	Agency wise distribution of State roads in Kerala during 2013-14	215
Fig 5.2	Growth of Motor Vehicles	220
Fig 5.3	Category wise Motor Vehicles registered during 2013-14	220
Fig 5.4	Trend of Motor Vehicle Accidents in Kerala	221
Fig 5.5	Category wise and Vehicle wise Accidents in Kerala during 2013-14	222
Fig 5.6	The Cargo handled at minor ports of Kerala	227
Fig 5.7	Total Installed Capacity	234
Fig 5.8	Electrical Energy Consumption in Kerala (Kwh)	237
Fig 5.9	Aggregate Technical and Commercial Losses	239
Fig 6.1	Export Trend of Coir and Coir Products from Cochin Port (Lakh MT)	274
Fig 6.2	District Wise Proportion of NRKs in Kerala	275
Fig 6.3	District Wise Working NRKs in Kerala	276
Fig 6.4	Working NRKs	277
Fig 6.5	District-wise NRKs working in different jobs	278
Fig 6.6	Comparison of Growth Trends of FTA at National and State level	280
Fig 6.7	Distribution of FTA Among 14 Districts of Kerala	281
Fig 6.8	Comparison of growth trends of DTA at National and State level	281
Fig 6.9	Distribution of DTA among 14 districts of Kerala	282
Fig 8.1	Sources of Financing LGs Plan	306
Fig 8.2	Grant-in-Aid to LSGs, Allocation and Expenditure	307
Fig 8.3	Category wise expenditure of Gran-in-Aid to LSGs during 2013-14	308
Fig 8.4	Sector wise Allocation to LGs	308
Fig 8.5	Percentage allocation to different Tiers of LGs during 2013-14	309
Fig 8.6	Percentage share of allocation to different Tiers of LGs during 2013-14	310
Fig 8.7	Share of Infrastructural Sector Allocation to different Tiers of LGs during 2013-14	311
Fig 9.1	LFPR in different approaches during 2011-12	320
Fig 9.2	LFPR according to UPSS approach in NSS 61st (2004-05), 66th (2009-10) and 68th (2011-12) rounds (All ages)	321
Fig 9.3	WPR in different approaches during 2011-12 (All ages)	322
Fig 9.4	Age Specific Worker Population Ratio (UPSS) during 2011-12	322
Fig 9.5	Education Level Specific Worker Population Ratio (UPSS) for persons of age 15 years and above during 2011-12	323
Fig 9.6	Sectoral Distribution of Employment and Sectoral Composition of GSDP (in per cent) during 2011-12	324
Fig 9.7	Unemployment Rate of major States as per 68th National Sample Surveys (UPSS) – 2011-12 (Age: 15-59 years)	325

FIGURE

Sl. No.	Item	Page
Fig 9.8	Unemployment Rate in Kerala under different approaches as per 68th National Sample Surveys – 2011-12 (Age: 15-59 years)	326
Fig 9.9	Unemployment Rate of the Youth in Kerala and India as per UPSS approach (68th National Sample Surveys – 2011-12) (Age: 15-29 years)	326
Fig 9.10	Employment in the Organized Sector- Kerala	327
Fig 9.11	Distribution of Employment in Public Sector- March 2014	328
Fig 9.12	Proportion of workers in the informal sector among workers in AGEGC and non-agriculture sectors	329
Fig 9.13	Proportion of informal sector workers by status in employment among workers engaged in AGEGC and non-agriculture sectors	329
Fig 9.14	Registered job seekers in Employment Exchanges - Kerala	330
Fig 9.15	Work Seekers in Kerala as on 31-10-2014 (Status of Men and Women)	331
Fig 9.16	Placement through Employment Exchanges –Kerala	333

CHAPTER 1

MACRO ECONOMIC PROFILE



***Photograph** : Technopark Campus, Thiruvananthapuram*

CHAPTER 1

MACRO ECONOMIC PROFILE

Introduction

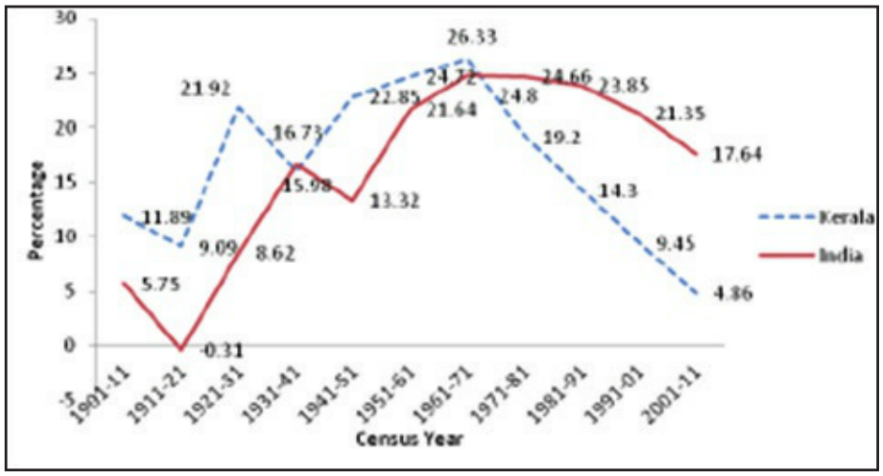
Kerala is a unique state, quite unlike the rest of India in many ways. It has a dense and rapidly ageing population, which is characterized by high literacy and social indicators on par with developed economies . However unemployment, over dependence on the service sector, inter-district inequality, pockets of extreme deprivation, a rapidly decreasing farm sector and a large fiscal and revenue deficit are some of the concerns that Government of Kerala is grappling with. Rapid urbanization also calls for greater attention on housing, transport, waste management, drinking water and so on. All this calls for systematic improvements in planning and implementation, so that optimum results are attained with the limited resources available.

Section 1
Demography

Population is one of the important drivers of economic growth. It helps to determine the size of work force as well. As per the final data published by the Directorate of Census, Kerala's population as on March 2011 was 3,34,06,061. Out of this 1,60,27,412 (48 per cent) are males and 1,73,78,649 (52 per cent) are females. When the last census was taken, these figures were 3,18,41,374 total, 1,54,68,614 (48.6 per cent) males and 1,63,72,760 (51.4 per cent) females.

1.2 The growth rate of Kerala's population during the last ten years is 4.9 per cent, the lowest rate among Indian states. Fig. 1.1 shows that the national rate of growth of population during the last ten years is 17.6 per cent. The population growth trend shows that Kerala is moving towards zero population growth or towards negative growth. Among the districts Malappuram has the highest growth rate of 13.4 per cent, while Pathanamthitta has the lowest growth rate (- 3.0 per cent). Idukki also has a negative growth rate (-1.8 per cent).It reveals that the growth rate of six southern districts (Idukki, Kottayam, Alappuzha, Kollam, Pathanamthitta and Thiruvananthapuram) is lower growth rate .

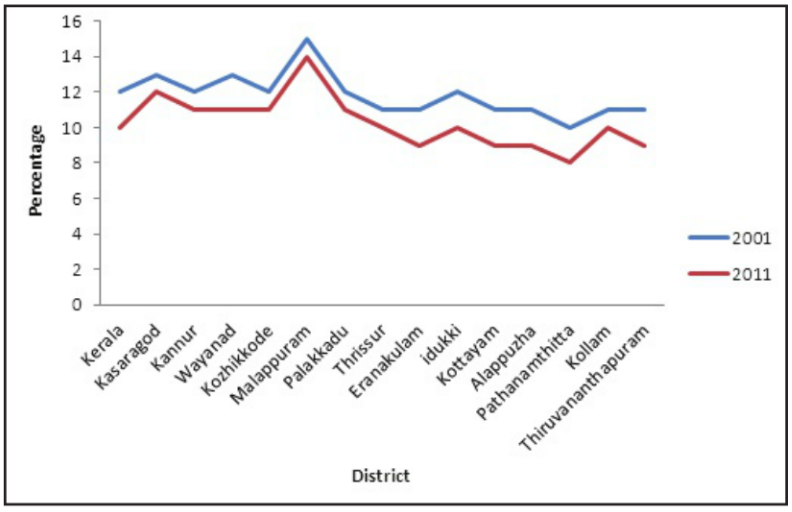
Fig 1.1
Decadal Growth of Population in India and Kerala 1901-2011



Source: Census of India 2011

1.3 Child population (0-6 years) in Kerala shows a declining trend. Census data reveals a negative growth rate of the child population in the state (-8.44 per cent). Kerala's total child population in 2011 is 3472955. It was 3793146 as per 2001 census data. The child population consists of 10 % of the total population. It was 12 % as per 2001 census. Figure 1.2 shows a comparative visual idea of percentage of child population in Kerala as per 2001 and 2011 census. The highest proportion of child population is in Malappuram district and lowest proportion is in Pathanamthitta district. The proportion of child population has decreased from 12 % to 10% in Kerala, and all the districts are showing almost a similar pattern of decrease. The southern districts in Kerala show 2% decline except Kollam which has a decline of 1 % in the proportion of child population, while the northern districts in Kerala show 1 % decline in the proportion of child population except Wayanad which has a decline of 2 %. It shows that new addition to population in northern districts is faster, while in the southern districts it is slower. Details are in **Appendix 1.1**

Fig 1.2
Child Population in Kerala (%)



Source: Census of India 2011

1.4 The share of urban population in Kerala is 47.7 per cent of the total, representing a decadal increase of 21.74 per cent since 2001. As many as 1,59,34,926 persons in the state are living in urban areas, while the rural population is 1,74,71,135 representing 52.3 per cent of the total. The highest per cent of urban population (68.07per cent) is in Ernakulam district and the lowest (3.86 per cent) is in Wayanad.

Literacy

1.5 Kerala has the highest literacy rate of 94 per cent among Indian states. It was 90 per cent during 2001 census. Kottayam tops in the literacy chart with 97.2 per cent and Pathanamthitta is just behind with 96.5 per cent. Wayanad has the least literacy rate of 89 per cent and Palakkad is just above with 89.3 per cent. Even the lowest literacy rate of Wayanad (89) is higher than national rate of literacy (72 per cent). All districts have a score above 90 except Palakkad (89.3) and Wayanad (89). The difference between the lowest and the highest value is just 8.2. When compared with the literacy rate of 2001, all the districts are showing better performance.Details are in **Appendix 1.1**

Sex Ratio

1.6 The sex ratio (number of females per thousand males) of Kerala according to census 2011, has improved by 26 points to reach 1084.The sex ratio of Kerala was 1022 in 1961. After 1971 it started moving to more favorable levels. Sex ratio of India is 943.

1.7 Among the districts, Kannur has the highest sex ratio (1136) followed by Pathanamthitta (1132). While Idukki has the lowest score (1006), Ernakaulam is just above with 1027. All the districts have the index above 1000. In 2001, only Wayanad had the index score below 1000 (994). The difference between the lowest (Idukki-1006) and highest (Kannur-1136) is 130 points. Details are in **Appendix 1.2**

Child Sex Ratio (0-6 Years)

1.8 Child sex ratio in Kerala is 964 as per the 2011 census data. It was 960 in 2001. Pathanamthitta has the highest score (976) followed by Kollam (973) and Kannur (971). Thrissur has the lowest score of 950. Alappuzha is just above with the score of 951. The distance from lowest to highest is just 26 points. All the districts have the score below 1000. This is alarming as it indicates that there is a change in the general trend of more females than males in the overall population. Further examination is required to study the reason behind this fall in child sex ratio. When analysing the decadal change, the highest gain is for Kollam (13) and Kozhikode followed with a score of 10. All other districts have the score below 10 points. Thrissur (-8), Idukki (-5) and Alappuzha (-5) have negative decadal change in sex ratio. Details are in **Appendix 1.2**

Density of Population

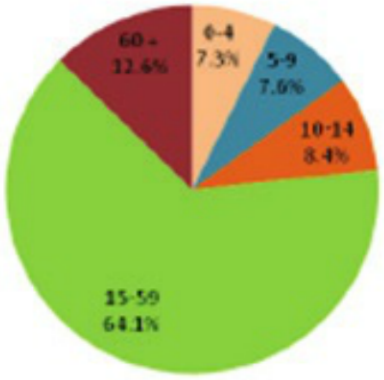
1.9 Kerala's density of population as per 2011 census is 860 persons / sq. km. It is much higher than that of India (382). Thiruvananthapuram is the most densely populated district (1508) while, Idukki is the least densely populated district (255). Density of population has increased in all districts compared to 2001 census but for Pathanamthitta (-16) and Idukki (-4), it has declined. Details are in **Appendix 1.1**

Age Group Distribution

1.10 Around 64.1 per cent of population is in the working age group of 15-59. The remaining 36 per cent of the total population is the dependant group. Among this 12.6 per cent are old dependants and 23.3 per cent are young dependants (Fig 1.3)

Fig 1.3
Percentage Share of Population in different Age Groups- Kerala 2011

Age Group	Share of population
0-4	7.3
5-9	7.6
10-14	8.4
15-59	64.1
60 +	12.6



Source: Census of India 2011

Section 2
Urbanisation in Kerala

1.11 The Urban Sector of Kerala consists of 5 Municipal Corporations and 60 Municipalities. As per 2011 Census the Urban population of the state is 1.59 crore which is 47.72% of the total population. The history of population growth in Kerala shows that the growth rate of urban population has always been greater than that of the total population. Kerala has undergone the highest level of urbanization in its history during 2001-2011 with a percent increase of 83.82 over the previous decade. Kerala was positioned in the 19th rank in the level of urbanisation among the states of India as per the 2001 Census. But in 2011 Census data, Kerala was ranked 9th. The urban content of population of Kerala has reached to 47.72% in 2011 from 13.48% in 1961. Ernakulam (68.1%) is the most urbanised district of Kerala and Wayanad (3.9%) is the least urbanised district. Details of urban and rural population in Kerala are given in **Appendix 1.3.**

1.12 The trend of urbanisation in Kerala shows marked peculiarities. Generally, increase in the rate of urban population is the result of over concentration of population in the existing cities especially in metropolitan cities. But in Kerala, the main reason for the growth of urban population is the increase in the number of urban areas and also urbanization of the peripheral areas of the existing major urban centres. The Urbanization in Kerala is not limited to the designated cities and towns. Barring a few Panchayaths in the Hilly tracks and a few isolated areas here and there, the entire state depicts the picture of an urban – rural continuum. It is very difficult to demarcate the urban and rural areas in the state since the features in rural and urban areas are almost alike.

1.13 In Kerala the population has settled all along the transportation routes in non- nucleated settlements with the conjuration points wherever community facilities such as schools, administration

and market centres etc. have been created. The geographical features, availability of sub soil water, climatic factors, easy access to transportation corridors and the socio economic factors etc. have contributed to the development of a dispersed settlement pattern spread all over the state. The effectiveness of investments in infrastructure development is considerably reduced since the scarce resources are spread too thinly throughout Kerala.

1.14 The high density of population and higher rate of urbanization together cause several problems which are inherent to the process of urbanization. In order to mitigate the hardships of urbanization policy towards planned urbanization taking care to reduce the problems faced by the urban population should be adopted. A detailed account on ongoing schemes may be seen in section 3 of chapter 5.

Section 3
National Income

1.15 The Gross National Income (GNI) at factor cost at 2004-05 prices is estimated at ₹ 5673857 crore during 2013-14, as against the previous year's estimate of ₹ 5416659 crore (Table 1.2). In terms of growth rates, the gross national income is estimated to rise by 4.7 per cent during 2013-14, in comparison to the growth rate of 4.1 per cent in 2012-13. The GNI at factor cost at current prices is estimated at ₹ 10344507 crore during 2013-14, as compared to ₹ 9272110 crore during 2012-13, showing a rise of 11.6 per cent. The Net National Income (NNI) at factor cost at current prices is estimated at ₹ 9171045 crore during 2013-14, as compared to ₹ 8255978 crore during 2012-13, showing a rise of over 11 per cent. Details are given in Table 1.1

1.16 GDP at factor cost at constant (2004-05) prices in the year 2013-14 is estimated at ₹ 5741791 crore showing a growth rate of 4.7 per cent over the Estimates of GDP for the year 2012-13 of ₹ 5482111 crore. The GDP at factor cost at current prices in the year 2013-14 is estimated at ₹ 10472807 crore showing a growth rate of 11.5 per cent over the estimates of GDP for the year 2012-13 of ₹ 9388876 crore. The per capita GDP at factor cost in real terms, i.e. at 2004-05 prices, is estimated at ₹ 46568 for 2013-14 as against ₹ 45046 in 2012-13, registering an increase of over 3.4 per cent during the year. The per capita GDP at factor cost at current prices is estimated at ₹ 84938 in 2013-14 as against ₹ 77148 for the previous year depicting a growth of 10.1 per cent.

