**Short communication**

**Trends and Patterns of Migration Remittances in Kerala: An insight from Kerala Migration Survey**

**Abstract**

In Kerala, major chunk of state income obtained through migration and remittance. Remittance received by the state has manyfold socio-economic consequences. Remittance created important repercussions on the development variables like income, consumption, investment and regional development of the state. This paper verifies trends and patterns of remittance in Kerala by using Kerala Migration Survey (KMS) as prime data source. The study outlines the growth of remittance over years, regional disparities in remittance across districts, changing nature of migrant demography and income-consumption dynamics via remittances by employing various quantitative supports. The paper emphasizes on labour market vulnerabilities and sustainability of the development pattern of the state in the context of remittances.

*Keywords: Migration, Remittances, Skilled Migration, Regional Disparity, Kerala Migration Survey*

1. **Introduction**

Kerala, one of the southern states of India, basically depending on migration for the last six decades. Almost all the external migration in its earlier phases concentrated towards the middle-east, popularly known as Gulf Cooperation Council (GCC) countries. In the present context also, majority of the migrants targeted the gulf countries for their livelihood. As a result of the migration, remittance became significant source of income to the state’s economy. Historically, beginning of the large outflow of foreign migration, especially, towards GCC countries dates back to 1970s. The important driving force behind the mass outflow of employees were meagre domestic earnings, high domestic unemployment, stagnated domestic economy and comparatively better yields from abroad. In 2018, the total remittance received by the state was nearly 20% of the Gross State Domestic Product (GSDP) of the state (Kerala Migration Survey, 2018). In absolute terms, the remittances 1n 2018 approximately equal to ₹85,092 crore. This huge inflow of remittance significantly enhanced the family revenue, the standard of living and economic prosperity of the state

Over the periods, there happened tremendous changes in the migrant workforce. In the earlier phases of migration, majority of the migrants were unskilled and their movements meant to labour intensive activities. In the course of time, the nature of migrant workers evolved from unskilled to skilled or semi-skilled workers and more involved in capital intensive activities. Major catalysts behind the diversification and transformation of migrant workers were change demand for workforce in host countries, education revolution happened in Kerala and policy shifts altering mobility of labour especially, visa laws. Besides, pattern of migration from Kerala also visualized locational variations. Total number of migrants and predominant part of payments of the state were concentrated in certain districts like Malappuram, Thrissur and Kannur.

Foreign inflow of remittances has constructive influence on the state economy. At the same time, it also created some serious issues in Kerala’s economy such as economic vulnerability, spurt in land price and domestic labour shortages. The present work tries to delineate trends in migration remittances along with micro and macro effects of the payment on Kerala’s economic development by employing data from various Kerala Migration Survey. Apart from this, the paper also deals with certain adversity of the remittances like reinstatement of migrant returnees and long-term viability of remittance propelled economic growth. Finally, the work suggests certain policy recommendations for extracting the advantages of migration remittances for the economic development of the state in upcoming era.

1. **Data and Methodology**

The study mainly depends on secondary data sources and the data extracted from various Kerala Migration Survey (here in after KMS). The KMS administered by the Centre for Development Studies (CDS), Thiruvananthapuram with the cooperation of Government of Kerala. KMS offers extensive time-series data ranging from 1998-2018. The survey provides wide range of information regarding trends and patterns of migration, inflow of remittances, facts about return migrants, social and economic status of migrant households, and regional disparity in migration. To verify the trends in diaspora and inflow of remittances, the work utilizes statistical and quantitative techniques. The study employs trend analysis, patterns in regional disparity, regression analysis and migration flow projections. To maintain soundness of KMS data, it is re-validated with various secondary source information like RBI reports on remittance, migration data set of IBRD and reports from Kerala Economic Review.

