

# The kerala model of development economics essay



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Sustainable development is a pattern of resources use that aims to meet human needs while preserving the environment so that these needs can be met not only in the present, but also for the future generation (WCED, 1987, p. 43).

## Introduction

Kerala has become a model for social development with limiting improvement in an industrialisation sector. Furthermore, Kerala has undermined the broadly accepted idea that the improvement in the standard of living of people can only be achieved after the successful, rapid and steady economic development. Kerala Model of Development took on the theory that economic growth is the only way to meet basic needs of people in poverty, to raise them above poverty, and generate employment. (World development vol. 29, no 2, pp. 601-617, 2001 The new kerala model: lessons for sustainable development rene veron). What's more, Kerala Model of Development improved and extended basic education, introduced better health care and land reform, as well as access to better social security in terms of pension and employment rights. These achievements come without huge investments in economic growth. Kerala has 33 millions populations and is consider as one of the poorest countries in the world. The gross domestic product per capita is just \$1, 000 a year -some \$200 less than the Indian average. Yet life expectancy in Kerala is 72 years, which is closer to the American average of 76 and above the Indian average of 61. Kerala's infant-mortality rate is among the lowest in the developing world. It is estimates that the infant mortality rate in 1999 was 17 per thousand against an Indian average of 79 per thousand, and around half of in China, and

lowers than that in far richer countries such as Argentina. Population is too under control in Kerala. The fertility rate is just 1.7 births per woman — lower than in Sweden. The fact is that Kerala is also socially and politically different from the rest of India. While the other states in India refashioning itself in the image of western lifestyle and economy, Kerala remains a communist state with very strong influence of trade unions, and more or less centralize politics. Also Muslim and Christian minorities co-exist peacefully with Hindus, which make this state outstanding of all India. On the other hand despite large capacity of natural resources, Kerala suffers from lack of the industrial investment from international and Indian companies, mostly for fear of the state's difficult trade unions, pro-union courts, and high minimum wages. As a consequence Kerala has the highest unemployment rates among Indian's state. It is estimates that in 2003 unemployment were as high as 25 percent ( K. C Zachariah 2005 p. 21). In addition, Kerala has large budget deficits. According to Karala's budget report from 2005 country debt was Rs. 41, 878 crore, which was 39.1 percent of the Gross State Domestic Product (GSDP)

One of the main successful stories of Kerala's development is education. Kerala has been able to reduce the regional and gender gaps in education, literacy and enrolment at all level of education. More than 94 percent of the rural population has access to primary schools within a distance of one kilometre, while 98 per cent of population has got one school within a distance of two kilometres. Furthermore 96 percent of the population is served by an upper primary school within a travel distance of 3 kilometres and one-fourth by a secondary school within 2 kilometers. Nearly 98 percent

of the rural population has the facility for secondary education within 6 to 8 km (Najith Kumar, K. K. George, 2009, p. 55). Also facilities of higher education and technical education are accessible to rural students in reasonable distance. Another aspect of Kerala's education system is presents of the non-formal education institutions, which are offering courses. Interesting fact is that Kerala's student's counts on one- fifth of the whole population. Also the education system employs 18 percent of the population. The number of teachers is equivalent to about 50 per cent of the total number of workers in the registered factories. The reasons laid on the government no- fees policy for primary and secondary education, as well as low fees for the higher education and technical education institutions. Additionally, easy and highly subsidised transport system for students, especially from rural areas, makes the education more affordable. In addition Kerala has been able to achieve gender equity in education system. Nearly half of the students in lower primary classes are girls. The female literacy in Kerala at 86 per cent is far above the all-India rate of 39 percent, and as high as in many developed countries. For example in China the female literacy is 93 percent placing Kerala in close position considering the country population.

<https://www.cia.gov/library/publications/the-world-factbook/fields/2103.html>

On the other hand, rural female literacy rate in Kerala is higher than every individual province in China (Amartya Sen, 1994T 2. pdf).