Table 1.1
National Income , Domestic Product & Per Capita Income at factor cost (All India)
(₹in Crores)

Sl No	Item at factor cost	At 2004-05 Prices			At Current Prices		
			2012-13 (P)	2013-14 (Q)	2011-12	2012-13 (P)	2013-14 (Q)
1	Gross National Income (GNI)	5201163	5416659 (4.1)	5673857 (4.7)	8314861	9272110 (11.5)	10344507 (11.6)
2	Net National Income (NNI)	4573328	4728776 (3.4)	4920183 (4.0)	7434965	8255978 (11.0)	9171045 (11.1)
3	Gross domestic product (GDP)	5247530	5482111 (4.5)	5741791 (4.7)	8391691	9388876 (11.9)	
4	Net domestic product (NDP)	4619695	4794228 (3.8)	4988116 (4.0)	7511795	8372744 (11.5)	9299345 (11.1)

5	Per capita Gross domestic product (₹)	43657	45046 (3.2)	46568 (3.4)	69814	77148 (10.5)	84938 (10.1))
6	Per capita Net domestic product (₹)	38433	39394 (2.50)	40455 (2.69)	62494	68798 (10.09)	75420 (9.63)

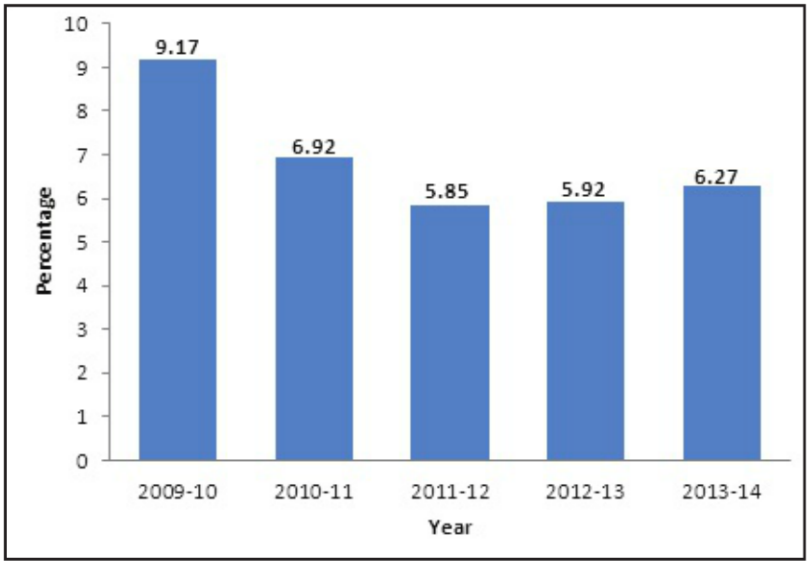
Note: The figures in Parenthesis shows the percentage change over previous year. Q-Quick Estimate, P- Provisional Estimate Source: Central Statistical Organisation

1.17 The details of GDP, NDP, GNI and NNI at current and constant (2004-05) prices from 2004-05 to 2013-14 with percentage change over previous year are given in **Appendix 1.4 to 1.7**. The sectoral distribution of GDP at constant (2004-05) prices and current prices with percentage change over previous year is given in **Appendix 1.8** and **Appendix 1.9**

State Income

1.18 The quick estimate of Gross State Domestic Product (GSDP) at factor cost at constant (2004- 05) prices is ₹ 22620850 lakhs during 2013-14 as against the provisional estimate of ₹ 21285953 lakhs during 2012-13, registering a growth rate of 6.27 percent in 2013-14 compared to nearly 6 percent in 2012-13 (Figure. 1.4). At current prices the Gross State Domestic Product is estimated at ₹ 39628246 lakhs (quick estimate) during 2013-14 as against the provisional estimate of ₹ 34784078 lakhs during 2012-13 showing a growth rate of 13.4 per cent.

Fig 1.4
Growth Rate of GSDP at Constant (2004-05) Prices – Kerala



Source: Department of Economics and Statistics

1.19 The quick estimate of Net State Domestic Product (NSDP) at factor cost at constant prices (2004-05) is ₹ 19947798 lakhs during 2013-14 compared to the provisional estimate of ₹ 18732729 lakhs during 2012-13, recording a growth rate of 6.5 percent in 2013-14. At current prices the NSDP is estimated at ₹ 35124499 lakhs (quick estimate) in 2013-14 compared to the provisional estimate of ₹ 30827173 lakhs during 2012-13. The growth rate of NSDP at current prices is 13.9 per cent in 2013-14 compared to 11.2 per cent in 2012-13 (Table 1.2).

Table 1.2
State Domestic Product and Per Capita Income of Kerala

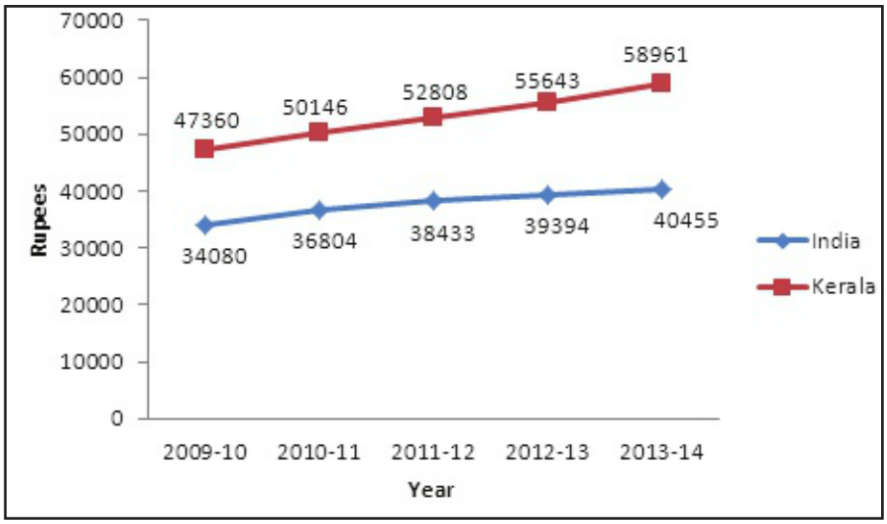
Sl No	Item	Income (₹ Lakhs)			Growth Rate (Percent)	
		20011-12	2012-13 (P)	2013-14 (Q)	2012-13 (P)	2013-14 (Q)
1	Gross State Domestic Product					
	a) At Constant (2004-05) prices	20095773	21285953	22620850	5.92	6.27
	b) At Current prices	31267716	34784078	39628246	11.24	13.92
2	Net State Domestic Product					
	a) At Constant (2004-05) prices	17691461	18732729	19947798	5.89	6.49
	b) At Current prices	27723315	30827173	35124499	11.19	13.94
3	Per Capita GSDP (₹)					
	a) At Constant (2004-05) Prices	59985	63227	66862	5.40	5.75
	b) At Current Prices	93332	103321	117132	10.70	13.36
4	Per Capita NSDP (₹)					
	a) At Constant (2004-05) Prices	52808	55643	58961	5.36	5.96
	b) At Current Prices	82753	91567	103820	10.65	13.38

Source: Department of Economics and Statistics
P: Provisional Estimate, Q: Quick Estimate

Per Capita State Income

1.20 As per the quick estimates in 2013-14, the per capita Gross State Domestic Product at constant (2004-05) prices was ₹ 66862 as against provisional estimate of ₹ 63227 in 2012-13, recording a growth rate of 5.7 per cent in 2013-14. At current prices, the per capita GSDP in 2013-14 was ₹ 117132 registering a growth rate of 13.36 per cent over the previous year's estimate of ₹ 103321. The best indicator of per capita state income is NSDP (which indicates value added within the state) divided by the population. At constant (2004-05) prices, the quick estimates of per capita Net State Domestic Product in 2013-14 was ₹ 58961 as against provisional estimate of ₹ 55643 in 2012-13, recording a growth rate of 5.9 per cent in 2013-14. The Fig. 1.5 shows that during the period 2007-08 to 2013-14, the per capita state income at constant prices was higher than the per capita national income.

Fig 1.5
Per Capita State Income at Constant Price

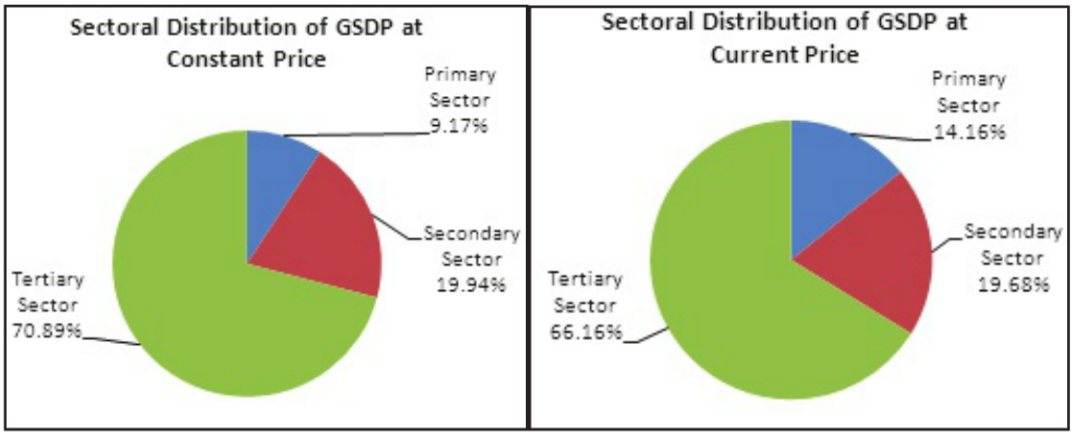


Source: Central Statistical Organization and Department of Economics and Statistics

Sectoral Distribution of Gross State Domestic Product

1.21 During 2013-14, the contribution from primary, secondary and tertiary sectors to the GSDP at constant prices (2004-05) was 9.2 per cent, 19.9 per cent and 70.9 per cent respectively. At current prices, the primary, secondary and tertiary sectors contributed 14.2 per cent, 19.7 per cent and 66.1 per cent respectively to the GSDP during 2013-14 (Fig. 1.6). This difference in sectoral share between constant and current prices shows that inflationary trends in the primary sectors are much higher than in the secondary and tertiary sector.

Fig 1.6
Sectoral Distribution of GSDP 2013-14



1.22 While analysing the sectoral distribution of state income for the year 2013-14, it is seen that the contribution from primary sector and secondary sector are decreasing. But tertiary sector is showing an increase of 70.9 percent from 69.1 percent. The analysis of annual sectoral growth rate of Gross State Domestic Product shows that tertiary sector recorded the highest rate of growth 8.95

percent in 2013-14 at constant (2004-05) prices followed by secondary sector (1.34 percent) and primary sector showed a negative growth rate of -1.36 per cent. The driving factor for the growth of the tertiary sector is mainly the growth in the transport, storage and communication sector which is showing an increase to 16.78 percent in 2013-14 from 12.69 percent in 2012-13. Negative growth in agriculture is generally because of the decrease of production in some of the cash crops like pepper, turmeric, cashew, tea and coffee. At current prices, the tertiary sector recorded a growth rate of 17.68 percent, secondary sector 17.68 percent and primary sector with 7.5 percent in 2013-14. The details of sectoral distribution of GSDP with percentage during the last three years is given in **Appendix 1.10** to **1.12** and the details of GSDP, NSDP at constant and current prices during 2004-05 to 2012-13 are given at **Appendix 1.13** to **1.16.**

District-wise Gross State Domestic Product

1.23 District wise distribution of Gross State Domestic Product at factor cost at current prices shows that Ernakulam District continues to have the highest income of ₹ 5409716 lakhs in 2013-14 as against ₹ 4800385 lakhs in 2012-13 registering a growth rate of 12.7 per cent. At constant (2004-05) prices, this amounts to ₹ 3264509 lakhs during 2013-14 compared to ₹ 3076050 lakhs during 2012-13. The details are given in Table 1.3 below.

Table 1.3

District-wise Distribution of Gross State Domestic Product

Sl.No	District Name	Gross State Domestic Product at Factor Cost (₹ Lakhs)					
		At Current Prices			At Constant Prices		
		2012-13 (P)	2013-14 (Q)	Growth Rate (%)	2012-13 (P)	2013-14 (Q)	Growth Rate (%)
1	Thiruvananthapuram	3807422	4386584	15.21	2389896	2557684	7.02
2	Kollam	2622357	3068738	17.02	1569503	1693013	7.87
3	Pathanamthitta	1415969	1601475	13.10	879090	934826	6.34
4	Alappuzha	2265121	2611265	15.28	1401763	1499499	6.97
5	Kottayam	2462601	2706144	9.89	1499584	1561907	4.16
6	Idukki	1414976	1523375	7.66	767725	776133	1.10
7	Eranakulam	4800385	5409716	12.69	3076050	3264509	6.13
8	Thrissur	3256733	3755299	15.31	2066372	2220384	7.45
9	Palakkad	2649788	3033803	14.49	1592401	1688606	6.04
10	Malappuram	2707112	3083776	13.91	1594353	1684897	5.68
11	Kozhikode	2976151	3426518	15.13	1826511	1954414	7.00
12	Wayanad	730448	831919	13.89	412519	436137	5.73
13	Kannur	2520570	2840500	12.69	1526722	1610924	5.52
14	Kasaragod	1154444	1349136	16.86	683464	737916	7.97
	GSDP	34784078	39628246	13.93	21285953	22620850	6.27

Source: Department of Economics and Statistics
P: Provisional Q:Quick

District-wise Per Capita Income

1.24 Growth rate at current prices does not eliminate the inflationary impact. When district level growth rate at constant prices, is compared the "real" NSDP growth rate may be observed as the inflationary impact has been eliminated. Table 1.5 reveals that the districts of Kasargod, Kozhikode, Thrissur and all the southern districts viz. Thiruvananthapuram, Kollam, Pathanamthitta, Alappuzha had higher real growth in NSDP than the State Average. However, the districts of Wayanad, Kollam, Palakkad and Idukki showed lower growth in per capita income than the state average.

1.25 The analysis of district wise per capita income shows that Ernakulam district stands first with the per capita income of ₹ 86267 at constant (2004-05) prices in 2013-14 as against ₹ 81557 in 2012-13. The district wise per capita income with corresponding rank and growth rate is given in Table 1.4

Table 1.4

District-wise Per Capita Income at constant (2004-05) Prices

Sl. No.	District	2012-13 (P)	Rank	2013-14 (Q)	Rank	Growth Rate (%)
1	Thiruvananthapuram	63003	4	67299	4	6.82
2	Kollam	51934	10	55960	9	7.75
3	Pathanamthitta	64930	3	69518	3	7.07
4	Alappuzha	57941	7	62006	6	7.02
5	Kottayam	66531	2	69555	2	4.54
6	Idukki	59058	5	60269	7	2.05
7	Eranakulam	81557	1	86267	1	5.78
8	Thrissur	58429	6	62554	5	7.06
9	Palakkad	48879	11	51561	11	5.49
10	Malappuram	33685	14	35230	14	4.59
11	Kozhikode	52176	9	55474	10	6.32
12	Wayanad	43690	13	46113	13	5.55
13	Kannur	53536	8	56372	8	5.30
14	Kasaragod	45787	12	49041	12	7.11
	STATE	55643		58961		5.96

Source: Department of Economics and Statistics P: Provisional Q:Quick

1.26 Table 1.4 reveals that the districts Ernakulam, Thrissur, Kozhikode, Pathanamthitta, Thiruvananthapuram, Malappuram, Kannur and Kasrgod had a much higher growth rate than the average growth in per capita income in 2013-14. However, the districts of Wayanad, Kollam, Palakkad and Idukki showed lower growth in per capita income than the state average.

1.27 District wise and sectorwise analysis of GSDP reveals that Kollam district showed highest contributions in primary sector and Ernakulam district contributions in secondary and tertiary sectors are highest. District-wise sectoral distribution of Gross State Domestic Product from 2011-12 to 2013-14 at current and constant (2004-2005) prices are given in **Appendix 1.17** to **Appendix 1.22**.

NSDP - Southern States of India

1.28 In 2013-14, Kerala recorded 6.49 percent economic growth rate, the second highest among Southern States and above the national average. Tamil Nadu growth rate of 7.48 during 2013-14 was the highest among the southern states. Karnataka posted 5.79 percent growth rate; Andhra Pradesh 5.97per cent. The all-India average was 4.04 percent, according to provisional figures available with the Central authorities (see Table 1.5). It may be seen that all the southern states have shown a higher growth in 2013-14 than in the previous year.