1. **Trends in Migration and Remittances**
   1. **Growth of Migration Remittance**

**Foreign remittance as the part of migration played a significant role in Kerala economy**. Major chunk of the state population worked abroad for their livelihood and enjoyed a descent standard of living. As a result, inflow of remittance from foreign countries especially, from middle east goes on rising year after year. Total inflow of remittance to Kerala from 2003 to 2018 and compound annual growth rate over the period is presented in Table 1.

|  |  |  |  |
| --- | --- | --- | --- |
| **Table 1** | | | |
| **Remittance Inflows to Kerala (2003-2018)** | | | |
| Sl. No. | **Year** | **Remittance Inflow**  **(₹ Crore)** | **CAGR (%)** |
| 1 | 2003 | 43,288 |  |
| 2 | 2008 | 49,695 | 2.8% |
| 3 | 2014 | 71,142 | 6.2% |
| 4 | 2018 | 85,092 | 4.5% |
| *Source: K M S Reports (Various Years), CDS* | | |  |

The table shows that there was a consistent rise migrant remittance inflow to Kerala over the period. The total remittance inflow in 2018 was almost double than that of in 2003, that is the total remittance increased sharply from ₹43,288 crore in 2003 to ₹85,092 crore in 2018. The compound annual growth rate of remittance also exhibits a sharp rise in the payment throughout the period. But the rate of growth has mild variation over the period. Highest growth rate in remittance was in between 2014 and 2018. Comparing to this period, remittance growth rate was slower during the period 2014 to 2018. The reasons for the recent inconsistency in remittance were external factors such as financial vulnerability across world, volatility in petroleum prices, and emerging labour law reforms in middle-east nations. The marked deterioration in growth rate of remittance to 4.5% during the period 2014 to 2018 from the 6.2% growth rate between 2008 to 2014 was mainly attributed to the emerging indigenization labour policies of the destination countries. An indigenization policy adopted by the Saudi Arabia referred as ‘Nitaqat’ is a typical example which plummeted the job opportunities for external employees. In spite of all these hurdles, the state grabbed the top position as the highest remittance welcoming state in India. In 2018, the total remittance obtained by the state was roughly calculated as 19.5% of the Gross State Domestic Product (GSDP) of Kerala.

* 1. **Regional Disparities in Migration and Remittances**

However, the payment received to the state was comparatively higher, the distribution of the remittance received across the state was not desirable. Major chunk of the remittance inflow confined to certain northern districts of the state. At the same time, majority of the southern districts, some of the northern districts and hilly districts were received only negligible part of the remittance. District-wise remittance inflow along with the number of migrants and skilled migrants is presented in Table 2.

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **Table 2** | | | | | | |
| **District-Wise Remittance Inflows in Kerala (2018) in ₹ Crore** | | | | | | |
| **Sl. No**. | **District** | **Remittance Inflow**  **(₹ in Crore)** | **Percentage of Remittance** | **Number of Migrants** | **Number of Skilled Migrants** | **Percentage of Skilled Migrants** |
| 1 | Malappuram | 13,364 | 15.40 | 4,75,000 | 1,25,000 | 26.32 |
| 2 | Thrissur | 9,974 | 11.50 | 3,20,000 | 90,000 | 28.13 |
| 3 | Kannur | 8,832 | 10.18 | 2,90,000 | 80,000 | 27.59 |
| 4 | Kozhikode | 7,564 | 8.72 | 2,60,000 | 72,000 | 27.69 |
| 5 | Kollam | 6,872 | 7.92 | 2,45,000 | 68,000 | 27.76 |
| 6 | Ernakulam | 6,745 | 7.77 | 2,30,000 | 65,000 | 28.26 |
| 7 | Palakkad | 5,961 | 6.87 | 2,00,000 | 55,000 | 27.50 |
| 8 | Thiruvananthapuram | 5,832 | 6.72 | 1,95,000 | 52,000 | 26.67 |
| 9 | Kottayam | 4,628 | 5.33 | 1,60,000 | 45,000 | 28.13 |
| 10 | Alappuzha | 4,512 | 5.20 | 1,55,000 | 42,000 | 27.10 |
| 11 | Pathanamthitta | 3,947 | 4.55 | 1,40,000 | 38,000 | 27.14 |
| 12 | Kasaragod | 3,726 | 4.29 | 1,25,000 | 32,000 | 25.60 |
| 13 | Wayanad | 2,489 | 2.87 | 95,000 | 24,000 | 25.26 |
| 14 | Idukki | 2,312 | 2.66 | 85,000 | 21,000 | 24.71 |
| *Source: KMS 2018, CDS* | | | | | | |

