CHAPTER – 9

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

Contemporary research on ‘migration and development’ considers migrant worker’s remittances to be the most substantial link between the two and has been in the agenda for policy making in both sending and receiving countries for a considerable time in recent years. Manifold increase in the volume of remittances to developing countries and having characteristics that lead to development in the form of economic and social betterment, poverty reduction, increase in trade, reduction of credit constraints and counter cyclicality during economic downturns at macro, micro as well as meso levels, remittances has attracted interests of researchers and policymakers globally. Considering both theoretical as well as empirical advancement of research studies on impact of remittances in various developing countries and the research gaps that existed in literature on remittances in the Indian context, this doctoral study was an attempt to understand the impact of remittances in currently the highest remittance receiving country in the world, India. It was a cross state study of two high remittance receiving villages in two of the highest remittance receiving states of Gujarat and Kerala in India, adopting a multilevel approach.

Objectives of the Study

The objectives of the study were broadly threefold, which were:
• To study the flow of remittances to India at the national level and compare it with other financial flows in India’s BOP
• To understand the economic and social impact of remittances received by migrant households on them
• To explore the impact of both individual and collective remittances on the village development to which these migrant households belonged. In
this chapter, a summary of the findings of the study are presented. The conclusions of the study along with certain recommendations for both policy as well as further research are also presented. Finally, the scope of the study is highlighted.

**Methodology**

The study adopted an analytical research study with a sample survey approach. Keeping in mind the multilevel approach of the study (micro level for remittance receiving migrant households and meso level for the villages in which those households belong) villages having a high percentage of migrant households and receiving high amount of remittances from abroad were chosen as the unit of analysis. Using primarily a quantitative method, two high remittance receiving villages Dharmaj and Mangalam in two of the highest remittance receiving states in India, Gujarat (approx. INR ₹18,000 to INR ₹20,000 crores) and Kerala (approx. INR ₹25,000 crores), respectively were selected as the study areas. The villages were selected using a four stage multistage sampling procedure with purposive sampling in the first three stages and systematic sampling in the fourth and last stage. First the highest remittances receiving states in India were selected with evidence from mainly previous studies which were Sasikumar and Hussain (2007) in case of Gujarat and Zachariah and Rajan (2007) in case of Kerala. Secondly, districts within these states that receive high remittances were chosen again from secondary sources such as State Level Banking Committee Report of Gujarat and Zachariaiah and Rajan (2007) in case of Kerala, hence Anand in Gujarat and Malappuram in Kerala were the chosen districts. In the third stage, villages within those districts receiving high remittances were chosen with the help of field based evidences provided by the DDO and BDO of Anand and Malappuram districts respectively that lead to selecting Dharmaj in Gujarat and Mangalam in Kerala as the areas for the study.

For achieving the first objective, secondary data source of mainly RBI was used to understand the flow of international remittances to India and its relative position vis-à-vis other external flows in BOP. The second
main objective of studying the impact of remittances on households receiving them was achieved through a household survey, conducted in the two selected villages with the help of a structured interview schedule. A total sample of 270 households was interviewed in the study with a sample of 120 households in Dharmaj village in Gujarat and 150 households in Mangalam village in Kerala. For achieving the third main objective, which was to explore and analyze the impact of remittances (both individual and collective) on village development, information obtained from the household survey as well as separate structured interview schedules for key informants in the villages of Dharmaj in Gujarat and Mangalam in Kerala were used. Analysis of the data obtained from the survey was done using SPSS 15.0, however, some data obtained from the key informants of the villages that contained information on developmental activities of the villages pertaining to remittances from migrant associations were analysed qualitatively and a case study of such an association has been presented.