Table 1.5
NSDP of Southern States of India at Constant Price (Base- 2004-05)

(₹ Crores)

State Name	2011-12	2012-13	2013-14	Growth Rate 2012-13	Growth Rate 2013-14
Andhra Pradesh	362808	382633	405482	5.46	5.97
Karnataka	248040	259500	274531	4.62	5.79
Kerala	176915	187327	199478	5.89	6.49
Tamil Nadu	386508	397471	427182	2.84	7.48
India	4619695	4794228	4988116	3.78	4.04

Source: : Hand Book of Statistics on the Indian Economy RBI (2013-14)

1.29 An analysis of the growth pattern of NSDP reveals that the Services sector continues to dominate the economy. Segments such as Transport, Communication, Trade, Hotels, Banking & Insurance and Real Estate performed relatively well. Compared to 2012-13, the secondary sector recovered marginally in 2013-14.

1.30 The Ministry of Statistics & Programme Implementation has released the new series of national accounts, revising the base year from 2004-05 to 2011-12. The base year of national accounts was last revised in January 2010. However, income estimates of the changed base year of various states are yet to be worked out. Kerala's income will also undergo changes as it gets aligned to the new accounting standards followed by the Central Government.

1.31 There is visible evidence of inequality within Southern India. One reason could be that as IT companies have entered the economic arena, their high level of pay has raised the economic standing of young and educated professionals, while the poor have become less able to afford basic necessities. Inclusive growth has to ensure that wide inequalities in income and wealth are reduced through a concerted effort at improving the income earning opportunities for farmer, fishermen and other vulnerable sections of the population.

Section 4
Poverty

1.32 Poverty may be defined as a state or condition in which a person or community lacks the financial resources and essentials to enjoy a minimum standard of life and well being. Poverty, food prices and hunger are inextricably linked. Millions live with hunger and mal nourishment because they simply cannot afford to buy enough food. The poor are those who are unable to achieve basic facilities like food, safe drinking water, shelter, access to information, education, health care, social status, political power or even have the opportunity to develop meaningful connections with other people in the society. This condition is absolute poverty, while relative poverty refers to the inadequacy of income when compared to the average standard of living.

Multidimensional Poverty Index

1.33 Estimating poverty on the basis of per capita income or per capita monthly expenditure alone will not give a clear and accurate indication of multi-dimensional poverty. There have been efforts in recent years to measure multidimensional poverty ratios. Keeping this in view the Oxford Poverty and Human Development Initiative and the United Nations Development Programme have developed a Multidimensional Poverty Index (MPI). Multidimensional Poverty is made up of several factors that constitute people's experience of deprivation – such as poor health, lack of education, inadequate living standards, lack of income, disempowerment, poor quality of work and threat of violence. The Multidimensional Poverty Index (MPI) for Kerala shows that there were 5.6 million people living in poverty in Kerala in 2010. The challenge is to pull this vast population out of poverty. It also shows that Kerala ranks 169 among 673 provinces of 104 countries across the world in terms of the head count ratio. The State's position (128) is slightly better on the intensity of deprivation (Perspective Plan 2030 – Kerala).

1.34 The Planning Commission, in June 2012, constituted an Expert Group under the Chairmanship of Dr.C. Rangarajan to review the methodology for the measurement of poverty. The report published in June 2014. The Expert Group (Rangarajan) has considered an alternate view in estimating the poverty line by reference to the ability of households to save. The Methodology developed and adopted by the Expert Group (Rangarajan) and some of the results based on these are outlined are given in Box 1.

Box No 1.1
Suggestions of the Expert Group (Rangarajan) for measurement of poverty

- The poverty line should be based on certain normative levels of adequate nourishment, clothing, house rent, conveyance and education, and a behaviorally determined level of other non-food expenses.
- The Expert Group (Rangarajan) computed the average requirements of calories, proteins and fats based on Indian Council of Medical Research (ICMR) norms differentiated by age, gender and activity for all-India rural and urban regions to derive the normative levels of nourishment. Accordingly, the energy requirement works out to 2,155 kcal per person per day in rural areas and 2,090 kcal per person per day in urban areas.
- The protein and fat requirements have been estimated on the same lines as for energy. These requirements are 48 gms and 28 gms per capita per day, respectively, in rural areas; and 50 gms and 26 gms per capita per day in urban areas.
- In India, the new poverty line works out to monthly per capita consumption expenditure of ₹ 972 in rural areas and ₹1,407 in urban areas in 2011-12. For a family of five, this translates into a monthly consumption expenditure of ₹ 4,860 in rural areas and ₹ 7,035 in urban areas.
- **In Kerala, the rural poverty line stands at ₹. 1054.03 per capita per month in 2011-12 and ₹ 1353.68 for urban areas. (Appendix 1.23)**
- State-level poverty ratio was estimated as weighted average of the rural and urban poverty ratios and the national poverty ratio was computed again as the population-weighted average of state-wise poverty ratios.
- The Expert Group (Rangarajan) therefore estimates that the 30.9% of the rural population and 26.4% of the urban population was below the poverty line in 2011-12. The all-India ratio was 29.5%. In rural India, 260.5 million individuals were below poverty and in urban India 102.5 million were under poverty. Totally, 363 million were below poverty in 2011-12.

- **According to this report as far as Kerala is concerned 11.3% of the population (38.3 lakh person) is Below Poverty Line in 2011-12. 26 lakh urban people (15.3% of urban population) and 12.3 lakh rural people (7.3% of rural population) are Below Poverty Line.**
- The poverty ratio has declined from 39.6% in 2009-10 to 30.9% in 2011-12 in rural India and from 35.1% to 26.4% in urban India. The decline was thus a uniform 8.7 percentage points over the two years. The all-India poverty ratio fell from 38.2% to 29.5%. Totally, 91.6 million individuals were lifted out of poverty during this period. State wise comparison is given in **Appendix 1.24**.
- **In Kerala, the rural poverty ratio has declined from 9.7% in 2009-10 to 7.3% in 2011-12 and from 23.7% to 15.3% in urban areas. The total poverty ratio has declined from 16.0% to 11.3% during the same period.**

1.35 Various schemes on Poverty Reduction have been dealt with in other chapters of the Review. While Kerala is better off than most other states in terms of average poverty estimates, there are still several pockets of deprivation in the state, for example among tribal population and fishermen communities. Greater central assistance and appropriate livelihood programmes in these pockets are required to ensure that poverty is reduced throughout the state. Unemployment, lack of access to drinking water, landlessness, marginalisation, disabilities – all these are correlated with poverty in the Kerala context.

Section 5
Prices

1.36 In the Indian context, upward fluctuation of prices of essential commodities is a common phenomenon, which in turn adversely affects common people and their purchasing power. Factors influencing inflation are the prices of primary food articles and manufactured food products, fuel & power. Among manufactured products, chemicals & chemical products, basic metals, alloys and metal products are included. Rapid increase in cost of farm input is reflected in rising cost of the food prices. Food articles& manufactured food products together account for a significant portion of overall inflation. The Wholesale Price Index (WPI) of primary articles, fuel and power and manufactured products was at 4.1, 4.4 and 3.6 percentages respectively in the first half of 2014-15, and the overall inflation of all commodities declined to 3.9 percent in the first half of 2014-15 from 6.6 percent in the same period of 2013-14. On the other hand, price of the Petroleum products declined in the domestic market in recent months. This is because Crude oil price plunged by 63 percent from $86.1/bbl in October 2014 to $52.78/bb1 in February 2015. The sell-off reflects expectations of a continued market surplus owing to weak demand, large supply growth, higher stocks and little indication from OPEC that it will cut production to stem the price slide.

1.37 Kerala being a consumer state, major chunk of vegetables, rice, meat and other food articles are imported from neighboring states. The important reason for high food prices is exorbitant cost of production of food commodities and high logistics cost. This was due to rapid increase in farm input prices, low productivity, fragmented land holdings and declining investment in agriculture sector.

Price Index

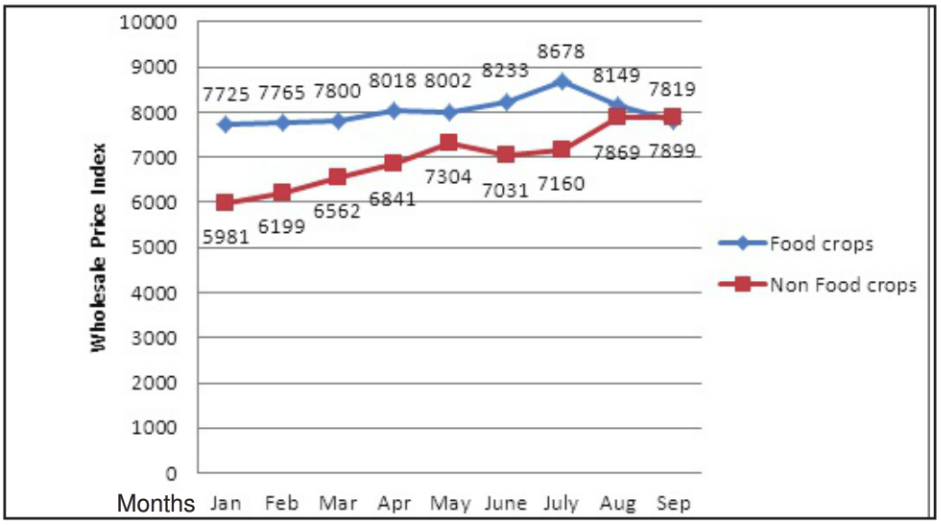
1.38 Consumer Price Index (CPI) of Agricultural and Industrial Workers in Kerala increased to 261 during 2014 from 242 of the previous year. Consumer Price Inflation was less in 2014 compared to 2013. Food inflation was the main reason for increase of price index in Kerala. State wide inflation based on CPI was 19 basis points between 2013 and 2014. Percentage variation of Consumer

Price Index in the state during 2013-14 was 7.85 against 14.69 during 2012-13.Centre wise analysis revealed that, CPI of Thiruvananthapuram reached 266 during 2014 from 143 in 2007. Year wise analysis shows that CPI in Thiruvananthapuram has increased by 22 basis points in 2014 over the previous year. (9.02 percent which was higher than the state average of 7.85 percent)In Kollam, the inflation was 8.57 in 2014. Pathanamthitta registered highest rate of inflation in Kerala, where CPI registered at 142 in 2007 and it jumped to 259 in 2013 and it hiked to 281 in 2014. On the other hand, Meppady (Wayanad) registered lowest CPI at 245 in 2014. Inflaction is relatively low in Thrissur where CPI was 198, 228 and 246 in 2012,2013 and 2014 respectively. Ernakulam, Thrissur, Palakkad, Malappuram, Kozhikode, Meppady and Kannur has recorded price increase lower than the state average **(Appendix1.25)**.

1.39 On an average, from January 2014 to October 2014 and compared with previous year, prices of essential commodities went up considerably. Price of green gram has increased 25 percent in October 2014 over corresponding period of previous year. Moreover, price of black gram and coconut oil have also increased about 36 percent and 62 percent respectively on October 2014 in compared with the same month of last year **(Appendix 1.26)**.

1.40 Wholesale Price Index of Agricultural Commodities in Kerala increased by 1543 points from 6099.12 in Sept.2013 to 7642.59 in Sept.2014. It is observed that wholesale price index went up about 25 percent during the period of 2014. Altogether wholesale price of the food crops increased by 13.2 percent as on Sept.2014. (**Appendix 1.27**).Among the food crops, prices of condiments and spices showed an all time increase by 55.2 percent during the year 2014. As far as whole sale price of Non- food crops is concerned, price increased about 59 per cent as on Sept.2014 compared to the same period of the previous year. Exorbitant price rise of Oil and Oil seeds was the main factor for increasing of Non-food crop price in Kerala. The month-wise wholesale price index of agricultural commodities in Kerala is given in **Appendix 1.28**. Month wise price fluctuation index during the year 2014 is shown in Fig.1.7.

Fig 1.7
Month wise Price Fluctuation Index in 2014



Price Parity

1.41 The index refers to the relationship between price received by farmers through the sales of their products and cost incurred by the farmers for producing their output. The index is a function of cost of farm cultivation, domestic expenditure and market rate of farm products. Over the last ten years,

farmers suffer more owing to high cost of farm input and transportation cost and its consequence was that price paid by farmers increased manifold and prices received by them for their products are found to be less than what they pay (**Appendix.1.29**).i.e Price of rubber has declined drastically to Rs.110 /kg in December 2014 from Rs 180/kg during the same period of last year. But their farm expenses hiked substantially.This badly affected the rubber growers in Kerala.The index of Price paid by farmers has increased by 815.29 from 10478.42 in 2013 to 11293.71 in 2014 (upto July), contrary, price received by farmers has also increased to 8188.57 in 2014 from 6008.5 during 2013, but the increased level was lower than what they paid during the period under review. However, during 2014, farmers' turnaround situation took place and their loss also reduced.

Wages

1.42 The average daily wage rates of skilled workers increased considerably since 2004-05 (**Appendix 1.30**). In the effect of price rise of essential commodities, real value of money is reduced and wage rate increased accordingly. On an analysis, Average Daily Wage Rate of carpenter and mason has increased about 13percent in 2013-14 over the previous year. Likewise, an average daily wage rate of unskilled Workers in the agricultural sector has also increased in 2013-14. The daily wage rates of male unskilled workers in Agricultural sector showed an increase of Rs.60.59 (13.8%) over 2012-13. Meanwhile for the female workers it was ₹ 38(11.7%) (**Appendix 1.31**).

Measures Taken to Control Inflation

1.43 At the National level, Governmemt monitors the price situation regularly as controlling inflation is a key policy priority. In view of government policy, government imposed stock limits under the Essential Commodities Act in respect of onion and potato,pulses,edible oil, edible oilseeds etc. Minimum Export Price (MEP) for potato was fixed at USD450 per MT w.e.f 26-06-2014 and at USD 300 per MT for onion w.e.f.21-08-2014 as part of price control measures of potato and onion. Government of India has advised to State Governments to allow free movement of fruits and vegetables by delisting them from their respective Agricultural Produce Market Committee (APMC) Acts. State Governments were also instructed to take concerted action against hoarding & black marketing. Other steps include a) Raising of minimum support price of rice (kharif) and wheat(rabi) during 2014-15 crop season by about 4per cent. b) Allocation of additional 5 million tonnes of rice to BPL and APL families in States and c) Allocation of 10 million tonnes of wheat under open market sales for domestic market for 2014-15.

State Govt's initiatives

1.44 Strong market intervention activities have been done by the Government of Kerala to prevent the price hike of essential commoditites. SUPPLYCO is strongly intervening the market to supply the essential commodities at the subsidized rate.

Section 6
State Finances

1.45 Though the national economy shows signs of macro-economic stability, recovery from economic recession is still feeble and signs of having achieved a steady growth trajectory are yet to be perceived. This scenario has adversely impacted the buoyancy of State revenues. The Kerala Fiscal Responsibility Act was enacted in 2003 by the State Government with the objective of bringing in fiscal consolidation through prudent fiscal management and greater fiscal transparency. The revenue and fiscal deficit targets set by the State government for 2013-14 in Mid Term Fiscal Policy was at 0.54 percent and 2.82 percent of GSDP. The State Government could not achieve the targets due to

non-realization of revenue at the estimated level. This shortfall was natural fallout in the context of persistent macro-economic pressures. There has been considerable shortfall in the level of buoyancy of State taxes as well as share of Central taxes. The pressure on State finances is further aggravated by increased expenditure committed by the State in social and developmental activities. A shrinking tax base particularly in the commodities sector, especially rubber which had been the mainstay of the economy in the regions of the State producing that commodity contributed detrimentally to the State's efforts to mitigate the effects of economic slowdown.

1.46 In the years following the enactment of Kerala Fiscal Responsibility Act, there has been an improvement in key fiscal indicators. However the State's fiscal consolidation efforts were affected adversely in recent years due to various external and domestic compulsions. The revenue deficit which was 4.37 per cent of GSDP in 2002-03 came down to 1.39 per cent in 2010-11. In 2013-14 revenue deficit was 2.81 percent of GSDP against 2.68 percentage of 2012-13. Fiscal Deficit which stood at 5.29 per cent of GSDP in 2002-03 significantly improved to 2.93 per cent in 2010-11. Fiscal deficit GSDP proportion during 2013-14 was 4.20 percent whereas it was 4.29 percent in 2012-13.

1.47 During this period committed expenditure on account of salaries, pensions, and debt charges increased considerably owing to inflationary pressures. Increased devolution to LSGs and enhanced payments for welfare schemes and subsidies has also added strain on State's finances. Fiscal constraints created by rise in revenue deficit impacted growth in capital expenditure during 2013-14.