The table shows the regional disparity of foreign remittances in Kerala. The table reveals that there was a wide range of regional disparity in Kerala in terms of remittance receipt. Highest percentage of remittance received to Malappuram district due to the large amount of migration from the district, especially to the Gulf countries. The total amount received in 2018 by the district was more than the total amount received by the lowest four districts. Thrissur and Kannur are the next highest remittance receiving districts in the state, while Wayanad and Idukki, two hilly districts of Kerala are the lowest remittance receiving districts. Wayanad and Idukki traditionally depends on agriculture and have limited access to migration networks. This is the reason for lowest migration and remittance in these two districts. The table exhibits that the first three districts were handling more than one-third of the total remittance in Kerala during 2018. In other words, top five districts of the table handle more than half of the remittance received in 2018, while other nine districts received only less than fifty percent of the remittance. This shows that there is large scale inter-district disparity in inflow of remittance in Kerala. Districts with largest number of migrants also reported largest number of skilled migrants. In this case also the leading districts are Malappuram, Thrissur and Kannur in absolute numbers. But, the proportion of skilled migrants to total migrants revealed thatthe urbanized districts like Ernakulam, Thrissur and Kottayam reported relatively larger share of skilled migrants.This pattern reveals that there is a positive transformation in labour migration of Kerala towards professionals and semi-skilled labourers.Thus, the inter-district data reveals the economic relevance of emigration in Kerala, particularly for northern and costal districts. The variation in skilled migrants across districts indicates the necessity of skill enhancement programs to exploit foreign job opportunities. Besides, special efforts is needed to the lower inflow districts either for enhancing advantages of migration or for dig out options for development.

* 1. **Evolution of Migrant Demographics**

The migrant workers from Kerala undergoes tremendous changes in labour composition over the last two decades. The early phase of migration from Kerala dominated by the unskilled workers. But, the number of semi-skilled or skilled workers were increasing in the later stages of migration. Growth of skilled migrants from Kerala from 2003 to 2018 is presented in Table 3.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Table 3** | | | | |
| **Growth of Skilled Migrants from Kerala (2003-2018)** | | | | |
| **Sl. No.** | **Year** | **Total Migrants**  **(in lakhs)** | **Skilled Migrants**  **(in lakhs)** | **Percentage of Skilled Migrants** |
| 1 | 2003 | 18.4 | 2.8 | 15.20% |
| 2 | 2008 | 21.9 | 5.1 | 23.30% |
| 3 | 2013 | 22.1 | 6.8 | 30.80% |
| 4 | 2018 | 21.2 | 7.4 | 34.90% |
| *Source: KMS (Various Years), CDS* | | | | |

The table shows that there is a sharp increase in the total number of migrants and the number of skilled migrants as well over the period. The maximum number of total migrants from Kerala was in 2013, then it shows a mild decrease in 2018. Meanwhile, the trends in skilled migrants deviated from the trends in total migrants, which exhibited a steady increase over the period. The proportion of semi-skilled or skilled migrants were more than doubled between 2003 to 2018. This consistent increase in skilled migrants was due to the upgradation in education, advancement in technical and professional education and labour demand shift in destination countries. Naturally, the increasing percentage of skilled migration has certain positive repercussions on financial and economic strategies, and man power development of the state. Increase in skilled migration positively correlated to man power earnings, which, in turn, enhanced per capita remittance inflows and adoption of sophisticated financial management. This has resulted in the transition of application of remittances from mere subsistence consumption level to more heterogenous investment. The pattern of investment consisted of business and entrepreneurial investment, accumulation of assets including real estate investment, and human capital investment through higher education. Thus, the increase in skilled migrants and resultant positive effects on the state economy justifies the relentless investment of the state government and private agencies in human capital.

1. **Socio-Economic Effects of Remittances**
   1. **Household Income and Consumption Patterns**

To assess the socio-economic effects of migration on income and consumption patterns, the households are classified into remittance receiving households and non-remittance households. Then a comparative analysis of these families has been conducted using Kerala Migration Survey data. Here, we compare and contrast expenditure of remittance receiving households and non-remittance households with regard to education, healthcare and housing. Foreign inflows significantly enlarged income of the remittance receiving households. This lead to enhance their accessibility to education and healthcare.