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Furthermore, the number of girls entering education, except technical and professional education, is much higher than the boys (p. 38 2pdf).

Education contributes in many ways to Kerala development. Particularly women's education has played important role in declining the mortality rates. Educated women are better able to take charge of their lives. For example, the typical Kerala's woman gets married at the 22 age, compared to 18 in the rest of India. On an average, women with at least an elementary education give a birth to two children less than uneducated women. What's more, they also want a good education for their children, particularly their daughters.

On the other hand, despite progress in gender equality in education, violence against women increases particularly domestic violence. A study conducted by INCLIN and ICRW on domestic violence in Kerala found that as high as 62.3 percent of the women in Kerala are subjected to physical torture and mental harassment as compared to 37 percent and 35.5 percent at the national India level. (ICRW 2002). There are increasing reports of dowry related violence, rape and other abuse against women in Kerala (Women's Commission, 1999). This is followed by reports of poor mental health with increase of the cases of depression found among the women. The other notable aspect of Kerala's gender equality is little participation and representation women in politics, political parties and the trade union. Out of 144 seats in the State assembly, the number of women has never been more than 13, what is 10 percent of the all states. (Sakhi women resource centre, The situation of women in the state: the gender paradox).

Questions are being raised whether public and private expenditure to sustain educational activity on such a massive scale has really generated returns in terms of economic development and employment generation. Definitely it generated in human development.

The fact is that service sector including education is the fastest growing sector in Kerala economy. Its share improved steadily from 36.4 percent in 1980-81 to 40.1 percent in 1990-91 and further to 45.4 percent 1997-98 (EPW Research Foundation, 2003).

Second, the biggest achievement of Kerala Model of Development is control of the population growth. In the seventies, the growth rate in population declined from 2.33 percent in the sixties to 1.76 percent. In the eighties the growth rate in population comes down to 1.34 percent. In the nineties it was just 0.91 percent. Birth rate had come down from 25.0 during 1974-80 to 20.3 during 1984-90 and to 17.1 during 1994-2001. S Irudaya accented that the Total Fertility Rate declined from 2.9 to 2.0 and to 1.7 during this period (S. Irudaya Rajan and Sabu Aliyar, 2004). It had impact on family transition, the number of children in a household. "The two-child family is the social norm here now," said M. N. Sivaram, the Trivandrum-capital of Kerala-representative of the International Family Planning Association. "Even among illiterate women we find it's true. When we send our surveyors out, people are embarrassed to say if they have more than two kids. Seven or eight years ago, the norm was three children and we thought we were doing pretty well. Now it's two, and among the most educated people, it's one." (Dynamics of Change in Kerala's Education System: The Socio-

economic and Political Dimensions K. K. George Parvathy Sunaina Working paper No. 12 ).

Also according to current data, the expectation of life at birth of males is 71. 2 years, against an Indian average of 59. 1 years, and the expectation of life at birth of females is 73. 7 years, against an Indian average of 60. 4 years. Kerala's access to affordable health care and education has huge impact on birth and mortality rate of the population. Birth control is widely accessible. There is a dispensary every few kilometres where IUDs and other forms of birth control are freely available. The health clinics provide cheap health care for children, programs for mothers like breast-feeding, and a state-supported nutrition program for pregnant and new mothers. For example, more than 95% of Keralite births are hospital-delivered what place Kerala among developed countries.

Kearla Model of Development shows also improvement in living conditions. According to K. R Nayar 47 per cent of the rural population and 74 per cent of the urban population are covered by protected water supply. The dependence on surface water for drinking is less than one per cent in the state. More than four- fifth of the people have access to water supply within their own premises. The share of people who have to travel for more than half a kilometre for drinking water is just 1. 7 per cent in the rural areas and 0. 4 per cent in the urban areas (K. R. Nayar, 1997).