1.48 The major deficit indicators of the State for the period from 2008-09 to 2014-15 BE is shown Table 1.6

Table 1.6
Major Deficit Indicators

(₹ Crore)

Sl. No.	Revenue Deficit		Fiscal Deficit		Primary Deficit(-)/ Surplus(+)		GSDP
	Amount	% to GSDP	Amount	% to GSDP	Amount	% to GSDP	
2008-09	3711.67	1.83%	6346.21	3.13%	-1686.52	-0.83%	202782.79
2009-10	5022.97	2.17%	7871.60	3.39%	-2579.12	-1.11%	231998.67
2010-11	3673.87	1.36%	7730.46	2.87%	-2040.80	-0.76%	269473.79
2011-12	8034.26	2.61%	12814.77	4.16%	-6521.17	-2.12%	307906.00
2012-13	9351.45	2.68%	15002.47	4.29%	7797.66	2.23%	349338.00
2013-14	11308.56	2.81%	16944.13	4.20%	8678.74	2.15%	402973.00
2014-15 BE	7131.69	1.53%	14398.46	3.10%	4800.32	1.03%	465073.00

Source: Finance Department, Govt. of Kerala

1.49 In terms of Effective Revenue deficit, State's fiscal performance gives a relatively stable picture. This fiscal indicator denotes revenue deficit net of the revenue expenditure by way of grants for creation of capital assets. In the State's context, a significant portion of State's devolution to LSGs and grants to various autonomous bodies are intended for creation of capital assets of durable nature. The revenue deficit in 2013-14 was ₹ 11308.56 crore. When the expenditure of ₹ 3815.11 crore incurred for providing grants for creation of capital assets is deducted, the Effective Revenue Deficit will be ₹ 7493.44 crore in 2013-14, which is 1.86 percent of GSDP. The important financial indicators for Government of Kerala for the period from 2004-05 to 2013-14 BE are given in Table 1.7.

Table 1.7

Financial Indicators for State Government

(₹ Crore)

Particulars	2004-05	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14 BE
Balance from current Revenue (BCR) (₹ Crore)	-1496	-2749	-2306	-2155	-910	-4973	-4866	2414.34
Interest Ratio	0.27	0.21	0.19	0.20	0.18	0.17	0.16	0.13
Capital Outlay/ Capital receipts	0.15	0.24	0.27	0.26	0.43	0.31	0.29	0.69
Return of Investment ratio	0.013	0.011	0.012	0.008	0.020	0.016	NA	NA
Outstanding Guarantees (including interest)/Revenue Receipts	0.91	0.39	0.31	0.29	0.24	0.22	NA	NA
Assets/ Liabilities	0.40	0.40	0.40	0.40	0.40	0.40	NA	NA

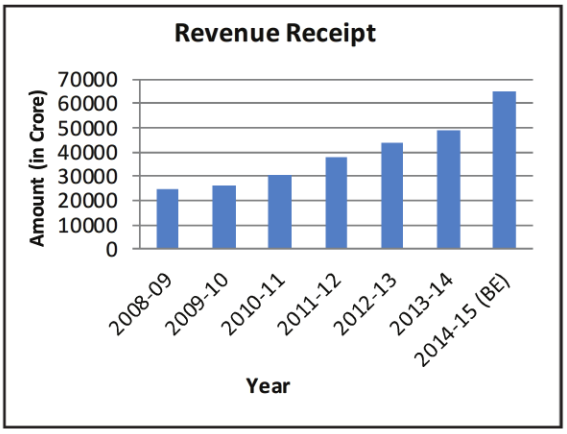
Source: Finance Department, Govt. of Kerala

NA : Not Available

Revenue Receipts

1.50 The revenue receipts consist of State's own tax and non-tax revenues, share of central taxes and grants-in-aid from Centre. The total revenue collection during 2013-14 was ₹ 49176.94 crore. The revenue receipts of the State in proportion to GSDP decreased marginally to 12.20 per cent in 2013-14 from 12.63 per cent in 2012-13. Growth rate of revenue receipts also showed a downward trend in 2013-14 with a decrease to 11.42 per cent from 16.12 percent in 2012-13 and 22.65 percent in 2011-12. The buoyancy of the revenue receipts was widely impacted by the sluggishness in public consumption and weakening of core sectors like construction sector, real estates and automobiles, as the recovery of the State economy from the recent slowdown is still not encouraging. The trend in Revenue Receipts from 2008-09 to 2014-15 BE is given in Fig. 1.8

Fig 1.8
Trends in Revenue Receipts



1.51 State's own taxes are the main source of revenue receipts of the State. In 2013-14 contribution from State's own taxes was ₹ 31995.01 crore (65.06%). Contributions from the share of central taxes was ₹ 7468.68 crore (15.19%). State's own non-tax revenue in 2013-14 was ₹ 5575.03 crore (11.34%) and Grants in aid received from Centre was ₹ 4138.21 crore (8.41%).

1.52 The details of Revenue Receipts from 2008-09 to 2014-15 BE is given in **Appendix 1.32**.

State's Own Tax Revenue (SOTR)

1.53 The main sources of State's Own Tax Revenue (SOTR) are Sales Tax including Value Added Tax (VAT), Stamps and Registration fees, State Excise Duties, Motor Vehicle Tax and Land Revenue. The receipt from State's Own Tax Revenue in 2013-14 was ₹ 31995.01 crore, which was 82.53 per cent of the targeted revenue. Receipts from Sales Tax and VAT (₹ 24885.25 crore) contributed around 78 percent of the total SOTR, followed by 8 per cent from Stamp duties and registration fees (₹ 2593.29 crore), 7 per cent from Taxes on Vehicles (₹ 2161.09 crore), 6 per cent from State Excise Duties (₹ 1941.72 crore), and 0.3 per cent from Land Revenue (₹ 88.78 crore).

1.54 The receipts from Sales tax including VAT showed 11 percent growth in 2013-14. In 2011-12 and 2012-13 it was 19.62 and 18.86 percent respectively. The growth rate in Motor Vehicles tax achieved in 2013-14 was 12.28 percent. In 2013-14 the receipts from stamp duties and registration fees, state excise duties and land revenue recorded a negative growth of 11.74, 16.09 and 27 percent respectively. The details of State's Own Tax Revenue (SOTR) from 2008-09 to 2014-15 BE is given in **Appendix 1.33**.

State's Own Non-Tax Revenue (SONTR)

1.55 The major shares of State's own Non-Tax Revenue (SONTR) are from the State Lotteries, Forest revenues and receipts from various social developmental services. Receipts from SONTR registered perceptible increase in the last three years. In 2013-14, ₹ 5575.03 crore was realized as SONTR, recording growth of 33 percent over 2012-13 (₹ 4198.51). As percentage of GSDP, the receipt from State's own non-tax revenue increased to 1.38 per cent in 2013-14 from 1.20 per cent in 2012-13. Significant growth in non-tax revenue is expected in coming years in the context of revision of fees and fines for the services rendered by the Government.

1.56 Substantial increase of 42 percent in revenue was recorded under State lotteries in 2013-14. Receipts from forest produces and from dividends and profits had also shown considerable growth of 39 percent and 109 percent respectively.

1.57 Out of the total State's Non-Tax Revenue receipts of ₹ 5575.03 crore realized in 2013-14, ₹ 3795.70 crore was from lotteries. This constitutes 68 per cent of the total non tax revenue of the State. This was followed by ₹ 630.05 crore from Social Developmental Services (11.30 per cent) and ₹ 330 crore from Forest revenue (6 per cent). In 2013-14 receipts from debt services and dividends and profits was ₹ 250 cr. (4.48 percent). The details of State's Own Non - Tax Revenue (SONTR) from 2008-09 to 2014-15 BE is given in **Appendix 1.34**.

Central Transfers

1.58 Central Transfers comprises of Share in central taxes and Grants in aid from Centre. The share of States in the net proceeds of shareable central taxes during the 13th FC period from 2010-11 to 2014-15 is 32 per cent. Out of this, State's share is 2.34 per cent. In 2013-14 the central transfers by way of share of central taxes and grant-in aid received was ₹ 11606.89 crore. This was 81 per cent of the Central receipts estimated in the budget. The considerable fall in the transfers from Centre affected the performance of State finances to a great extent in 2013-14. Growth rate recorded in Central government transfers in 2013-14 was 17.69 percent.

1.59 The share of Central Transfers in total revenue receipts shows a declining trend in the last few years. It was as high as 29.51 per cent in 2007-08 which came down to the level of 23.60 per cent in 2013-14. The central transfers as percentage of GSDP during 2013-14 was 2.8 percent. Out of the total central transfers of 2013-14, the receipts under share in central taxes and central grants were ₹ 7468.68 crore and ₹ 4138.21 crore respectively. In 2013-14 the share of central taxes witnessed growth rate of 9.18 percent only. The growth rate during 2012-13 was 14.19 percent. The receipt from central grant in aid showed considerable increase in 2013-14. It increased to 36.96 percent in 2013-14 against the negative growth rate of 18.54 per cent in 2012-13. The details of Central Transfers from 2008-09 to 2014-15 BE is given in Table 1.8.

Table 1.8
Central Transfers: 2008-09 to 2014-15 (BE)

(₹ Crore)

Year	Share in Central Taxes & Duties		Grant-in-aid and other receipts from Centre for Plan and Non-plan		Total Transfers	
	Amount	Annual Growth Rate (%)	Amount	Annual Growth Rate (%)	Amount	Annual Growth Rate (%)
2008-09	4275.52	5.52%	2687.19	23.46%	6962.71	11.79%
2009-10	4398.78	2.88%	2233.38	-16.89%	6632.16	-4.75%
2010-11	5141.85	16.89%	2196.62	-1.65%	7338.47	10.65%
2011-12	5990.36	16.50%	3709.22	68.86%	9699.58	32.17%
2012-13	6840.65	14.19%	3021.53	-18.54%	9862.18	1.68%
2013-14	7468.68	9.18%	4138.21	36.96%	11606.89	17.69%
2014-15 (BE)	9365.36	25.40%	6672.02	61.23%	16037.38	38.17%

Source: Finance Department, Govt. of Kerala

1.60 Central Transfers in Kerala and neighboring states during 2013-14 are given in Table 1.9

Table 1.9
Comparative Position of Central Transfers to Neighbouring States - 2013-14 (BE)

(₹ Crore)

State	Share of Central Taxes	Grant from Centre	Total Amount	Percentage
Andhra Pradesh	24131.36	15803.30	39934.66	6.30
Karnataka	15055.99	16428.11	31484.10	4.97
Tamil Nadu	17285.66	8463.71	25749.37	4.06
Kerala	8143.79	6221.42	14365.21	2.27
All States	344065.77	290006.16	634071.93	100.00

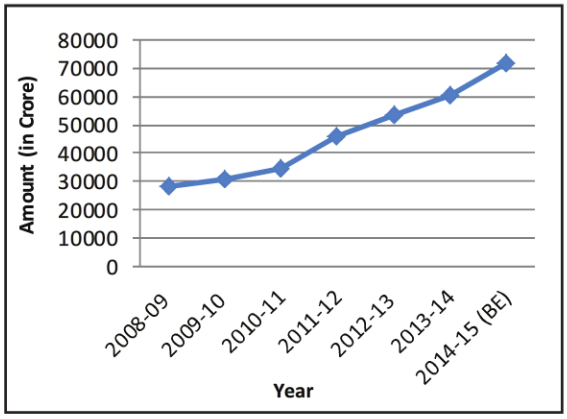
Source: State Finances: A Study of Budgets (2013-14) by RBI

Revenue Expenditure

1.61 The revenue expenditure of the State is mainly comprised of expenditure on salaries, pension, debt charges, devolutions to the Local Self Government and subsidies. The operational and maintenance cost for the upkeep of the completed projects and programmes are classified under the revenue account. Grants provided by the State to meet salaries and pension liabilities of employees in the Universities and State autonomous bodies and also the pension liabilities of employees of Panchayat Raj Institutions are classified under revenue expenditure. Major portion of funds devolved to local bodies from the revenue account of the State government is utilized for the creation of capital assets of durable nature. A significant share of grant-in-aid set apart for universities and autonomous institutions are now meant for creation of capital assets. Non-developmental expenditure of the State mainly constitutes the committed expenditure consisting of debt charges, expenditure on pension payments and administrative services.

1.62 The growth in revenue expenditure in 2011-12 was relatively higher at 32.83 percent. It was mainly on account of larger commitment for implementation of 9th pay commission recommendation. Subsequently it came down to 16.17 percent in 2012-13 and in 2013-14 it dropped to 13.08 percent. Total revenue expenditure in 2013-14 was ₹ 60485.50 cr. Of this, plan expenditure was ₹ 7073.66 cr and non-plan expenditure ₹ 53411.84 cr. The ratio of revenue expenditure relative to GSDP has shown signs of stabilization during the last few years and this trend continued in 2013-14 also. This was in the ratio of 15.31 and 15.01 per cent in 2012-13 and 2013-14 respectively. The trend in Revenue Expenditure from 2008-09 to 2014-15 BE is given in Fig. 1.9.

Fig 1.9
Trends in Revenue Expenditure



Source: Finance Department, Govt. of Kerala

1.63 Expenditure on committed liabilities on salaries, pension, interest payments, subsidies and devolution to LSGs constitutes 70.24 per cent of revenue expenditure in 2013-14. During this year 86.40 per cent of the revenue receipts of the State was used for meeting the above committed expenditure. Expenditure on market intervention operations to contain price rise of essential commodities, inclusive policy initiatives to bring all weaker sections of society under social security net and government's efforts to impart quality services in health and education sectors were also the important factors contributed for increased revenue expenditure.

1.64 In 2013-14 salary expenditure as proportion of total revenue expenditure was 31.88 per cent whereas it was 32.26 per cent in 2012-13. Pension expenditure as percentage of total revenue expenditure was 16.49 per cent in 2013-14 compared to 16.58 per cent in 2012-13. Interest payment

as percentage of total revenue expenditure increased to 13.67 percent in 2013-14 from 13.47 percent in 2012-13. The details of Revenue Expenditure from 2010-11 to 2013-14 are shown in the Table 1.10.

1.65 The details of Revenue Expenditure (item wise) from 2008-09 to 2014-15 BE is given in **Appendix 1.35 and 1.36** and expenditure on interest, pension and salary from 2008-09 to 2014-15 BE is given in **Appendix 1.37**.

Table 1.10
Trend in Revenue Expenditure from 2010-11 to 2013-14

(₹ Crore)

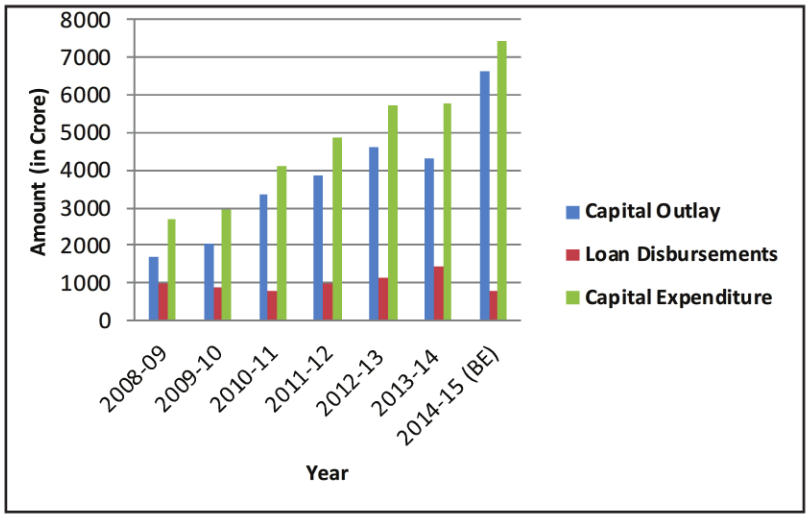
Items	2010-11		2011-12		2012-13		2013-14	
	Expenditure	As per cent of TRE	Expenditure	As per cent of TRE	Expenditure	As per cent of TRE	Expenditure	As per cent of TRE
i. Salaries	11031.97	31.82	16028.82	34.81	17257.41	32.26	19279.78	31.88
ii. Pension	5767.49	16.64	8700.3	18.9	8866.89	16.58	9971.27	16.49
iii. Interest	5689.66	16.41	6293.6	13.67	7204.81	13.47	8265.38	13.67
iv. Devolutions to0LSGDs	2978.87	8.59	3896.76	8.46	4739.33	8.86	4971.48	8.22
v. Subsidies	623.7	1.8	1014.43	2.2	1265.19	2.37	1278.96	2.11
Committed Expenditure total (i0to v)	26091.69	75.27	35933.91	78.04	39333.63	73.54	43766.87	72.36
Others	8573.12	24.73	10110.71	21.96	14155.12	26.46	22477.14	37.16
Total	34664.81	100	46044.62	100	53488.75	100	60485.5	100.00

Source: Finance Department, Govt. of Kerala

Capital Expenditure

1.66 Investment in infrastructure sector is essential for the long term development of an economy. The State has already framed policy initiatives for attracting long term investment in infrastructural projects. Infrastructure financing is becoming difficult due to deficit in resources. The use of borrowed funds for bridging the resource gap for meeting revenue expenditure diminishes the scope of investing in capital projects. State is looking at alternative sources for financing major infrastructural projects of the State. The share of government spending on capital projects has increased during recent years. In 2010-11 capital expenditure was ₹ 3363.69 cr. In 2011-12 and 2012-13 it has increased to the level of ₹ 3852.92 cr. and ₹ 4603.29 cr. respectively. In 2013-14 it was ₹ 4294.34 cr. In 2013-14 Capital outlay - GSDP ratio was at the level of 1.07 percent with a marginal decrease from 1.32 percent in 2012-13. The trend in Capital Outlay, from 2008-09 to 2014-15 BE is given in Fig. 1.10 and in **Appendix 1.38**.