9.1 Findings

Remittances to India: An Overview

Analysis of secondary data obtained form RBI Reports at the national level indicated that remittances or ‘private transfers’ had been most stable compared to other components in the current account. Measured in terms of coefficient of variation for 10 ten-year periods from 1970-71 to 2009-2010, private transfers for the period 2009-10 appeared to be the most stable source of external finance (49.5%) compared to merchandise exports (53.3%), services (62.5%), income (63.2%) and also foreign investment (87.8%). The performance of private transfers in the present decade was even better compared to the previous decade 1990-91, where they appeared to be the more stable (49.4%) but only after merchandise exports (27.7%).

Two components of ‘private transfers’ to India namely remittances for family maintenance and local withdrawals from NRI deposits form a major percentage share of private transfers and demonstrate high volatility
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over the years and switching pattern between themselves when plotted. This was presumed to be attributable to the dependence of local withdrawals component on interest rate changes.

**Socioeconomic Profile of Migrant Households**

The mean number of family members in the sample households in Gujarat was lower at 3.8 with minimum 1 member and maximum 9 members, whereas, in Kerala the mean number of family members was 6.7 with a range of minimum 2 members and maximum 21 members. An interesting feature noted in the two states of Gujarat and Kerala was that a majority of the sample migrant households in Kerala (79.3%) stated that remittances were their most important source of income. But in case of the sample households in Gujarat, though a majority stated that their most important source of income was agriculture (42.5%), yet when it came to second most important source of income, majority stated remittances.

From the household survey of migrant households in the two villages in Gujarat and Kerala respectively, it was found that 100 per cent of all the households surveyed in Gujarat followed Hinduism compared to only 15 per cent in Kerala; majority households in Kerala followed Islam. Majority (almost 97%) migrant households in Gujarat belonged to general caste (mainly Patel community) whereas in Kerala majority belonged to OBCs. Average number of dependants including aged members and children in the village in Gujarat was found to be lower (almost 2) compared to Kerala (almost 5).

Size of land owned by migrant households in Gujarat was found to be higher compared to those in Kerala. In case of households in Gujarat the landowners were more or less evenly distributed between all the major land owning classes (Small, Marginal, Semi medium, Medium and Large), whereas in case of households in Kerala, majority (94%) were marginal land owners.

Although agricultural income was stated as the most important source of income by the migrant households in Gujarat, yet remittance
income was the second most important and a very significant secondary source of income for the migrant households in Gujarat. In case of the village in Kerala, remittance income was stated as the most important source of income of the migrant households.

The mean yearly income of the households in both the villages from all sources including remittances was Rs. 202638. The mean yearly income of households surveyed in Gujarat was found to be higher at Rs. 306933, whereas that of Kerala was found to be almost one third at Rs.119202.

The mean yearly income of households without remittances in both villages was found to be Rs.112842.37. In case of Gujarat it was found to be again higher at Rs.212641, whereas for Kerala it was found to be much lower at Rs.33002. This explains for the huge dependence of the families in Kerala on remittance income.

The financial infrastructure in the village in Gujarat was found to be stronger with 10 banks compared to only 3 banks in the village in Kerala. This explains for a greater financial awareness of the households in Gujarat. In Gujarat, 87.5 per cent of the households had bank accounts within the village compared to only 33.3 per cent in Kerala.

`t-test results of some significant variables related to household characteristics showed significant differences between the two villages in Gujarat and Kerala respectively in total no. of family members, total household expenditure, total income from all sources including remittances and without remittances, size of land holdings and dependency ratio.

Mean number of years of education for the remittance sending migrant members was found to be lower in case of migrants from Kerala village (almost Secondary only) compared to those from Gujarat village (almost Graduate). Remittance sending migrants from Gujarat village were mainly engaged into business or were engaged in professional jobs at the
destination countries compared to those from Kerala village who were mostly engaged in low skilled occupations such as drivers, mechanics, draftsmen, etc.

During the survey, 100 per cent of the migrant members from Gujarat village were residing in developed countries such as U.K., U.S., Canada and Australia (majority in U.S.), whereas 100 per cent from Kerala village were residing in Gulf countries with majority in U.A.E.