Kerala Migration Survey reveals that there was a 48% rise in household income of the remittance receiving families due to the external inflows. Consequent upon this, higher education investment of these families increased from 15% in 2008 to 29% in 2018. In view of the various Kerala Migration Surveys the remittance receiving households assign around 30 to 40 percent of their earnings for education and allied expenditure, while it comes merely 15 to 20 percent of the total earnings of a non-remittance household. As a result, the educational attainment and enrollment ratio, especially in professional education, is comparatively higher among remittance receiving families than that of non-remittance families.

Similarly, probability of attaining private healthcare services between remittance receiving and non-remittance households were also estimated using a binomial logistic regression by employing KMS data. In this case, access to private health care is the binary dependent variable and remittance reception is the binary explanatory variable. The estimated logistic regression shows that there is a statistically significant relationship between access to private healthcare and remittance reception, with a coefficient β = 0.223, p<.001. The model’s pseudo R2 = .18, which indicates that the determinant variable, remittance reception, has moderate influence on the variation in determined variable, the private healthcare access. The estimated odds ratio is 1.25, which implies that the probability for affording private health care services to the remittance receiving households are 25% more than that of non-remittance households. Moreover, investment in housing or home improvement between the two groups suggests that more than 60% of the remittance receiving households invested in this area, while it comes only 35% in case of non-remittance households.

The above facts together show that foreign remittance inflow acts as a critical catalyst in upgrading family well-being and overall standard of living of Kerala through improved education avenues, increased healthcare affordability and better living status and financial security.

* 1. **Investment Allocation**

According to the Kerala Migration Survey remittance inflow has a vital role in formulating investment strategy of Kerala. The major investment allocations consisted of real estate, tiny business activities and various financial assets. Here, proportion of the use of remittance inflows for consumption and investment purposes collected from a sample of remittance receiving families all over Kerala under Kerala Migration Survey. Information with regard to the distribution of remittance funds across various categories such as real estate, business investments, savings and consumption were gathered. Proportion of remittances allotted for different purposes is presented in Table 4.

|  |  |  |
| --- | --- | --- |
| **Table 4** | | |
| **Utilization of Remittances by Households in Kerala** | | |
| Sl. No. | Category | Percentage Use of Remittances by the Households |
| 1 | Real Estate (Land & Housing) | 45% |
| 2 | Small Business Investments | 20% |
| 3 | Financial Savings | 15% |
| 4 | Consumption (Education, Health, etc.) | 20% |
| *Source: KMS (Various Years), CDS* | | |

The table shows that highest proportion of remittance inflows allocated for investment in real estate business including land purchase and house construction. It comes nearly half of the remittance inflow of a household, while investment allocation for small business ventures comes one-fifth of the household remittances. The expenditure for consumption purposes, including education and healthcare were also considerable amount, which is also reported as one-fifth of the household remittances. The allocation of remittances reveals that the inflows have a significant role in asset formulation and entrepreneurial activities in Kerala. But, at the same time, heavy investment in real estate also led to sharp price hike in land asset so that many of the residents in the state could not afford land.

* 1. **Labour Market Effects**

One of the serious consequences of over reliance on the remittance inflows was labour shortages of key sectors of Kerala. There is labour shortages in almost all sectors in the state including agriculture, construction and traditional industries. Kerala Migration Survey reports on labour market trends in Kerala is presented in Table 5

|  |  |  |  |
| --- | --- | --- | --- |
| **Table 5** | | | |
| **Labor Market Trends in Kerala** | | | |
| Indicator | 2000 | 2010 | 2018 |
| Male Labor Force Participation (%) | 78% | 70% | 64% |
| Non-Keralite Migrant Workforce (lakh) | 10 | 25 | 40 |
| Wage Increase in Key Sectors (%) | - | 20-25% | 30-40% |
| *Source: KMS (Various Years), CDS* | | | |

The table shows that male labour force participation has steadily declined from 2000 to 2018. Over the years almost 14% decrease in male labour force participation in the state. As a consequence of the decline labour force participation, the internal migration to Kerala from the North Indian states steadily increased over the period. The data exhibits four times increase in non-Keralite migrant workforce over the period. In accordance with the labour shifts, there has been a continuous increase in the wage rate in Kerala. Compared to the year 2000, the wage increase in key sectors of Kerala was 30 to 40 percent higher in the year 2018. Thus, migration from Kerala has created certain ill feelings to the labour market of the state.