Fig 1.10
Trends in Capital Expenditure



1.67 The public works continued to remain the major segment of capital outlay with 32.68 per cent of the total capital outlay in 2013-14 followed by Irrigation (7.98 per cent), Industries (7.97 per cent) and Agriculture and allied activities (4.90 per cent). The expenditure on loan disbursements increased to ₹1464.17 crore in 2013-14 from ₹1136.15 cr. of 2012-13 with a growth rate of 28.87 per cent. The capital expenditure and total expenditure from 2008-09 to 2014-15 BE are also given in **Appendix 1.39.**

Debt Profile

1.68 Borrowings which are repayable and on which interest accrues are classified as debt. Debt of the State comprises of internal debt, loans and advances from Central Government and liabilities on account of Small Savings and Provident Fund Deposits, etc. Increasing gross fiscal deficit has led to increasing debt liabilities of the State. The debt GSDP proportion has shown perceptible improvement in recent years. The annual growth rate of debt has come down to the level of 14.92 percent in 2013-14 from 15.82 percent in 2012-13. Outstanding debt liabilities of the State at the end of 2013-14 was ₹ 119009 crore. The Debt-GSDP ratio in 2010-11 was 29.83 percent. It declined consistently and reached the level of 29.53 percent in 2013-14. However the ratio of debt-in terms of revenue receipts increased to 242 percent in 2013-14 from 234.63 percent in 2012-13. The debt of the state from 2008-09 to 2014-15 BE is given in the Table 1.11.

Table 1.11
Debt of the State

(₹ Crore)

Year	Internal Debt	Growth Rate	Small Savings, Provident Fund, Others	Growth Rate	Loans and advances from Central Government	Growth Rate	Total	Growth Rate
2008-09	38814.00	14.10%	18447.00	16.33%	6009.00	8.60%	63270.00	14.19%
2009-10	43368.00	11.73%	21296.00	15.44%	6305.00	4.93%	70969.00	12.17%
2010-11	48528.10	11.90%	23786.06	11.69%	6359.08	0.86%	78673.24	10.86%
2011-12	55397.39	14.16%	27625.10	16.14%	6395.69	0.58%	89418.18	13.66%
2012-13	65628.41	18.47%	31310.65	13.34%	6621.78	3.54%	103560.84	15.82%

2013-14	76804.35	17.03%	35542.51	13.52%	6662.21	0.61%	119009.07	14.92%
2014-15 (BE)	90023.00	17.21%	33763.00	-5.01%	7793.00	16.97%	131579.00	10.56%

Source: Finance Department, Govt. of Kerala

1.69 Market borrowings and loans from financial institutions mainly constitute the internal debt of the State and it constitutes major share of the State's debt liabilities. Central government loans and accruals from State Provident fund deposits are the other sources of State's debt. The share of internal debt in the total debt liabilities of the State comes to 65 per cent in 2013-14. The growth rate of internal debt in 2013-14 was 17.03 per cent. Outstanding debt under internal debt increased to ₹ 76804.35 crore in 2013-14 from ₹ 65628.41 cr. in 2012-13. The liabilities under small savings, PF, etc. comes to around 30 per cent of the total liabilities. The liabilities under Small savings, PF, etc at the end of 2013-14 was ₹ 35542.51 cr. It showed an increase of ₹ 4231.86 cr. over 2012-13. The outstanding liabilities under Loans and Advances from the Centre at the end of 2013-14 were ₹ 6662.21 cr. The gross and net retention of debt in 2013-14 was ₹15448.24 cr and 7154.66 cr respectively. The debt profile of the state from 2008-09 to 2014-15 BE is given in **Appendix 1.40**.

Contingent Liabilities

1.70 To overcome the ceilings on fiscal deficits and revenue receipts set by the Fiscal Responsibility Act the State Government is giving guarantees to the borrowings of public sector undertakings and other institutions instead of funding them directly through the budget. These contingent liabilities also become the debt obligation of the state in the event of default by borrowing public sector units for which Government is a guarantor. The Outstanding Guarantees during 2013-14 is ₹ 12275.21 crore. The outstanding guarantees of the State Government from 2008-09 to 2014-15 BE are shown in Table 1.12.

Table 1.12
Outstanding Guarantees

(₹ Crore)

Year	Maximum Amount Guaranteed	Amount outstanding		Total
		Principal	Interest	
2008-09	11385.54	6912.65	690.67	7603.32
2009-10	10225.78	6889.22	605.78	7495.00
2010-11	12625.07			7425.79
2011-12	11332.11			8277.44
2012-13	11482.25			9099.50
2013-14	12275.21			9763.36

Source: Finance Department, Govt. of Kerala

14th Finance Commission Award

1.71 The Memorandum presented to the Fourteenth Finance Commission by Kerala had emphasized the diverse patterns of development of the State, their increased fiscal needs and severe cost disabilities. The differentials in growth and composition of GSDP giving rise to differing fiscal capacities and differing fiscal needs calling for equitable and large devolution of resources from the divisible pool had also been highlighted. It had submitted that close to 30% of the geographical area of the State falls under forests; the State incurs costs of conservation and also foregoes revenues. The positive externalities of conservation are a global good and hence any distributional scheme should not be ignoring it.

1.72 The Memorandum also noted the large and varied investments in physical and social infrastructure made by the State over the long period aimed at the spread of health and educational services to reach all sections of population. The State has been making efforts to maintain the infrastructure by devoting large part of the revenues but the running deficits have often put a break on this process and a way has to be found out of this scenario for better upkeep of the infrastructure. These structural constraints have severely stressed the finances of the State despite the valiant efforts, such as implementation of VAT system, made by the State to garner resources. The running deficits were more structural than a result of financial indiscipline or laxity and call for just consideration by the Commission.

1.73 Kerala had made efforts in making the local governments truly self-governing institutions by devolving functions, funds, and functionaries to them. Decentralisation has resulted in creditable outcomes in terms of reduction of poverty and the provision of public services. But decentralisation involves additional costs for capacity building at the local level. As regards financing disaster management, the State had argued that it faced diversity of disasters in the form of coastal erosion, floods, droughts and lightning and the last two Commissions had allocated inadequate resources. The demand was for raising it.

1.74 The Fourteenth Finance Commission has taken due note of most of our submissions and the awards address many of them. While Kerala along with many other States had demanded vertical devolution of 50 per cent of the divisible pool, the Commissions award has seen a ten per cent jump from 32 per cent (13th Finance Commission) to 42 per cent which together with grants adds up to 48.44 per cent of the divisible pool. Our emphasis on the need to take due note of the conservation of forests has resonated well with the Commission as the horizontal devolution formula for the first time gave a weight of 7.5 per cent to the forest area. The demand for the dropping up of tax effort and fiscal discipline index has also been met with resulting in the share of the state increasing from 2.341 to 2.5 per cent.

1.75 The Fourteenth Commission has moved decisively away from sector specific and state specific schemes arguing that there has been no continuity between Commissions, their overlap with Plan schemes, the lack of an allocation formula and lack of flexibility in use putting states in difficulties in running the schemes. The grants have been confined to just three areas, all of which have addressed our concerns. The three areas are: local governments (53.49 per cent), financing disaster management (10.25 per cent) and revenue deficit (36.26). The local government grants are formula based with 90 per cent of the weight being carried by population and ten per cent by performance. The 90 per cent weight for population makes the award criterion simple and equitable without unnecessarily complicating it with indices of decentralisation and so on. The performance criterion also favours Kerala, as the Kerala Local Government Service Delivery Project over the last four years has already prepared the State to face the requirements. The grant allocated to the State under State Disaster Response Fund seems low but it must be appreciated that it is on the basis of a simple and clearly worked out formula which takes into account the expenditure booked under the relevant head during 2006-07 to 2012-13, the distance of the state from the average per capita GSDP and rate of inflation.

1.76 Grants to meet post- devolution revenue deficit has been a long standing demand of ours which has been ignored by previous commissions. But the Fourteenth Commission understood our concerns well and allocated grants to meet the need. Among the major states (excluding Andhra Pradesh for special reasons) only three have the benefit of receiving such grants, namely West Bengal, Assam and Kerala. In the first year, Kerala will be receiving close to 10 per cent of the total and in the second year around 8 per cent of the total coming down to 4 per cent in the third year and zero in the last two years of the award. These are large sums which would considerably reduce the need for borrowing to meet deficits and make available larger funds for meeting maintenance and

investment expenditures. However,this ,recommendation has been accepted by the Government of India only in principle and is tied to raising internal resources by the State and fiscal consolidation for which the Central Government will put in place an institutional mechanism.

1.77 An imbalance pointed to by Kerala (and many other states) in the Memorandum is the centralization of the allocation of plan funds and a secular decline in the share of State plans. Such reduction has come about owing to the proliferation of centrally sponsored schemes (CSS). Further, many of these schemes are not suitable for the States. Kerala had strongly urged the Commission to take a view on this to curb these tendencies. The Commission has taken a comprehensive view of the fiscal relations between the Union and the States, reviewed the existing arrangements for transfers and also the views of the various committees and commissions. Recognising the need for transfer of funds from the Union to the States, which go beyond tax devolution and grants from the Finance Commission, the Fourteenth Finance Commission has recommended that the existing system be reviewed and necessary institutional changes be considered. The Commission is of the view that the Union Government should continue to have fiscal space to provide grants to States for functions that are broadly in the nature of 'overlapping functions' and for area-specific interventions. But "the existing arrangements for transfers between the Union and the States need to be reviewed with a view to minimising discretion, improving the design of transfers, avoiding duplication and promoting cooperative federalism, insofar as such transfers are required to be made outside of the recommendations of the Finance Commission". The suggestion is to expand the present role of the Inter-State Council to include the functions, such as to design schemes with appropriate flexibility in overlapping areas, address economic and environmental concerns, and inter- state infrastructure schemes in the North Eastern States. The Inter-State Council in this new form will go a long way towards opening a new chapter in co-operative federalism.

1.78 An important recommendation made by the Commission as part of the changes in FRBM mechanisms is the constitution of a Fiscal Council to "act as an autonomous body reporting to the Ministry of Finance, which would, in turn, report to Parliament on matters dealt with by the Council in accordance with current Constitutional provisions". The Commission states that "there is increasing recognition globally that the conduct of sustainable fiscal policy by governments and imparting greater realism to the forecasts (including testing their consistency with the fiscal rules) calls for the establishment of an independent fiscal institution which could undertake ex-ante assessment of the impact of fiscal policy and the fiscal implications of budget proposals".

1.79 Overall, the Fourteenth Finance Commission has come out with new and innovative recommendations with greater flexibility to States to transform themselves and chart out new paths of development and fiscal and expenditure management.

Section 7
Banking

1.80 Financial sector initiatives directly influence the growth of the economy, since capital is an important pre-requisite. The recent trend in macroeconomic indicators shows economic recovery and the economy is on growth path. The banking infrastructure in the State is well developed and financial literacy is high. Over the years Commercial, Nationalized, Co-operative banks and a large number of Grameen banks have sprung up within the State. Although, Kerala has only 1 percent of the total land area, it has 4.84 percent of bank branches. Kerala has largest number of bank branches among the semi urban areas in the country. At the end of March 2014, Kerala had total 5602 branches and there was an increase of 395 branches compared to March 2013. As on June 2014, total no of bank branches has increased to 5707. Despite Kerala's small size, this is on par with large states like Bihar, Madhya Pradesh and Rajasthan **(Appendix 1.41)**.

1.81 Deposit mobilization is an inevitable activity of all banks for augmenting credit flow to the development and priority sectors of the state. Overall Bank deposits in Kerala increased by18.67% from ₹2,34,217 crore in March 2013 to ₹2,77,940 crore in March 2014. Scheduled Commercial Banks in Kerala accounted for 3.46 % of deposits of the country **(Appendix 1.42)**. As on June 2014, Bank Deposits have increased to ₹2,81,194 crore. As on March 2014, deposits in Kerala grew by 22.04 per cent from ₹2,29,148 crore to ₹2,79,655 crore (SLBC).

1.82 As on March 2014, there has been 9.62 per cent increase in disbursement of advances to ₹1,88,243 crore from ₹1,71,712 crore compared to the previous year. Maharashtra is the topmost state in disbursing advances in the country while Kerala stands at 8th position **(Appendix 1.43)**. The major advances financed by Scheduled Commercial Banks increased by 10.98 per cent from ₹1,75,087 crore to ₹1,92,010 crore as on March 2014(SLBC). In real terms, the advances dropped in 2013-14 compared to the previous fiscal. That is the percentage of advances disbursed decreased from 3.12 percent to 3.01 percent in 2013-14.

Pradhan Mantri Jan-Dhan Yojana

1.83 Financial inclusion is an inherent aspect of inclusive growth, and a top national priority. A multi-prolonged approach has been launched to achieve financial inclusion for all our citizens. The Pradhan Mantri Jan Dhan Yojana (PMJDY) is a powerful instrument for financial mainstreaming of all citizens. PMJDY aims at providing universal access to banking facilities with at least one basic banking account for every household, access to credit, insurance and pension facility. Through this, the Government seeks to provide to all people, universal access to all services of a modern financial system, ranging from banking to credit for economic activities and insurance, pension etc. for social security. This will facilitate, direct and more efficient transfer of various benefits and subsidies. The beneficiaries of the flagship programmes of Rural Development viz. MGNREGA, NRLM, NSAP and IAY are the major stakeholders of the Mission. Under PMJDY, in a record time, bank accounts have been provided to 11.08 crore households with 100% coverage in 601 districts.

Box 1.2
RBI – Recent Announcements
Payments Banks

The objectives of setting up of Payments Banks will be to further financial inclusion by providing (i) small savings accounts and (ii) payments/remittance services to migrant labour workforce, low income households, small businesses, other unorganised sector entities and other users.

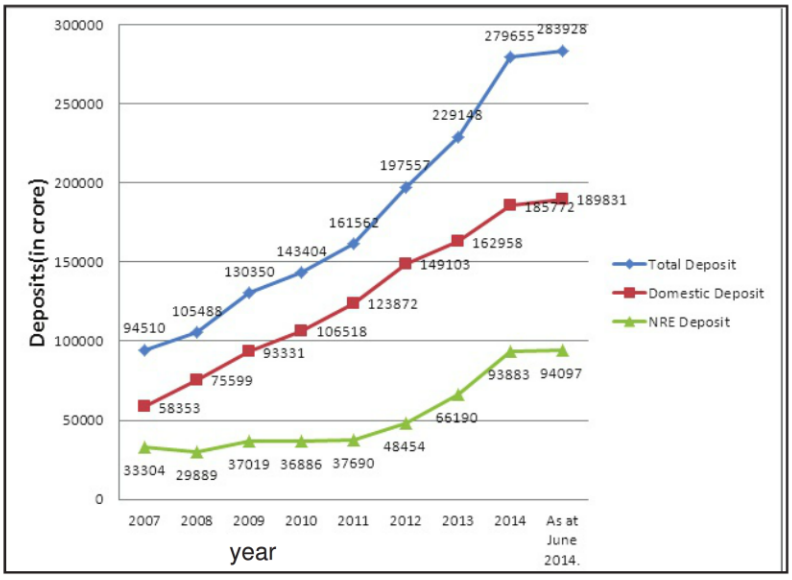
Small Finance Banks

The objectives of setting up of small finance banks will be to further financial inclusion by (a) provision of savings vehicles, and (ii) supply of credit to small business units; small and marginal farmers; micro and small industries; and other unorganised sector entities, through high technology-low cost operations. The small finance bank shall primarily undertake basic banking activities of acceptance of deposits and lending to unserved and underserved sections including small business units, small and marginal farmers, micro and small industries and unorganised sector entities.

