



## **EMIGRATION AND REMITTANCES - A STUDY ON KERALA ECONOMY**

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### **Abstract:**

*Keralites have been migrating to other States in India and to other countries for several decades in search of employment. There are over 20 million emigrants around the world; India is the biggest NRI community and largest recipient of international remittances in the world (World Bank 2015), among the Indian States, Kerala rank first in terms of both. Remittance behaviour is affected by multiple interlocking factors including age, education, duration of stay, wages, migrant status, working/living conditions, motive for remitting, size of household etc. This article analyses the educational attainment of the emigrants and the impact of remittances to the economic development in Kerala.*

**Index Terms:** Emigration, Remittances, Profile of the Emigrants & Economic Development

### **1. Introduction:**

The International migration is a movement of people that transcends the national boundaries. The term emigration is normally used to connote out-migration across the international border and someone who moves out of a territory is known as emigrant. Approximately one in seven people today are migrants: 232 million people are international migrants, or 3.2% of the world population (Marzia Rango 2014), 57 million more than in 2000. Globally, there were 232 million international migrants in 2014. Kerala, which is the largest remittances receiving state with 24 lakh expatriates, received Rs 71,142 crore in 2014, and is expecting around Rs 85,000 crore in 2015, according to an estimate.(The New Indian Express,16/12/2015). These remittances highly influenced by the nature of the emigrant's employment and resulting inflow of large volumes of remittances have significant influence on Kerala's high social and economic development.

The number of Kerala emigrants living abroad in 2014 is estimated to be about 24.0 lakhs, up from 22.8 lakhs in 2011, 21.9 lakhs in 2008, 18.4 lakhs in 2003 and 13.6 lakhs in 1998 (KMS 2014). These numbers bring about a systematic growth in emigration from Kerala. Over the years, relatively large-scale and sustainable migration flows have linked Kerala to receiving countries in the Gulf and the Western world. These flows are the result of historic, cultural, demographic and political factors and recognized economic ties between Kerala and receiving regions. International Migration has become an increasingly important policy question for both developing and developed countries.

The total remittances to Kerala in 2014 are estimated to be Rs.71,142 crores. It was Rs 49,695 in 2011, and Rs.43,288crores in2008.Remittances per household were Rs 86,843 in 2014 compared with Rs. 63,315 per household in 2011 and Rs. 57,227per household in2008.(KMS 2014).

### **2. Review of Literature:**

There are various studies about emigration by researchers and economists and some of them are given below.

Clemens, Ozden and Rapoport (2015) examined that a selection of frontier migration and development research that instantiates the trends of human capital investment, global diaspora networks, circular or temporary migration, and the transfer

of technology and cultural norms are taken in a stylized way. This study presented into five sections, as introduction, global patterns of skilled migration, gender and migration, financial transfers beyond traditional remittances and migration and well-being. They explore a novel model in which migrants both have a clear saving target and choose migration duration to maximize lifetime utility. They derive conditions under which migrants might overshoot or undershoot the saving target, opening research avenues regarding the relationship between temporary migration and financial or real estate markets at the origin.

S.K. Sasikumar and Zakir Hussain's (2009) in-depth study focused on India's migration, remittances and development. This paper specifically aims to review the trends in flows and cost of remittances to India, analyze the temporal shifts in the composition of remittances and sources, examine the regulatory framework governing remittance flows and study the existing channels of transfer. This study based on the analysis of published data at the macro level and information obtained through Interviews and focused discussion with a range of agencies at micro level. They found that informal transfers accounts for a significant proportion of remittances being received by the state. Also observed that the important migrant sending states that a substantial amount of remittances and NRI deposit are being invested in human capacity development of migrant's kith and kin at home.