Important factor to Kerala's social development was land reform, which completely transformed landownership system, and ended janmi system. It also protected tenants, and ended system of rack-renting. It shifted house

and land ownership to poor families. Furthermore, in 1989 the government initiated the group-farming program, which provides families with financial and technical assistance. The program was expected to be a key to reduction of production costs and raise efficiency of paddy cultivation. But despite this it seems that Kerala's agriculture is today neither a life activity of the families nor a important economic activity, except for a limited number of plantation crops, and rubber. The radical changes in Kerala's agrarian economy have also led to transformations in the nature of agricultural activities, employment, and lifestyles. Firstly, today the average farmer in Kerala is not engaged personally in most agricultural activities. Secondly, a substantial number of farming families have non-agricultural sources of income. Instead the income comes mainly from abroad remittance or employment in Kerala's highly occupied service sector, like education, public sector, etc. Secondly, agricultural, traditional economic activities, like small fishing businesses, are no longer seen as an economically virtual provider of income, an adequate return of investment. Thirdly, the existence of labour shortages together with high unemployment raised the perception that these jobs are economically worthless. Final and probably more important aspect is the low status of irksome jobs, which it seems to be no longer culturally desirable option for a young and educated generation. As a consequence land in Kerala doesn't have value for an agricultural use, but only for residential needs and as an indicator of social position, as well as a resource of the safe investment. It seems Kerala agriculture does not contributing in major way to the country economy. The share of agriculture in NSDP has come down from 39. 1percent in 1980-81 to 35. 7 percent in 1990-91. It came down further to 30. 6 percent in 1997-98



and still dropping down (Pillai N. India 05 p. 28 -31). The state is heavily dependent on imports for meeting its food requirements in addition some traditional occupation in agriculture is disappearing due to lack of interest and market competition. For example an occupation of coconut-picking is abounded from agriculture. Rashied, whose family was living from this profession from generation, said “ Not one of my sons or my brother’s sons or my sister’s sons has taken up the occupation of coconut-picking. In fact, there is not a single family in our community (caste) which has a son in this occupation. After all, climbing trees and picking coconuts requires hard physical work, not the game of tricking and hoodwinking, to which the new generation in Kerala has now become accustomed. An elderly coconut picker and a life-long activist in the Communist Party of India commenting on the severe shortage of coconut pickers”. (Interview with the author, 1994).

## **The Perils of Social Development without Economic Growth: The Development Debacle of Kerala, India**

**By Joseph Tharamangalam**

In terms of development infrastructure like transport, telephone line banking system Kerala made the leading place among Indian states. The banking system, particularly growths study mostly thanks to Gulf remittance. Between 2000 and 2001 Kerala had 9, 8 banks per 100-sq km of area, much above all India 2. 1 per 100-sq km. Investment in communication system brought Kerala to the leading state in India. In 2002, Kerala’s telephone concentration was 85 per 1000 population, within 71 in the rural areas. In addition, Kerala’s transport, which has huge impact on population accessibility to education and health care, shows impressive growth. On the

other hand, power sector suffers on improvement. For egzample, in 2001 only 70, 2 percent of rural household had complete electrification (Pillai N. India 05 p. 28 -31).

The fact is that Kerala Model of Development have not improvement or little in others development indicators. For example, Kerala's Model is failing in creating job Market. Unemployment is very high. Though there was growth in NSDP during the nineties, it was actually a jobless growth. The employment stretch for Kerala for the period 1993-94 to 1999-00 was the lowest among the major states in India. While the Gross State Domestic Product (GSDP) of the State grew by 5. 5 percent per annum during this period, employment grew by just 0. 7 percent. As a result, unemployment rate of Kerala increased from 15. 5 percent in 1993-94 to 21. 0 percent in 1999-2000. The rate of unemployment in Kerala was almost three times the all India rate. (The Economic Survey, 2003-04). Unemployment problem in Kerala is largely a problem of the educated population More than one-fourth of the rural educated and one-fifth of the urban educated were unemployed in the State. Unemployment rate among the educated persons above fifteen years was much higher than the rate for the general population in this age group. The problem was much more acute among educated women. Nearly half of the educated women in the rural areas were unemployed. In the urban areas, more than 40 percent of the educated women were unemployed (B. A. Prakash and M. P. Abraham, 2004). Also work seekers in 80 percent had qualifications of SSLC and above. The proportion of this category of work seekers was increasing in the nineties (Economic Review, 2003). Among the professional and technical work seekers, the largest group was that of ITI