NRI Deposit

1.84 Kerala has been the hub of NRI deposits in the country. Flow of deposits from non – residents (NR) has been significant in 2013-14. NR deposits increased by a marked 41.84 per cent during the year, from the level of ₹ 66,190 crore to ₹ 93,883 crore. This trend of NR deposits increasing their share in the total deposit basket had actually begun in 2011-12. It became more pronounced in 2012-13 and further continued in 2013-14.Thus the NR deposits now account for more than a third of the total deposits in Kerala's commercial banking system **(Appendix1.44)**.The private sector banks have mobilized major chunk of the NRI deposits followed by the State Bank of Travancore **(Appendix 1.45)**. Fig.1.11 shows the growth of Bank Deposits in Kerala including NRI deposit.

Fig 1.11
Bank Deposits in Kerala

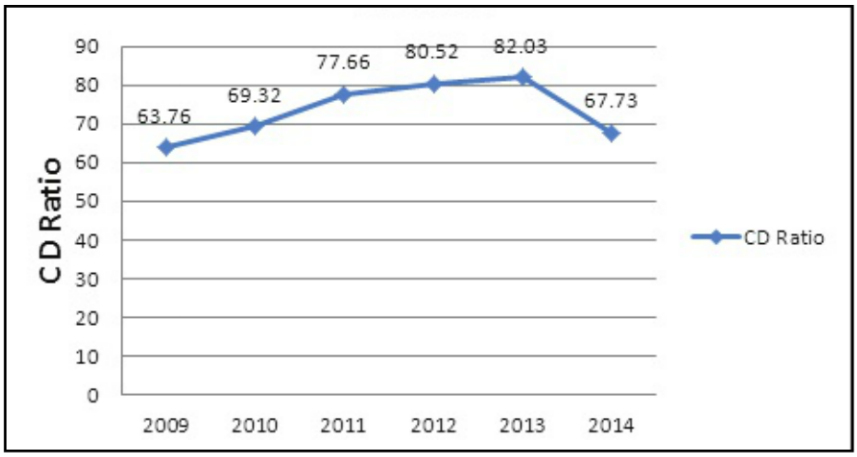


Source: Central Statistical Organization and Department of Economics and Statistics

Credit Deposit Ratio (CDR)

1.85 In early 2000, Credit Deposit Ratio (CDR) of the Public Sector Banks in Kerala was very low. During this period, banks were reluctant to disburse loans for education, housing, self employment etc for fear of growing Non-Performing Asset (NPA) in the Banking Sector. In view of effective interventions by the Central and State Governments, bank managements were encouraged to extend loans to needy groups by relaxing their policies. As per RBI data , credit of Public Sector Banks in Kerala grew by 54.67 percent as on March 2014 (₹1,88,243 crore), while aggregate deposits went up to 87.34 per cent during the same period reflecting a fall in CD ratio from 82.03 in March 2013 to 67.73 in March 2014 **(Appendix 1.46)**. & (Fig:1.12). On the other hand, Credit Deposit ratio is low in Kerala (67.73), unlike Tamil Nadu and Andhra Pradesh where the CD ratio is above 1, indicating that banks in Kerala have idle funds for which there is inadequate demand. CD ratio in Kerala has been increasing over the last three years. Despite that, during the current fiscal year, Kerala's CD ratio is lower than All India average. The fall in CD ratio was not only due to drop in advances by banks due to fear of NPAs alone, but also signifies inactive absorption of credit by the economy.

Fig 1.12
Credit Deposit Ratio of the Public Sector Banks in Kerala



Credit Flow to the Priority Sectors

1.86 Priority sectors are those sectors that impact large sections of the population, the weaker sections and the sectors which are employment-intensive such as agriculture, and tiny and small enterprises. The categories under priority sector include agriculture, micro & small enterprises, education, housing, export credit and others.

1.87 During the financial year 2013-14, Priority Sector Advances increased by ₹14,237crore as against ₹13,712 crore added during the corresponding period of previous fiscal. Against the mandatory norm of 40% under priority sector advances, as at 31st March 2014, 59.14 percent of the total advances of the banks in the State were to priority sector. The priority sector advances to total advances of the State have recorded an increase of 242 basis points from March 2013 to 2014(SLBC: 2014).

Housing Loans

1.88 During 2013-14, banks in Kerala including private sector banks sanctioned an amount of ₹28,426 crore to 7,52,152 beneficiaries as housing loan against ₹26,639 crore to 7,15,797 beneficiaries during 2012-13 (SLBC: 2014) showing 6.70 percent growth in total housing loan sanctioned.

Educational Loans

1.89 In order to support students from economically weaker sections of the society, Department of Education, Ministry of Human Resource Development, Government of India has launched an interest subsidy scheme. The MoHRD has appointed Canara Bank as the Nodal Bank for the Scheme. At the end of March 2014, ₹9,199 crore was sanctioned to 3,90,237 students and the percentage increase of education loan and beneficiaries during March 2013 was 10.9 and 2.61 respectively over the last year (SLBC: March- 2014).The Ministry of Finance has finalized the modalities of the Credit Guarantee Fund Trust (CGFT) for Higher Education to be set up with a corpus of ₹2500 crore. The high point of the credit guarantee trust initiative is that the students (with annual family income below ₹4.5lakh) will be able to avail education loans up to ₹7.5lakh without giving any collateral security or third party guarantee.

Advances to Weaker Sections and SC/STs

1.90 During 2013-14, an amount of ₹43,437 crore has been disbursed to 45,84,421 beneficiaries of weaker sections in the state. Corresponding figures in 2012-13 was ₹35,935 crore to 41,22,926 beneficiaries indicating 21 percent of growth in the amount sanctioned. During 2013-14 the advances to SC/STs was ₹ 6014 crore to 4,85,378 beneficiaries against ₹4155 crore to 3,54,048 beneficiaries in the previous year. There is 44.7 % and 37.1% increase in the total amount sanctioned, and number of beneficiaries compared to the previous year.

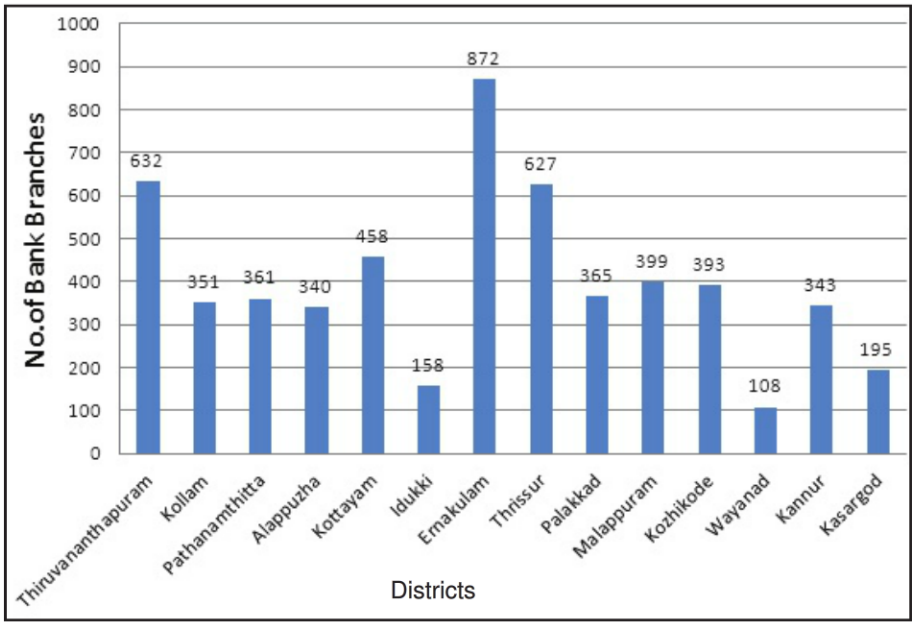
Micro finance

1.91 Micro finance indicates financial services for people who have no access to typical banking services. It generally targets poor women. Micro finance programmes send a message to households as well as to communities by providing access to financial services through making women responsible for loans, ensuring repayment through women, maintaining accounts for women, providing insurance coverage through women. In Kerala, there were more than 5.08 lakh Self Help Groups (SHGs) maintaining their savings bank accounts with ₹ 1,091 crore in various banks as on March 2014, against 2,397 crore in 2012-13(SLBC:2014). During 2013-14 there is a decrease of 54.5 percent in the amount of SHGs Savings Account while the number of SHGs has an increase of nearly15.5 percent.

District –wise analysis of Banking Statistics

1.92 The district-wise details of banking statistics in Kerala (Fig:1.13) reveals that Ernakulam district with 872 branches holds the largest number of branches followed by Thiruvananthapuram with 632 branches. In Wayanad and Idukki districts, the credit intake exceeded the deposits **(Appendix 1.47)**. The disbursement of credit against deposit in Pathanamthitta district was very low with the C.D ratio of 30.13 percent.

Fig 1.13
District Wise Bank Branches in Kerala



Financial Inclusion Plan (FIP) 2014-16

1.93 The first four-year financial inclusion plan of banks for the period 2010-2014 has ended. Although there has been reasonable progress in the penetration of banking services and opening of basic bank accounts, the number of transactions through ICT-based Business Correspondent (BC) outlets is still very low. To continue the process of ensuring access to banking services to the excluded, banks have been advised to draw up a 2-year Financial Inclusion Plan for the period 2014-16.

Section 8
Annual Plan 2014-15

1.94 Annual Plan 2014-15 is the 3rd year of the 12th Five year Plan (2012-17). Several systemic improvements were made during 2014 to ensure that the Annul Plan is holistically implemented. Annual Plan for the year is formulated based on specific guidelines. While formulating the plan, critical review of the performance of ongoing schemes was held. For the first time so far, before the formulation of Annual Plan, stakeholder consultations were held on different areas of critical importance to the state, with a bottom up approach, to capture information on the ground realities of various development sectors. The recommendations of the respective Working Groups were also considered for formulating new schemes. In order to avoid proliferation of schemes, attempts have been made to reduce the number of schemes and wherever possible schemes having similar nomenclature have been grouped together under a single head as an 'umbrella' scheme. Aiming at a qualitative improvement in plan implementation, an Award System for the best performers in Plan implementation has been introduced from 2013-14 onwards. Under this initiative, the awardees will be selected on the basis of their performance in plan implementation using a 100 point Weighted Index. Award will be given to three top performers each under five categories depending on the size of their Annual Plan outlay. The award for the year 2013-14 is being finalised. It is also a notable achievement that a Summary Document on Sector/Sub-Sector/Scheme wise Officer responsible for the implementation of each of the schemes in the Annual plan 2014-15 furnished to the State Legislature along with the Budget documents for 2014-15.

1.95 Major sector wise comparative statements of the outlays of Annual Plan (2012-13), (2013-14) and (2014-15) is given in table 1.13 below. The total outlay for 2014-15 is ₹ 20000 crore, reflecting an increase of 17.65 percent over the previous financial year's outlay of ₹ 17000 crore. Out of the outlay of ₹ 20000 crore, ₹ 4700 crore is for assistance to LSGIs and the remaining ₹ 15300 crore is for State sector schemes. This includes mandatory provisions such as Other Central Assistance, One Time ACA, EAP, NABARD, XIII Finance Commission Award, Power, SCP/TSP, SS to CSS and MLASDF.

Table 1.13
Annual Plan 2012-13, 2013-14 and 2014-15- Sector wise Outlay Comparative Statement

(₹ crore)

Sl.No	Sector/Sub Sector	Outlay (2012-13)	Outlay (2013-14)	Outlay (2014-15)	% increase
1	2	3	4	5	6
I	Agriculture and Allied activities	1236.41	1409.51	1664.02	18.06
II	Rural Development	467.69	544.32	617.23	13.39
III	Special Area Programmes	284.30	265.70	413.76	55.72
IV	Irrigation and Flood Control	465.80	505.14	749.64	48.40
V	Energy	1165.41	1222.70	1370.04	12.05

VI	Industry and Minerals	547.70	579.36	639.40	10.36
VII	Transport	1195.81	1145.16	1180.87	3.12
VIII	Secience, Technology and Environment	446.52	534.43	621.45	16.28
IX	General Economic Services	276.56	1217.24	1651.49	35.67
X	Social Services	4650.13	5527.77	6334.44	14.59
XI	General Services	45.67	48.67	57.66	18.47
	Total - I to XI	10782	13000	15300	17.69
XII	LSGD	3228	4000	4700	17.50
	GRAND TOTAL	14010	17000	20000	17.65

Source: : Annual plan 2014-15 document

Box 1.3
Highlights of Annual Plan 2014-15

- Kerasamrudhi - A scheme for distribution of quality coconut seedlings
- Govardhini – Calf Support and heifer adoption programme
- Drinking Water supply Schemes
- Housing scheme for Fishermen
- ASWAS (Arts, Sports, Work Experience and School) – New Scheme
- Setting up of infrastructure Facilities in G.V Raja Sports School, Thiruvananthapuram
- Establishment of Production and Training centre in Polytechnic Colleges
- Technology Business Incubation Centres in Polytechnics and Engineering Colleges
- Arogya Kiranam for the treatment expenses of all children up to the age of 18 years for all illness
- Diseased organ transplantation unit in Medical College, Thiruvananthapuram.
- Upgradation of regional Institute of Ophthalmology in to a Centre of Excellence
- State Initiative Programmes on Disability
- Establishment of NGOs managed 14 old age homes
- Cochlear implantation of hard hearing children
- Model Anganwadies and Kerala State Commission for Protection of Child Rights
- Setting up of Indian Institute of Mass Communication at Kottayam
- Shelter Homes for women who face with violence at home
- New Flagship scheme – SEED fund to youth under MSME
- International Furniture Hub at Ernakulam
- Technology Innovation Zone at Kochi
- Establishment of Modern Slaughter Houses in selected Municipalities/Urban Local Bodies

Online Plan Monitoring System - Planspace

1.96 As part of strengthening plan monitoring and evaluation mechanism, an online plan monitoring system planspace was developed by the State Planning Board with the technical support of IIITM-K. *PLANSPACE* is a web based management information system for monitoring and evaluation of the progress of implementation all plan schemes in the State. The system is designed to capture relevant details about a plan scheme/project, its various components, physical/financial progress and implementation status at different levels. Dynamic and customized reports for various stakeholders are available in the system. *PLANSPACE* has been integrated with the Treasury Information System

(TIS) so that plan expenditure could be captured real time. This facilitates comparison of figures reported by Departments with Treasury figures of expenditure. The system will be extended to Districts and, later on, to the Sub District level. This will enable implementing officers at District and Sub District levels to directly input data into the system, thus further enhancing its accuracy and timeliness. At present 213 plan implementing Departments/IAs are inputting information to planspace on a real time basis. As per the information available on planspace, during the current Financial Year the total plan expenditure is 37% percent as on 31st December 2014 which is expected to improve substantially by the end of the Financial Year.

1.97 As a further step towards making the monitoring mechanism more effective, it has been decided to introduce digitised documentation of assets created in the Annual Plan. Photographs/images of physical assets created with geographical cordinates will be uploaded to planspace using GPS, IIITM-K (a Government of Kerala undertaking at Technopark, Thiruvananthapuram) has developed an Android based mobile application for this. In the first phase, this will be introduced on a pilot mode in Departments viz, Agriculture, Forest and Wildlife, PWD, Industries and Healthand family welfare.

Macro Economic Outlook for Kerala

1.98 Fiscal indicators of the State have suffered setbacks recently due to widening gap between revenue receipts and revenue expenditure. The fiscal instability in recent years is the result of the State economy being exposed to persistent macro-economic pressures. State's revenue buoyancy was severely impacted by the slowdown in all sectors of the economy. At the same time, the State had to raise its public expenditure for the revival of the economy. Much will depend on good fiscal management in the state in the coming years. Careful prioritisation of key public sector projects, which could stimulate the economy by crowding in more investment from the private sector will be required. This will help in creating more employment opportunities and in enhancing the ability of the Government to collect both tax and non tax revenues in future. This will create the fiscal space for Kerala to further improve capital asset creation as well as provide for new and emerging health, education and social justice concerns.In Kerala, the major problems that need focussed attention include ageing population and their welfare; high density of population, rapid urbanisation and related concerns such as adequate housing, waste management, transport and employment opportunities. These have been dealt with in subsequent chapters. The State already enjoys high financial literacy and can be encouraged to save and invest more if there are more value enhancing opportunities in the state. The Perspective Plan 2030 envisages Kerala as a highly knowledge intensive State where economic prosperity and high quality of life can be ensured along with equitable distribution of income, wealth and opportunity and where our environment and cultural heritage is protected.