Zachariah and Rajan, (2012) examined the role of Kerala's Gulf connection in migration along with the geographic and religious aspects of migration. The study found a downward trend in migration and also observed that the origin of emigration and remittances from Kerala move towards the northern side of Kerala. Moreover, the study found that emigration from Kerala is dominated by Muslims who accounts for about 44.3 percent which is very much higher than their population (26.5 percent). The study also analyzed the macro impact of remittances and emigration and found that remittances accounts for about 31 percent of the state's domestic product. The state per capita income was only Rs.52000 without remittances which would be Rs. 68,000 if remittances were taken into consideration. The study also observed brain drain and its negative impact on the economy. One of the major observations of the study was that in recent years, the relatively better off persons emigrate and improve their income level and consequently emigration has resulted in income inequality. In addition, the study found that emigration from Kerala is experiencing a decline due to the demographic contraction of young workable age population, declining wage differentials between Kerala and the Gulf region, competition from other states in India and countries abroad and the rapidly increasing cost of emigration.

Prema A. Kurian, in her famous book "Kaleidoscopic Ethnicity" presented in fourth chapter as an overview of Middle Eastern migration from Kerala. The variety of ways it took place and some of its consequences. She also pointed out that even the studies that were not explicitly focused on community differences in migration patterns were still able to document some of these striking variations. It has affected about 23% of households and contributed up to 50% of the income of the state, should have a major impact on the economy, society, and culture of the state. These impacts were even greater in the high migrant areas where 60 to 90% of the households had participated in the migration at one time or another.

Stahl and Arnold (1986) made an extensive study about the impact of foreign remittances on the economic development of Asian countries. They analyzed the spending pattern of households and found that remittance income is mostly spent on food, consumer durables and housing and less likely to spend on investments.

### 3. Research Problem:

A good number of economically motivated young people all over the state were motivated to move in the direction of the oil rich countries in quest of their employment, and acquired further momentum through the liberal economic policies of countries of the Persian Gulf since 1970s. Overall, emigrants are better educated than the non-emigrants and relatively younger than the general population. In the context of continued failure on the agricultural front, stagnation in industrial growth and shortfall in employment opportunities resulting in awful unemployment among the educated youth in Kerala. The remittances constitute a major source of development revenue in Kerala. Workers remittances to Kerala are having a major impact on Kerala's economy. In this respect, the present study is relevant to analyze the educational attainment of the emigrants and the impact of remittance to the economic development in Kerala.

### 4. Objectives:

The specific objectives of the present study are:

- To examine the education level of the emigrants from Kerala to other countries.
- To analyze the impact of remittance of the emigrants to the economic development.

### 5. Methodology:

The study is based on secondary data. The data related to educational attainment and remittance of the emigrants collected from the Kerala Migration Survey Report 2014.

### 6. Results and Discussions:

#### Kerala's Emigration Profile:

Kerala is a state located in the south-west region of India on the Malabar Coast, bordered by Karnataka to the north and northeast, Tamil Nadu to the east and south, and the Arabian Sea to the west. Kerala's economy depends on emigrants working in foreign countries: mainly in the Persian Gulf countries such as the United Arab Emirates or Saudi Arabia, and remittances annually contribute more than a fifth of GSDP As of 2008. (Migration Survey Report 2013). According to the Kerala Economic Review 2014, the state has recorded a growth rate of 6.49 per cent in the last fiscal, which is above the national average (4.04) and the second highest among South Indian States. The service sector continues to dominate the Kerala economy which is heavily depended on overseas remittance. (Indian Express, 2015 April 29)

Table 1: Educational Attainment of the General population and emigrants population before emigration.

<b>Educational attainment</b>	<b>General Population</b>	<b>Emigrant population</b>
Below Primary	20.2	8.7
Primary less than 10 <sup>th</sup>	34.2	15.9
10 <sup>th</sup> but Less than 12 <sup>th</sup>	21.5	26.4
12 <sup>th</sup> but Less than Degree	13.7	23.7
Degree	6.3	12.6
Post-Graduation and Above	4.1	12.7
Total	100.0	100.0
Average years of Schooling	8.5	12.6

Source: KMS Report 2014

Emigrant population are better educated than the general population. For example, while only 45.2 percent of the total population (15+ years) have passed the 10<sup>th</sup> standard or have higher levels of education, as much as 75.1 percent of the

emigrants have passed 10th class or higher levels of education. Similarly, while only 12.2 percent of the total population have received a diploma or a degree or higher levels of education, 35.4 percent of the emigrants hold a degree or higher levels of education. The average years of schooling were just 8.5 years for the general population, but as high as 12.6 years for the emigrants. Emigrants are indeed better educated than the general population as evidenced by this snapshot of educational attainment.

