

Shaping the Future: An Alternative Economic Report of Kerala

Methodological Framework

The economy of Kerala is undergoing a critical transition in the coming years, facing significant challenges in public finance management. These include a steadily rising public debt, the competing demands of a welfare state model, growing strains on fiscal federalism, and increasing private debt at the grassroots level.

For decades, Kerala's economic growth has been largely driven by remittances from expatriates working across the country and abroad. Since 1987, this remittance-fueled growth has transformed Kerala from a predominantly agrarian economy into one dominated by the service sector. Over the past three decades, the private sector has expanded primarily in retail, financial services, real estate, tourism, private healthcare, private education, and select areas of manufacturing. This economic transformation has also led to a rise in societal aspirations and a surge in construction activity across the state.

The construction boom has, in turn, increased the demand for natural resources and a growing need for unskilled and semi-skilled labor. Consequently, Kerala has witnessed a steady rise in migrant labor from other states, now estimated at around 3.5 million, constituting approximately 10.5% of the population. Alongside economic expansion and the growth of the consumer sector, consumption has increasingly become a marker of socioeconomic status.

The reliance on loans for house construction and status-driven consumption—such as home appliances, cars, and bikes—has risen significantly. Additionally, the high cost of private healthcare has forced many families into new cycles of debt. The widespread use of educational loans has further contributed to the growing burden of private debt.

Moreover, the increasing trend of young people leaving Kerala in pursuit of higher education in cosmopolitan settings or employment opportunities outside the state and abroad have accelerated the outward economic flow, further impacting Kerala's financial landscape.

All these factors have significantly transformed the economic and ecological geography of Kerala. The state's ongoing demographic transitions will have far-reaching economic implications. In the coming years, Kerala's remittance-driven economy may face new challenges, particularly due to a potential decline in remittances from regions such as Europe, the USA, and elsewhere.

Additionally, Kerala's rapid urbanization presents several challenges, including waste management, climate change adaptation, and disaster risk reduction. The state's fragile

ecosystem is also undergoing profound changes, with disruptions to wildlife habitats caused by shifting weather patterns, increasing the vulnerability of its biodiversity.

In this context, it is crucial to assess Kerala's economic and ecological transitions to enhance resilience and sustainability. This requires a strategic shift in policy paradigms and priorities, ensuring that both the economy and ecology are equipped to navigate emerging challenges and foster long-term stability.

Objectives

1. **Macroeconomic Trends Analysis** – Examine Kerala's macroeconomic trends over the past decade, with a particular focus on public finance, the remittance-driven economy, the private sector, and the structural composition of the economy (primary, secondary, and tertiary sectors).
2. **Microeconomic Tendencies** – Analyze household income patterns in both urban and rural areas, assess household debt, and evaluate the state of the private economy, including the retail sector, small businesses, and micro-enterprises.
3. **Inward Migration and Economic Implications** – Study migration patterns into Kerala and their impact on the local economy.
4. **Outward Migration of Youth** – Assess the trends and economic consequences of young people migrating out of Kerala for education and employment.
5. **Local Governance and Finance** – Evaluate the financial health and sustainability of local governance structures in Kerala.

Methodology for the Study

1. Macroeconomic Analysis (Secondary Data Collection)

- Gather and analyze existing secondary data sources to assess macroeconomic trends.
- Sources will include budget data, economic surveys, census data, research studies, media reports, and policy analyses.
- This will provide insights into Kerala's public finance, remittance economy, private sector dynamics, and structural shifts in the economy.

2. Microeconomic Analysis (Case Study Approach)

- Conduct 17 representative case studies across 10 districts of Kerala.
- Selection of study areas: 7 panchayats, 7 municipal areas, and 3 corporation areas to ensure a diverse economic representation.
- Collaborate with colleges in various districts to conduct these case studies.
- Deploy 30–40 trained young graduates/postgraduates to conduct field research.
- Use a structured questionnaire to interview:
 - ◆ Households (to assess income, consumption, and debt patterns)
 - ◆ Panchayat officials (to understand local governance finance)
 - ◆ Kudumbashree members (to analyze grassroots economic trends)
 - ◆ Migrant workers (to assess their economic contribution and conditions)
 - ◆ Students (to understand the impact of outward migration)

3. Regional Consultations

- Organize regional consultations across Kerala.
- Engage experts, civil society organizations, and policymakers to gather qualitative insights and recommendations.

4. Specific Sectoral Case Studies

- Conduct in-depth case studies on:
 - ◆ Private sector and startups (to understand business trends and innovation)
 - ◆ Agriculture sector (to evaluate its role in Kerala's evolving economy)
 - ◆ Other critical industries influencing Kerala's economic landscape.

All collected data will be analyzed using a **triangulation methodological approach**, ensuring accuracy by cross-verifying findings from multiple sources. Currently, no comprehensive report integrates both macro and microeconomic analyses of Kerala's economy, making this study a significant contribution.

This report will offer a holistic understanding of the social, economic, and ecological challenges facing Kerala. As an independent civil society report, it will not only present an in-depth analysis but also provide an evidence-based policy framework to guide the transformation of Kerala's economy, ecology and society.

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