CHAPTER 2

AGRICULTURE AND ALLIED SECTORS



***Photograph** : Kudumbashree Plantain Farm*

CHAPTER 2

AGRICULTURE AND ALLIED SECTORS

Introduction

The agriculture sector in Kerala has undergone significant structural changes in the form of decline in the share of GSDP, indicating a shift from agrarian economy towards service sector dominated economy. The contribution of agriculture in the GSDP of the state has been steadily declining from 36.88 percent in 1980-81 to 8.95 percent in 2013-14. The sector suffered a setback in recent years and the slowdown had several structural consequences including agrarian distress. The agricultural performance is subject to year to year fluctuation due to vagaries of nature as well as high degree of price volatility mostly due to international market price behavior of the commodities. It is a great challenge and formidable task to arrest the decline and reverse the slowing growth of agriculture sector in the state.

Section 1
Agriculture

Performance of Agriculture

The share of agriculture and allied in total GDP of the country declined from 15.2 per cent in the Eleventh Plan to 13.9 per cent in 2013-14 (PE). However it still provides employment for more than half of the population (54.6 per cent as per 2011 census).The resilience of the sector is evident from the fact that the sector last posted negative growth rate in 2002-03 and a remarkable growth rate of 4.1 per cent in the Eleventh Plan period. During 2013-14 the growth rate has been 4.7 per cent as per the provisional estimates. Also India has emerged as one of the leading producers of rice, wheat, milk fruits and vegetables with record production in food grains.

2.2 With regard to Kerala, the growth performance of the agriculture and allied sector has been fluctuating across the plan periods. It witnessed a positive growth of 1.8 percent in Xth Plan period but a negative growth rate of -1.3 percent in XIth Five Year Plan . In 2012-13, contrary to the quick estimate which showed a 4.39 per cent growth rate, the provisional estimate now indicates a downward revision of growth rates to 1.38 per cent. In 2013-14 also, the performance of the sector has been bleak , it clocking a negative growth rate of -1.36 percent for agriculture & allied sectors together. This is apparently due to the lack luster performance of agriculture which recorded a negative growth rate of -2.88 per cent while the other two sub sectors under agriculture & allied sectors recorded positive growth rates of 3.4 per cent (forestry and logging) and 5.43 per cent (fishing).

2.3 With regard to share of the sector in total GSDP, it has declined from 9.51 per cent in 2012-13 to 8.83 per cent in 2013-14. However, the importance of the sector cannot be ruled out considering the agrarian nature of the state and the role that it plays in providing food and livelihood to the people of the state. The annual growth rate of agricultural income and share of agricultural GSDP for the last five years are shown in Table 2.1.

Table 2.1
Annual Growth rate in Agricultural Income and share of agricultural GSDP in Kerala

Sl. No.	Year	Rate of change over previous year	Share of Agriculture and Allied Sectors in GSDP
1	2008-09	2.08	12.7
2	2009-10	-3.01	11.5
3	2010-11	-7.28	10.1
4	2011-12	-0.15	9.1
5	2012-13*	1.46	9.51
6	2013-14**	-2.88	8.83

**Provisional ** Quick*

Source: Directorate of Economics and Statistics

The Situation Assessment Survey 2013

2.4 The Situation Assessment survey of Agricultural Households conducted at national level in NSSO 70th round (January-December 2013) published in 2014, as a repeat of The Situation Assessment survey of Farmers (2003) to collect information on various aspects of farming, such as farming practices and preferences, availability of resources, awareness of technological developments and access to modern technology in the field of agriculture and level of living(measured in terms of consumer expenditure, income and indebtedness from the agricultural households in rural India) have been released .The survey was conducted in 4,259 villages across India and covered 35,200 households in agricultural year July 2012- June 2013. Apart from the central sample most of the state governments also participated in this survey. From Kerala, 159 villages were surveyed covering 1236 households in visit I and 1217 households in visit II. In this survey, considering the fact that significant agricultural activity can be conducted without possessing any land, possession of land as an eligibility criteria was dispensed with and replaced by the concept of 'agricultural production unit' as one which produces crops , livestock and the products of any other specified agricultural activities. The major findings have been summarized below . The findings of the survey actually pose a question on the agrarian nature of the state as the number of agricultural households in the state as a percentage of rural households is mere 27.3 per cent and out of the agricultural households nearly two – third of them earn income from activities other than agriculture. It is to be noted that for the purpose of Situation Assessment Survey (SAS) of NSS 70th round, an agricultural household was defined as a household receiving some value of produce from agriculture activities (e.g. cultivation of field crops, horticultural crops, fodder crops, plantation, animal husbandry, poultry, fishery, piggery, bee-keeping, vermiculture, sericulture, etc.,) during last 365 days. However, household which were entirely agricultural labour household were excluded from the coverage. In contrast to the definition of farmer used in 59th Round, the necessary condition of 'land possession' had been dispensed with in this round.

Major Findings of the Situation Assessment Survey, NSSO, 2013

- 90.2 million households ie; 57.8 per cent of the total estimated rural households are agricultural households . Kerala had the least percentage share of agricultural households in the country ie; 27.3 per cent
- With regard to source of income, 63.5 per cent of the agricultural households reported agriculture as the principal source of income, while 22 per cent reported wage /salary as the principal source. In Kerala 61 per cent of the agricultural households reported to have earned income from activities other than agricultural activities . Mere 16 per cent reported cultivation as main source of income and 0.6 per cent reported livestock as main source of income.
- Source of income was determined by the extent of land possession. Household with
  i. Less than 0.01ha of land-wage /salary and livestock was main source of income
  ii. Greater than 0.40 ha –cultivation was the main source
  iii. Between 0.01 ha to 0.4 ha land- wage salary as well as cultivation main source
- All the major states except Kerala reported agricultural activity (cultivation, livestock and other activity) as principal source of income.
- 93 per cent of the agricultural households in the country possessed some other land other than homesteads. While less than 7 per cent possessed only homesteads. With regard to states except Kerala, Punjab, Tamilnadu, Gujarat and Haryana, 90 per cent of the agriculture households had both homesteads and some land other than homesteads. In Kerala, 12.3 per cent had only homestead.
- More than 65 percent of agricultural households of Andhra Pradesh, Chhattisgarh, Madhya Pradesh, Rajasthan, Tamil Nadu, Telangana and West Bengal had MGNREG job card at the time of the survey while in Kerala it was 42.9 per cent.
- With regard to indebtedness of agricultural households 52 per cent of the agricultural households in the country were estimated to indebted, the average amount of loan outstanding being ₹ 47000/-. Shockingly for Kerala 77.7 per cent of the agricultural households were found to be indebted, the average amount of loan to be a massive ₹ 213600/-, the highest in the country.
- At all India level, about 60 percent of the outstanding loans were taken from institutional sources which included Government (2.1 percent), Co-operative society (14.8 percent) and banks (42.9 percent). Among the non institutional sources, agricultural/ professional money lenders (25.8 percent) had the major share in terms of outstanding loans. Share of institutional loans increases with increase in land possessed.

  The finidings of the survey could be considered in developing strategies for agricultural development in the state for the revitalisation of the sector.

Monsoon 2014

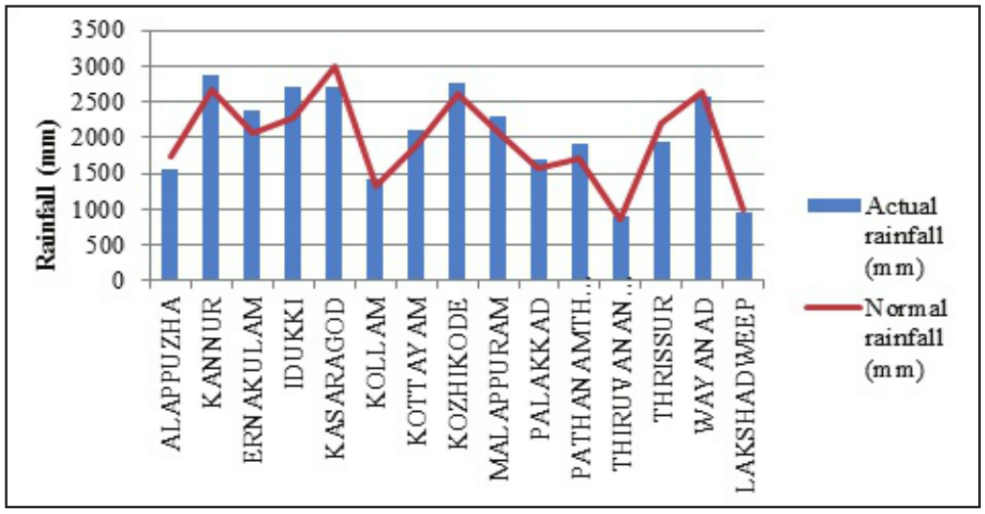
2.5 The pre monsoon rainfall which is received in Kerala during March to May was normal this year with a departure of -4 per cent from normal. The actual rainfall in Kerala during pre monsoon season was 364.4 mm. Among the districts, Thiruvananthapuram and Wayanad received excess rainfall during this period and Thrissur experienced deficit rainfall. Lakshadweep showed a scanty condition in 2014 with per cent departure of -67 from the normal.

2.6 Monsoon current advanced over the Andaman Sea two days earlier than its normal date of 20th May. However, it set in over Kerala on 6thJune, 5 days later than its normal date of 1st June and covered the entire country by17th July, 2 days later than its normal date of 15th July. Withdrawal of monsoon from west Rajasthan commenced on 17th September against its normal date of 1st September. Out of the total 36 meteorological subdivisions, 23 subdivisions constituting 67% of the total area of the country received normal season rainfall and 12 subdivisions (30% of the total area of the country) received deficient season rainfall. One subdivision (South Interior Karnataka)

constituting 3% of the total area of the country received excess rainfall. The actual rainfall received in Kerala during southwest monsoon season (1st June to 30th September) was 2163.3 mm as against the normal rainfall of 2039.7 mm in 2014 showing +6 per cent departure from normal. There was an excess of 26 per cent in the southwest monsoon rainfall during 2013.

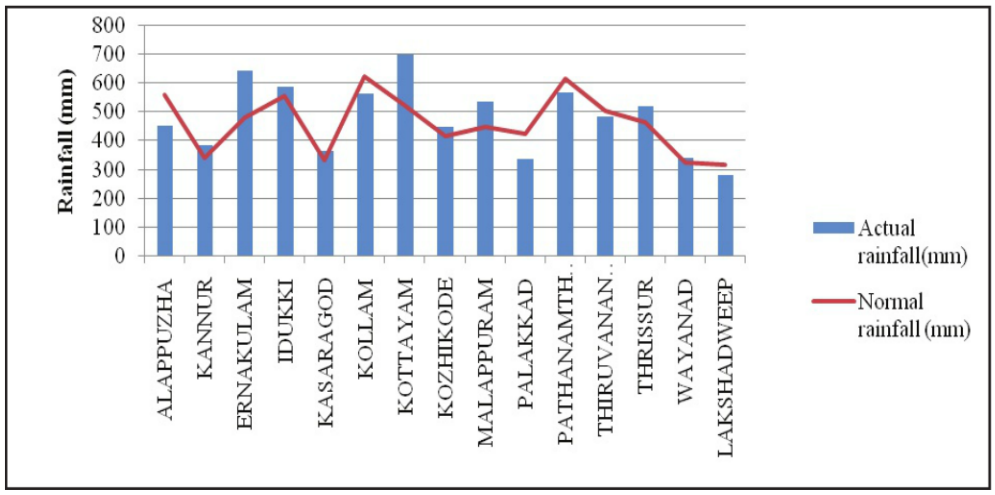
This year all districts in Kerala received normal rainfall for southwest monsoon season.

Fig 2.1
South West Monsoon Rainfall received from 1st June – 30th Sept 2014



2.7 During north east monsoon season the actual rainfall received in Kerala was 461.4 mm as against the normal rainfall of 464.2 mm. Among the districts Palakad (-22%) received deficient rainfall whereas Ernakulam (+21 %) and Kottayam (+26%) received excess rainfall during this season. District wise rainfall distribution in the state during 2014 is given as **Appendix 2.1.**

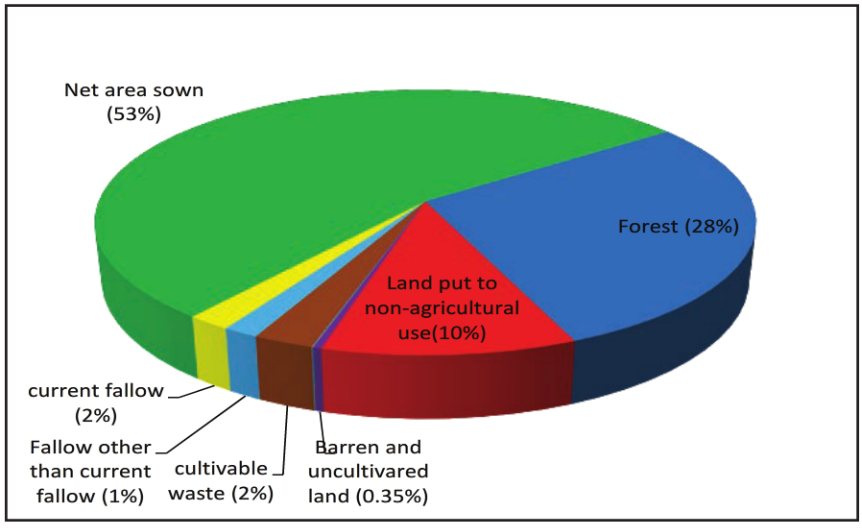
Fig 2.2
North East Monsoon Rainfall received from 1st October to 17th December 2014



Land Use Pattern

2.8 Kerala is one of those states in India where land resources are put to more intensive use than anywhere else, mainly because of the low percapita availability of land in the state. Data on land use pattern for the year 2013-14 is given in **Appendix 2.2.** Out of a total geographical area of 38.86 lakh ha, little above one fourth was under forests, and one tenth of it was put to non agricultural use. Also, while the net sown area which accounts for 53 percent of the total area, did not record any significant changes , area sown more than once which accounted for 15 percent of the total geographical area recorded a notable increase of 4 percent from 5.4 lakh ha in 2012-13 to 5.65 lakh ha in 2013-14. As a result, contrary to the previous year the gross cropped area registered an increase of 1 percent. Another notable feature is the decline in the area of barren and uncultivated land by 17 per cent, of permanent pastures and grazing land by 93 per cent and the area under current fallow by 8 per cent. The land use pattern is shown in Figure 2.3**.**

Fig 2.3
Land Use Pattern Of Kerala 2013-14



Trend in Area, Production and Productivity of Crops

2.9 Data regarding the area, production, productivity of important crops grown in Kerala are shown in Table 2.2 . Out of a gross cropped area of 26.1 lakh hectares in 2013-14, food crops comprising rice, pulses, tapioca occupy only 10.32 per cent. In 2013-14, food crops in general showed an increasing trend in production as the production of rice as well as tapioca increased while that of pulses recorded a marginal decline. This could be more on account of increase in productivity than because of an increase in acreage as the area under rice has recorded only a marginal increase while that of tapioca has in fact declined. In the case of spices pepper showed a drastic fall in production mainly due to a productivity decline, while production of ginger and turmeric all showed a downward trend in production. In the case of plantation crops, coffee, tea and rubber have shown a decline in production while cardamom has shown an increase. With regard to fruits banana and other plantains as well as coconut recorded an increase in production because of an increase in acreage whereas the cashew output largely declined.