certificate holders (68.5 percent). The next significant group was that of diploma holders in engineering and technology (23.9 percent). The growth in unemployment among the educated is not surprising as the employment in the organized sector grew only by 7.7 percent between 1990 and 2002. The public sector employment showed only marginal increase during the above period (1.6 percent). Though growth in private sector employment (15.3 percent) was relatively high, it was inadequate to offset the near stagnation in public sector employment.

The increasing unemployment of the educated group rises the question if is any point in government spending more funds on education, which leads only to higher unemployment. Instead Kerala government should spend more investment on creating for them job market and create education structure according to the market needs.

On the other hand, despite large scale unemployment particularly among the educated population, the private demand for higher education has been increasing. It seems that high unemployment and competition among qualified population looking for jobs has led to the upgrading qualifications standards. Higher skills and qualifications, or even escalation of qualifications, are seen as a securing future job. Easy access to the higher educational institutions, affordable school fee and the low transportation cost made it possible. Another factor that increases the demand for higher education, despite low rate of employment among educated people, is the relatively lower waiting period and higher compensation for better-qualified candidates (E. T. Mathew, 1995).

Even though Kerala has a large unemployment, this region is still an economic migration for many unskilled, semi-skilled and skilled labours, mostly from neighbouring states like Tamilnadu, Maharashtra, Orissa or West Bengal. The migrants are replacing Kerala's own leaving population on a hunt for work abroad.

The way, which Kerala deals with the unemployment and lack of industrialisation is economical migration of its population. According to K. C. Zachariah " Migration has provided the single most dynamic factor in the otherwise dismal scenario of Kerala in the last quarter of the 20th Century. It is one of the positive outcomes of the Kerala Model of Development. In Kerala, migration must have contributed more to poverty alleviation than any other factor including agrarian reforms, trade union activities and social welfare legislation" (K. C. Zachariah, E. T. Mathew and S. Irudaya Rajan, 2000). The number of Kerala emigrants to other countries looking for a job increased from 230, 740 in 1982 to 637, 103 in 1992 and to 1,844, 023 in 2003. The annual remittances from the emigrants increased from Rs. 13, 652 crores in 1999 to Rs. 18, 465 crores in 2003 and still rising. The remittances to Kerala from its emigrants to other countries alone were equivalent to 22-25 percent of NSDP (K. C. Zachariah and S. Irudaya Rajan, 2004). The remittances had made tremendous impact on income distribution among regions, communities and religious groups, as well as made impact on poverty reduction. Today Kerala's economy is linked more to countries outside particularly to the Gulf countries than to some of the regions within the country. Both the labor markets abroad and the remittances of the emigrants have influenced on Kerala income. Average annual remittances

ranged from Rs. 536 crores during 1980-85 to Rs. 10,835 crores during 1995-2000. As a percentage of the State Domestic Product (SDP) remittances constituted, on an average, around 11 percent since early eighties to the early nineties (till the end of the fixed exchange rate system). During the nineties it increased to around 21 per cent (K P Kannan, K S Hari 2000).

Today Kerala economy structure rely mostly on remittance. The share of agriculture in NSDP has come down from 39.1 percent in 1980-81 to 35.7 percent in 1990-91. It came down further to 30.6 percent in 1997-98. The share of industry also came down, though only marginally. Its share came down from 24.5 percent to 24.2 percent and further to 24.0 percent during the period. Service sector was the fastest growing sector in Kerala economy. Its share improved steadily from 36.4 percent in 1980-81 to 40.1 percent in 1990-91 and further to 45.4 percent 1997-98 (EPW Research Foundation, 2003).