1. **Challenges and Future Prospects**
   1. **Policies in Host Countries**

Beginning of the indigenization labour policies and stringent visa controlling laws in Arabian countries emerged as some serious concern for the migrant workforce of Kerala. Over the past few years majority of the middle-east nations introduced new labour policies to regulate foreign labours and enhance domestic workforce participation. The Nitaqat policy in Saudi Arabia and Emiratization in the UAE are typical example of the labour reform policies adopted by the GCC countries, which evacuated large number migrant labourers of Kerala from these countries. Apart from this, this strict reform policies also aggravated the burden of existing migrants of these countries as the policies led to harden the work permit stipulations, curtailed work agreement period, and enhanced financial liability to workers by increasing visa renewal cost. Various labour reform policies introduced by the different GCC countries and their resultant impacts on Kerala economy in terms of returned migrants and reduced remittances is presented in Table 6

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Table 6** | | | | |
| **Impact of Labour Reform Policies on Kerala's Migrant Workforce** | | | | |
| Sl. No. | Country | Policy Implemented | Estimated Migrant Reduction (%) | Impact on Remittances (Rs. Crore) |
| 1 | Saudi Arabia | Nitaqat (2011) | 15% | -5,000 |
| 2 | UAE | Emiratization (2016) | 10% | -3,500 |
| 3 | Kuwait | Expat Quota Bill (2020) | 12% | -2,800 |
| 4 | Oman | Omanization (2018) | 8% | -1,700 |
| *Source: GOI, Ministry of External Affairs* | | | | |

The table shows labour reform policies of different Arabian countries were significantly reduced the number of migrants and amounts of remittances as well. Highest reduction was from Saudi Arabia, which was followed by Kuwait and UAE. Apart from this, the Kerala Migration Survey reveals that because of the Nitaqat policy of Saudi Arabia, the number of workers from Kerala reduced from 5.8 lakh in 2011 to 4.9 lakh in 2018. Likewise, following the Emiratization policy, the remittance from UAE decreased by 10% between 2016 to 2019. Majority of the return migrants were low skilled or unskilled workers which necessitates emergency policy interventions from the part of state governments to reinstate the returnees. As the part of reintegration, government of Kerala introduced certain initiatives like Pravasi Welfare Fund and skill retraining programs.

* 1. **Vulnerabilities and Sustainability**

Even though remittance acts as a centripetal force of maintaining Kerala’s financial activities, too much reliance on it raises challenges to the state economy, especially during the period of financial crisis across the world and policy transformation of the destination countries. Besides, excessive dependence on remittance may acts as a hurdle to industrial diversification of the state. Contribution of remittances towards the gross state domestic product from 2003 to 2008 is presented in Table 7.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Table 7** | | | | |
| **Contribution of Remittances to Kerala’s GSDP** | | | | |
| Sl. No. | Year | Remittances  (Rs. Crore) | GSDP  (Rs. Crore) | Remittances as % of GSDP |
| 1 | 2003 | 18,465 | 1,30,000 | 14.20% |
| 2 | 2008 | 43,288 | 2,30,000 | 18.80% |
| 3 | 2013 | 71,142 | 4,30,000 | 16.50% |
| 4 | 2018 | 85,092 | 5,80,000 | 14.70% |
| *Source: KMS (Various Years), CDS & Economic Review, Government of Kerala* | | | | |

The table shows that in spite of the continuous increase in remittance inflow, their proportion in the GSDP exhibits a decelerating tendency. This indicates that despite the benefit of remittances, the system progressively diversifying. But, the trends in data suggests that the process of diversification is very slow. As a result, certain crucial sectors like manufacturing and high value services lagging behind. Moreover, large proportion of remittances allocated to consumption and real estate investment, including house construction rather than investing in productive sectors. Thus, the pattern of utilization of remittance shows that standard of living of households upgraded considerably, but their contribution towards sustainable development is very limited. To achieve prolonged sustainability of the system, tactical initiatives such as promotion of entrepreneurship among returnees, encouraging industrialization, and fostering technology and innovation should be adopted.