Table 2.2
Area, Production and Productivity of Principal Crops

Sl. No	Crops	Area (Ha.)		Production (MT)		Productivity (Kg./Ha.)	
		2012-13	2013-14	2012-13	2013-14	2012-13	2013-14
1	Rice	197277	199611	508299	564325	2577	2827
2	Tapioca	69586	67589	2458515	2479070	35331	36679
3	Pulses including Tur	2948	2989	3246	3019	1101	1010
4	Cardamom*	41600	39730	10222	14000	246	352
5	Coffee**	85359	85359	68175	66645	799	781
6	Tea$	30205	30205	62963	62937	2085	2084
7	Rubber#	539565	548225	798940	648220	1481	1182
8	Pepper	84707	84065	46298	29408	547	350
9	Ginger	4505	4538	22064	21521	4898	4742
10	Turmeric	2628	2430	6904	6253	2627	2573
11	Arecanut	101775	100008	118233	100018	1162	1000
12	Banana	61011	62261	515607	531299	8451	8533
13	Other Plantains	48859	54512	351315	362395	7190	6648
14	Cashew nut	52086	49105	37919	33375	728	680
15	Coconut	798162	808647	5799	5921	7265	7322

Production of Coconut in Million Nuts, Productivity in numbers.
Source; Directorate of Economics and Statistics.
*# Rubber Board, *Spices Board .** Coffee Board . $Tea Board*

Crop Wise Analysis

Rice

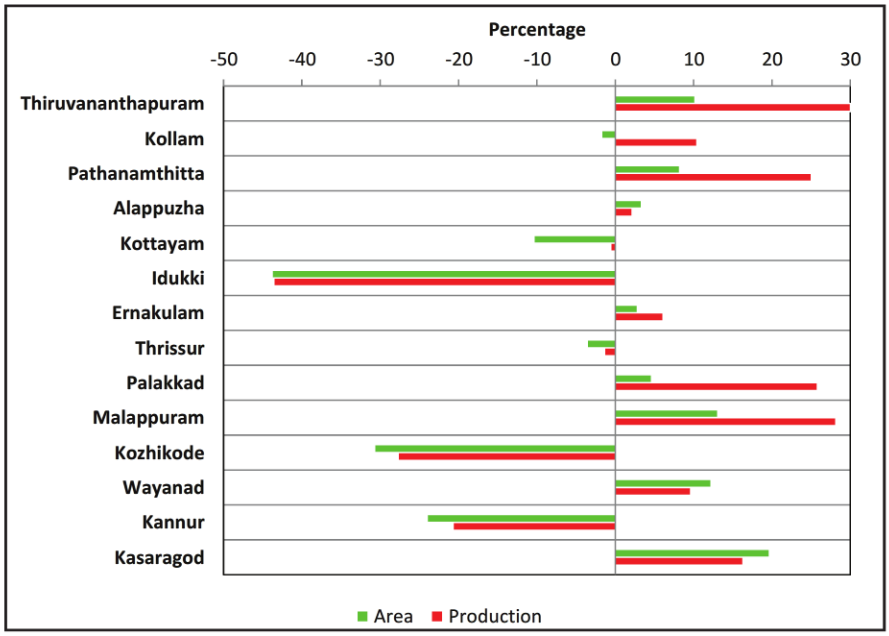
2.10 Rice is the staple food of Kerala and forms an inevitable part of an average Keralites' diet. Unfortunately, the area under rice has been declining consistently since the last three decades. Today rice occupies only third position in area under cultivation way behind rubber and coconut. However, after a period of continuous decline ,the area under rice has shown an increase in 2013-14 albeit marginally (**Appendix 2.4**). Accordingly, the production has also increased,though this could be more on account of increase in productivity rather than increase in acreage. But unfortunately, productivity of the crop in the state is very low (2827 kg/ha), although its higher than national average. There has only been a marginal increase in the productivity of rice in the past four decades China which is the major producer of rice in the world has more than three times the productivity of (6744kg/ha) rice in Kerala. The productivity of rice in Egypt is the highest in the world (9088kg/ha) which is nearly fourfold of our productivity.

2.11 Meanwhile at the national level, there has been 2.57 per cent increase in area and 1 per cent increase in production of rice in 2013-14 over the previous year.

2.12 Season wise production trends reveals that the increase in production of rice is mainly due to an increase in the mundakan crop, as the other two crops have not shown significant changes with the puncha crop increasing marginally and the virippu crop infact declining (**Appendix 2.5)**. The increase could be mainly attributed to increase in area as well as increase in yield per hectare.

2.13 District wise area under rice cultivation shows that area under rice has fallen irrespectively for all the districts of the state in the period 1996-97 to 2012-13. However, the decline has been sharpest for Kollam (93%) followed by Ernakulam (92%), Thiruvanathapuram,(86%) and Malapuram (78%). On the positive side, in Kottyam and Alapuzha, the major rice growing districts the decline has been much less(13 and 12 per cent respectively). Contrary to previous year when majority of the districts recorded a decline in rice growing area (except Thrissur, Wayanad, Kannur and Kozhikode), in 2013-14, majority of them have recorded an increase in area under rice cultivation. Ernakulam which showed sharpest decline of 49 per cent in 2012-13, recorded an increase of 2.8 per cent in area and 6 per cent in production. However, the districts which showed an increase in area in 2012-13 have showed a decline in area and production in 2013-14 (ie; Thrisssur, Kannur and Kozhikode). Idukki has shown the sharpest decline in the area as well as production in 2013-14 to the tune of 43.5 and 43.7 per cent respectively. (details as given in **Appendix 2.6 & 2.7**).

Fig 2.4
Percentage change in area and production of rice in major districts of Kerala during 2013-14 over 2012-13



2.14 The decline in area indicates that area under paddy has been increasingly converted into other crops as well as for non agricultural purposes. This is mainly due to low profitability as a result of increasing costs (caused by rising cost of human labour as well as seasonal shortage of labour as well as relative price change in favour of competing crops. Inspite of focussed intervention through state plan and RKVY along with enhancing per hectare assistance from Rs.1500 to Rs.4500 in 12th plan and introduction of procurement in all districts, rice production is not responding positively.

Coconut

2.15 Although one of its principal crops Kerala's share in area as well as production of coconut in the country is declining over time While it accounted for 69.58 per cent of the area and 69.52 per cent of the production in the country in 1960-61, the corresponding shares declined to 40.2 per cent and 42.12 per cent respectively in 2011-12. However the area and production of coconut in the state has been increasing. From 29.88 per cent of the Net Sown Area in 1980-81 the share of coconut

has increased to 41.96 per cent in 2000-01. Although it declined to 37.19 per cent in the start of the next decade, it was made good by 2011-12 to 40.24 per cent .This could be because part of the paddy fields were reclaimed and planted with coconut during the period. The production also increased concomitant to increase in the area during this period. From 3220 million nuts in 1960-61, the production increased to 5536 million nuts in 2000-01. After that the production plateaued and was more or less stagnant in the next decade. Thus the increase in output is more on account of increase in acreage as the productivity of the crop is very low in the state. In 2013-14, there was a marginal increase in the production from 5799 million nuts in 2012-13 to 5921 million nuts. Area, production and productivity of coconut in Kerala as well as India are given in **Appendix 2.8.**

2.16 The main cause for falling productivity is the prevalence of root wilt disease, poor management and existence of senile and unproductive palms. Hence massive replanting of root wilt palms by elite palms and elimination of senile palms, setting up of nurseries for production of quality seedlings and their subsequent distribution is required for increasing productivity. Restructuring of the cluster development programme is also essential for more effectiveness. The attempt made by the Department of Agriculture and Cooperation to restructure two coconut development programmes through convergence approach at the panchayath level during 2014-15 coupled with price advantage is expected to revive coconut production in the state. The isolated attempts of production of dwarf coconut seedlings and hybrids need to be scaled up substantially with the support of Research and Development institutions. Entrepreneurial ventures for the production of value added products like desiccated coconut, beverages, shell based products, coconut cream, neera etc has to be promoted with appropriate tie up with credit and marketing agencies. The coconut procurement system through Krishi Bhavans in association with Kerafed was introduced in 2012-13. The initiative taken by Govt. in promoting neera in 2013-14 is expected to revive coconut economy of the state.

Pepper

2.17 Pepper production in the country recorded a decline from 55 thousand tonnes in 2012-13 to 45 thousand tonnes in 2013-14 It is reportedly due to a prolonged monsoon session resulting in adverse crop production. Concomitantly, pepper production recorded a decline in Kerala , from 46298 MT to 29408 MT in 2013-14. Fallling productivity could be the reason for falling output as there has not been much decline in the area under cultivation.

2.18 There has been a rally in pepper prices since 2012 with price realization being a record high ₹ 609.70 per kg in January-June 2014 compared to ₹ 370.33 per kg in the corresponding period in the previous year.

2.19 This stagnant nature of pepper production in recent years is mainly due to low productivity and disease affected pepper gardens. In order to revive spices development in the state, the department of Agriculture has initiated comprehensive pepper development in Wayanad, Malappuram, Kozhikode, Kannur and Kasargod districts. An integrated action plan needs to be prepared for the revival of the crop in the State, covering reorientation of planting material production, expansion of grafting wherever possible, area wide disease management, living and nutrients management and revival of pepper samithies.

Cashew

2.20 India continued to be the largest producer of raw cashew nuts in the world. The other main producing countries are Vietnam , Brazil, Tanzania and Ivory Coast. The production of raw cashew nuts increased from 728 thousand MT in 2012-13 to 736 thousand MT in 2013-14. The area under cashew cultivation also recorded an increase from 982 thousand hectares to 1006 thousand hectares in the respective years.

2.21 On the contrary in Kerala in the last one decade, there has been a continuous and considerable decline in both area under cultivation as well as production of cashew. Its alarming to note that the production which stood at 60 thousand MT in 2004-05 declined to 37.9 thousand MT in 2012-13 and to 33.3 thousand MT in 2013-14. While area dwindled from 81 thousand hectares to 52 thousand hectares and to 49thousand hectares during the same period Productivity of the crop which was around 900kg per hectare during the late eighties also dwindled to 680 kg per hectare in 2013-14 Details are given in **Appendix 2.9**.

2.22 Area and production are increasing steadily in other producing states in the country. Eventhough the major share of area under cashew comes from Andhra Pradesh (18.3%), Maharashtra is the leading producer with 32.9 percent share in production during 2013-14 whose share was only 10 per cent in 1990-91.

Plantation crops

2.23 Plantation crops in general are either export oriented or import substituting and therefore assume special significance from the national point of view. It is estimated that nearly 14 lakh families are dependent on the plantation sector for livelihood. Each of the four plantation crops of South India has its distinct characteristics and economic problems. Consequent to the removal of quantitative restrictions on import, plantation crops in general are facing the threat of low quality imports.

2.24 Kerala has a substantial share in the four plantation crops of rubber, tea, coffee and cardamom. These four crops together occupy 7.04 lakh ha, accounting for 26.88 percent of the gross cropped area in the state. Kerala's share in the national production of rubber is 72.02 per cent, coffee is 22 per cent and 6.3 percent in tea during the year 2013-14. Details are given in **Appendix 2.10**.

Rubber

2.25 India produced only 8.44 lakh tonnes of natural rubber (NR) during the year 2013-14, significantly lower by 69.7 thousand tonnes from 9.13 lakh tonnes in the previous year.The severe summer in Kerala during April and May 2013, interruption of tapping caused by unusually continuous monsoon and loss in yield due to leaf diseases contributed to the severe fall in production. Moreover, low rubber prices and high wages have compelled small holders to reduce application of inputs and adoption of recommended farm management practices. Consequently, the average yield measured in terms of production per hectare of yielding area declined during the year to 1629 kg from the previous year 1813 kg . Although yielding area expanded during the year by 14000 ha it could not fully offset the decline in production resulted from the low average yield. The consumption of natural rubber though sluggish was higher than previous year. As a result India imported 325.2 thousand tonnes of natural rubber during 2013-14 significantly higher than 217.4 thousand tonnes in the previous year. It was not different in Kerala also, as the total production dwindled from 798940 MT in 2012-13 to 648220 MT in 2013-14 despite an increase in area of 1.6 per cent in 2013-14.

Details are given in **Appendix 2.11 to 2.13.**

2.26 With regard to rubber prices, it has been volatile in both the national and international markets. Driven by concerns about domestic availability of NR against the backdrop of the unusually severe monsoon rains in Kerala , the domestic market (RSS 4 at Kottayam)sharply rose from ₹ 167.5 per kg at the beginning of the year (1 April, 2013 to touch ₹ 196.0 per kg in mid July 2013 with short lived dips in between . However prices fell sharply beginning from mid August 2013 to hit ₹ 142 per kg on 30 January 2014. After a marginal recovery, it ruled around ₹ 150 per kg by 31 March 2014.Also its interesting to note that the domestic market ruled above the international markets throughout the year with very few exceptions.

2.27 The declining rubber production in the year has affected India's ranking internationally as it has been pushed to the fifth position with countries like Vietnam and China occupying the third and fourth position respectively. Thailand continues to be the top producer followed by Indonesia in the second spot in the global rubber scene.

2.28 The declining price of rubber is a cause of concern. A revival of rubber prices is expected consequent to the revision of import duty and other measures announced in 2013-14 by Government of India. However, to a large extent the price depends on global supply and demand of natural rubber and the price of synthetic rubber.

Coffee

2.29 Domestic coffee production for the year 2013-14 was estimated at 304.5 thousand tonnes which represents a decline of 13.7 thousand tonnes compared to the previous year. The long period of drought followed by extremely harsh monsoon coupled by the onslaught of White Stem Borer (WSB) disease led to this drastic decline in the crop. As per FAO estimates, yield in India is 837.8 kg per hectare much below Vietnam (2187.9 kg per hectare) and Brazil (1256.7 kg per hectare). Interestingly, a comparison of the productivity levels in 1971 vis –a vis 2011 suggests that India (-2.75) and Indonesia (-13.15) are the only two countries who have reported a decline in yield levels in last 40 years. Lower productivity in India is due to limited mechanization, pest infestation, and labour shortage.

2.30 With regard to Kerala the production of coffee registered a slight decline from 68175 MT in 2012-13 to 66645 MT in 2013-14. The share of Kerala in total coffee production in the country is around 22 per cent during the year. Major variety grown in Kerala is Robusta with a share of 97.1 per cent in planted area. Productivity of the crop in terms of bearing area in Kerala is 808 kg/ha which is lower than the national level of 852 kg/ha during 2011-12. Among the States, Kerala stands next to Karnataka which produces 70.4 percent of total coffee production.

Tea

2.31 As one of the largest tea producing countries, India accounts for 24.8 percent of the total world production. In 2011, domestic tea production breached the one billion mark and was placed at 1126.3 mkg.

2.32 Kerala accounts for 5.03 per cent of the area and 6.3 percent of the total domestic production of tea in the country and it has been consistently falling for the last three years. There was some respite from this in 2012-13 as tea production recorded an increase of 5059 MT as compared to the previous year despite a decline in area of 18 per cent , mainly on account of increase in productivity. In 2013-14, there has not been much change in the area production and productivity of tea from the previous year. Details are given in **Appendix 2.14.**

2.33 The major issues plaguing the tea industry are stagnant productivity, acute labour shortage, high cost of machines, and lack of indigenous machinery.

Cardamom

2.34 India is the second largest producer of small cardamom and plays an important role in the international trade of cardamom . Cardamom production in the country during 2013-14 was estimated at 14.5 thousand tones compared to 14 thousand tonnes in 2012-13, an increase of 500 tonnes. Cardamom prices has dropped during 2013-14 to 692.54 per kg. As a result the exports recorded a drastic decline of 52 per cent in 2013-14.

2.35 Meanwhile in Kerala, cardamom production has increased 36 per cent despite a decline in area of 4.5 per cent .

Collective farming through Kudumbashree

2.36 Collective farming is an important area of Kudumbasree which aims at food security both at household and community level. The major crops cultivated are paddy, vegetables, banana, pineapple and tubers. In 2013-14 area brought under cultivation of paddy was 15078.60 ha, vegetables contributed to 12555.60 ha and 22476.20 ha of area was covered by other crops (banana, pineapple and tubers). Details of area covered are depicted in **Appendix 2.17**. More hand holding support including facilitation with banks and technology support are essential for improving livelihood of the women groups involved in farming.

International Year of Soils

2.37 UN has declared 2015 as the International Year of Soils .The current rate of soil degradation threatens the capacity to meet the needs of future generations. The promotion of Sustainable soil and land management is central to ensuring a productive food systems, improved livelihoods and healthy environment. Soil is a non renewable resource ,its preservation is essential for food security and our sustainable future. The key objectives and key activities proposed in the international year are shown in Box 2.1 below.

Box No: 2.1
International Year of Soils –Healthy Soil for Healthy Life

Key Objectives:

- To create full awareness of all stakeholders about the fundamental role of soils in human life.
- To achieve full recognition of the prominent contributions of soils for food security and nutrition, climate change adaptations, effectual ecosystems services
- To promote effective policies and actions for the sustainable management and protection of soil resources
- To sensitize decision makers about the need for robust investment in sustainable soil management activities to ensure healthy soils
- To advocate rapid enhancement of capacities and systems for soil information collection and maintaining at all levels

Key activities proposed

- Mainstreaming soil issues into various events
- Winter/Summer schools to deal with different and regionally specific aspects of soils
- Regional demonstrations /workshops of suitable soil conservation practices in degraded
- areas.
- Regional pilots for restoration of degraded soils
- Compost trials in public places to demonstrate the importance of soil organic matter and the use of residues
- Farmer field schools on soil health management
- Demonstration , campaigns, conferences, exhibitions release of postage stamps
- Production of movie on soil management
- Promotion of simple kits for assessing the status of soils to be used by farmers
- Initiation of soil doctors programme

Source: FAO 2014