### **Remittance to Kerala**

According to the Kerala Migration Report 2014, remittances to Kerala have continued to grow ever since Keralites started migrating to the Gulf region. Total remittances to Kerala during the 12-month period ending in March 1, 2014 were Rs 72,680 crores. This amount is about 46 percent higher than the remittances in 2011. These numbers indicate that the rate of growth of remittances has accelerated in recent years in spite of the slowing down of the annual increase of emigration from the state since 2008 (Shaju Phillip 2015). This shown in the following table.

Table 2: Year Wise Total Remittances to Kerala

<b>Years</b>	<b>Amount (in crores)</b>	<b>Annual rate of increase (in crores)</b>
1998	13,652	0
2003	18,465	963
2008	43,288	4,965
2011	49,695	2,136
2014	72,680	7,662

Source: compiled from CDS Kerala Migration Surveys

### **Impact of Remittances on Kerala's Economic Development:**

Remittances to the Kerala have a major impact on Kerala's economy. Remittances times the revenue receipt of the Kerala Government, 6.2 times what the state gets from the Centre as revenue were 31.23 percent of the state's net state domestic product (NSDP). The state's per capita income was Rs. 52,084 (2010), without taking into consideration remittances to the state, but it stood at Rs. 68,375 if remittances were also included. The macro economic impact of remittances on Kerala economy in between 1998 and 2014 is given in the following table.

Table 3: Economic impact of Remittances on Kerala Economy, 1998-2014

<b>Indicators</b>	<b>1998</b>	<b>2003</b>	<b>2008</b>	<b>2011</b>	<b>2014</b>
Remittances	13652	18465	43288	49695	71142
NSDP	53552	83783	140889	159144	196077
Per Capita Income	16062	25764	41814	52084	63491
Modified NSDP	67204	102248	184185	208839	267219
Revenue Receipt of Government	7198	10634	24936	31181	58058
Transfer from Central Government	1991	2653	7861	7982	14365
Government Non-Plan Expenditure	5855	9908	18934	22546	46639
State Debt	15700	31060	61653	78239	114121
Modified Per Capita Income	2015	731442	54664	67994	86180
Remittances as percent of NSDP (%)	25.5	22.0	30.7	31.2	36.3
Remittances as ratio of Revenue Receipt	1.9	1.7	1.7	1.6	1.2
Remittances as ratio of Transfer from Centre	6.9	7.0	5.5	6.2	5.0
Remittances as ratio of Government Expenditure	2.3	1.9	2.3	2.2	1.5

Remittances as ratio of State Debt	0.9	0.6	0.7	0.6	0.6
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Source: Kerala migration survey, Centre for Development Studies, Thiruvananthapuram  
Workers remittances to Kerala are having a major impact on Kerala's economy. Remittances were 36.3 percent of the state's net domestic product (NSDP). The state's per capita income was Rs.63,491, without taking into consideration remittances to the state, but it would be Rs.86,180 if remittances were also included. Remittances are 1.2 times the revenue receipt of the Kerala Government and over 5 times the amount the state gets from the Centre as revenue transfer. It is 1.5 times the Government's annual expenditure. It is 60 percent of the state's public debt. Thus remittances are a significant source of development income to the state.

### **7. Conclusion:**

Kerala Diaspora, the back bone of the Kerala economy, is the largest Diaspora of the country. Kerala Diaspora constitute mostly the people migrated to Middle East Countries in the wake of large scale commercial extraction of Oil fields in Arabian Peninsula and Gulf region during the 1960s. There has been a steady improvement in the average educational level of the emigrants. Impact of emigration and remittances on the development of the state is getting faster in recent years and Kerala state is fast becoming a developed one through the incoming remittances. Non-resident Keralites play a vital role in the development of the state. Their contribution to the development can be seen at family level, community level and state/country level.

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