* 1. **Rehabilitation of Returnees**

As the host countries adopted stringent labour policy initiatives, the number of migrant returnees also increasing. Hence, the state has to address unprecedented issues to reinstate the return-migrants in to the economy. The Kerala Migration Survey shows that the number of gulf returnees increased from 10.5 lakh in 2013 to 13.7 lakh in 2018. That is, over the five years the growth rate in return migrants was approximately 30.5%. The huge inflow of return migrants has insisted to adopt preventive labour market policies, since it is an inevitable concern of the state to rehabilitate the returnees. As the part of rehabilitation, Kerala government has launched diversified reintegration programs like Pravasi Welfare Fund and the Kerala Knowledge Economy Mission. These programs facilitated to rehabilitate the returnees by skill enhancement, organizational support, and creation of job opportunities.

In order to absorb the skilled return migrants, government has to prioritize sectors like information technology, healthcare, and research and development initiatives. Besides, state has to foster entrepreneurship initiatives and also provide incentives to start-up programs. For effective rehabilitation of the returnees, the state should surpass crucial challenges such as skill incompatibility, absence of enough job opportunities and delay due to red tapism in availing government schemes. The policy machinery should adapt to the changing scenario, and may provide financial support and positive environment to accommodate the returnees so that they can make positive contributions to growth of the state economy.

1. **Conclusion**

Remittance through migration prevailed as the centripetal force of the socio-economic development of Kerala. It ha s made tremendous changes in the living standard of both migrant and non-migrant households in the state. Even though, the remittance inflow growing over the years, regional disparity of remittance reception also widening. Apart from this, the recent labour market policies of the host countries also make the sustainability of the remittance dependent growth at stake. Hence, the state economy has to device new strategies for identifying multiple income sources for its survival. The observations deduced from the Kerala Migration Survey emphasize vitality of the structural transformation to maximise the remittance utilization in resolving long term dependency risks.

**References**

Azeez, A., & Begum, M. (2009). Gulf Migration, Remittances and Economic Impact. *Journal of Social Sciences, 20*, 55 - 60.

Ba, P. (1998). Gulf migration and its economic impact: the Kerala experience. *Economic and Political Weekly, 33*.

Chakraborty, Achin. (2005). Kerala's Changing Development Narratives. Economic and Political Weekly. 40. 541-547. 10.2307/4416171.

Government of Kerala. (2000-2023). *Economic Review*. Kerala State Planning Board.

Jijin, P., Mishra, A.K., & Nithin, M. (2021). Macroeconomic determinants of remittances to India. *Economic Change and Restructuring, 55*, 1229 - 1248.

Kerala Migration Survey Reports. (2003, 2008, 2013, 2018). *Centre for Development Studies (CDS)*.

Ministry of External Affairs, Government of India. (2011). *Annual report on international migration trends*. New Delhi: Government of India

Ministry of External Affairs, Government of India. (2016). *Annual report on international migration trends*. New Delhi: Government of India

Ministry of External Affairs, Government of India. 2020). *Annual report on international migration trends*. New Delhi: Government of India

Noushad, A.P., Parida, J.K., & Raman, R.K. (2020). Low-skilled emigration, remittances and economic development in India. *Migration and Development, 11*, 389 - 419.

Rajan, S. I. (2010). *Migration, remittances, and development: The Kerala experience*. Routledge.

World Bank. (2023). *Migration and development briefs*. Washington, DC: World Bank Group. Retrieved from https://documents1.worldbank.org/curated/en/099740408142422676/pdf/IDU-84dfd61b-e135-4242-a202-3728b2e8fa86.pdf

Zachariah, K.C. & Sebastian, Irudaya Rajan. (2016). Kerala migration study 2014. 51. 66-71.