## Conclusion

Kerala's development achieved major success in human development like minimum social security, food security, minimum gender differences in education, as well as easy and affordable access to health care. Also significantly, Kerala distributed all the achievements relatively equally across urban-rural areas, between men and women, and low caste-high caste populations. In this respect Kerala does better than the rest of India, and some of developed countries. The existence of subsidised education has provided a fair degree for all social groups. On the economic front too, there

has been great achievements in laying out transport and communication, banking system. On the other hand, Kerala Model is failing in providing equality between women and man in terms of jobs and wage rate. But the biggest flaw in this model is creating high unemployment, especially among educated population. Investing only in education sector without creating job market placed Kerala among country of great risk of floating high skills population out of the country. The increasing unemployment of the educated rises the question if is any point in government spending more funds on education, which leads only to higher unemployment. Instead Karalla government should spend more on investment at economy, agriculture, and industrialisation. Especially that economic migration to Gulf, high source of the state romances, facing the major competition from much cheaper labour from others poor Asian countries. Until now the remittances contribute to inflation, but do not help to resolve the fiscal problems. Furthermore it seems the human development could raise duo to Kerala's history, and also mainly staying on the communist road of the politics. Communist government put more investments on social sectors like education and health neglecting mostly industry, and except land reform, agriculture. Another aspect of the success of the model is the Kerala economy exists and functions as an integral part of the Indian economy and politics. Next aspect which should Karalla government deal with is that in a changing India, doing business is increasingly important and strong union and lack of flexibility makes impossible to invest by international corporation. As economic liberalization takes place in other states of India and tariffs are being lowered, as well as subsidized economy ended by turning to free-market enterprise and wooing multinational industries Kerala seems to be less

attractive for potential investors. Kerala does suffer from great fiscal deficit perhaps the problem laid down to a generous minimum wage; one of the best distribution systems in the country, leading to a network of shops that sell everything from rice to batteries at subsidized prices; and a land-reform program.

Definitely Kerala has been transforming itself from extremely poor state, ridden with caste and class conflicts and burdened by high birth, infant-mortality, and population growth rates into social-democratic state with low birth, and high level of literacy. But in terms of present economical situation the social development could be challenging to sustain steady.

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There is a high road of development where it is possible to have growth with poverty reduction through job creation, reduced inequality including gender inequality and sustainable social development. The possibility of success of this growth depends on the kinds of jobs one creates. It also depends upon making, strengthening and improving policies based on gender equality for social developments. Sri Lanka has not done very well in this path, by way of growth. It is seen that in this path there is growing inequality, worsening gender indicators, and the potential for worsening social development.

if social development does not generate growth and employment opportunities, what will be the major implication of such a situation which can even create an explosive situation. The development experience of Kerala poses many challenges for the development of Kerala in the new millennium." (jacket)

<http://www.vedamsbooks.com/no55611.htm>

That social development becomes un-sustainable without economic growth, and over time can limit whatever further improvements may be possible.

Strong social development by itself does not lead to high economic growth. Poor economic growth may limit whatever social development Kerala has achieved and whatever future social development could be necessary

High social development can actually limit the further capacity for poverty eradication and growth. This is because the focus is on social development without adequate attention to the issues of economic growth and there is the inability to use the resources effectively by paying sufficient attention to the requirements - inability because you are not paying attention to the requirements and possibilities of economic growth itself. There is no attention being paid to the possibilities created by the social development itself and the resources thus created. For example, Kerala is relatively slow in recognizing the potentials of a relatively highly educated labor force beyond sending them out as migrants. Another example may be really to recognize or to take advantage of the fact that Kerala is one of India's major places of Ayurveda, which is becoming a major global industry in the context of biotechnology. So the inability to see Kerala's own resources, potentials, possibilities as well as the risks of not paying attention to the situations comes from an approach which does not sufficiently pay attention to the problems of economic growth.

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## **Development and quality of life can't always be measured purely in economic terms. The Indian state of Kerala is a case in point**

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