Majority of the married migrants from Gujarat village were accompanied by their wife and children at the destination, whereas majority of those from Kerala village had left their wives or family behind at the origin. Majority of the migrants from both the villages moved due to ‘better income opportunities’ at the destination as stated by the respondents. However, a significant percentage from Gujarat village also stated ‘better life abroad’ and a significant percentage from Kerala village stated ‘financial crises’ as a major reason for migration. t-test results of some migrant related variables such as present age of the migrants, age when migrated and education of migrant in years showed significant differences in case of Gujarat and Kerala. However, number of years completed abroad showed no difference between Gujarat and Kerala.

**Remittances to Migrant Households: Quantum, Modes of Transfer and Uses**

In case of Gujarat, the average amount of remittances received by the migrant households per year was observed to be ₹94,291 and in case of Kerala it was found to be ₹86,200, with interestingly, no major difference observed. t-test results for amount of remittances, number of years of receipt of remittances by the households and total number of uses of remittances by the households in the two sample villages showed significant differences in their means other than the variable - amount of remittances.

Majority of the households (almost 85%) received remittances via bank to bank transfer. While in case of Kerala, most of the migrant households received remittances through banks as well as draft or cheque.
Receiving remittances via draft/cheque mode was more prevalent in Kerala. However, although less in number informal sources played a major role in money transfer in Kerala. The reason stated was that most of the receivers were females or housewives who did not have enough time to go to the banks to receive the money and hence, they preferred delivery of remittance money at home. Also, most of the households in Kerala had bank accounts in banks that were located outside the village.

Interestingly, majority of the households in Gujarat (64%) had been receiving remittances for shorter periods (<= 5 years) and lesser number of households received remittances for longer periods. While in case of Kerala although majority (44%) of the migrant households had been receiving remittances for shorter duration (<=5 years), significant percentage of cases (16%) had been receiving remittances for 11-15 years as well as 16-20 years (9%) which indicates that when migrants are accompanied by family at the destination, they gradually reduce or stop sending remittances.

Multiple uses of remittances had been observed in the two villages. Very importantly, when the various uses of remittances were clubbed in terms of consumption, investment and saving purposes, it was observed that the most important uses in terms of percentage in Gujarat, Kerala as well as total sample households had been for consumption purposes. However, as we moved to the second most important uses of remittances, share of investment and savings related uses tended to increase with state wise variations. For instance, in case of households in Gujarat it was found that as most important use of remittances, they also invested into microenterprises or saved in banks. Probably, because remittances were their secondary yet important source of income. But in case of Kerala most important use of remittances was majorly for consumption purposes. Only after satisfying for the basic minimum needs were they able to either save or invest.

**Impact of Remittances on Migrant Households**

Multiple regression results of size of remittances on various personal and household characteristics of the migrants showed that in case of sample
households in Gujarat, education of the migrant in years, number of sources of household income, whether the migrant is accompanied by family members abroad, and paying for expenditure related to migration of the migrant member by the household as an economic obligation, had been found to be significant variables ($R^2=0.81$). In case of households in Kerala, number of years lived abroad, education of the migrant in years, total income of the household without remittances, number of uses of remittances and total number of members sending remittances were found to be significant variables ($R^2=0.85$). Hence, certain commonalities as well as certain state specific differences were observed.

Ordered logit regression results for economic well being of the migrant households receiving remittances, assessed in terms of perceptions of the respondents of the households, showed differential results for the two different villages. Probability of the respondents in each of the villages for answering ‘Yes significantly’ for the question whether remittances led to better economic condition of the households, increased with the duration of remittances received by the households across both the states as well as the total sample. But, in case of sample households in Gujarat, slightly lower probabilities were observed compared to households in Kerala. This may be due to the fact that remittances were observed to be the second most important source of income for most households in Gujarat compared to those in Kerala.

Similarly, ordered logit regression results for social well being of the households due to remittances, measured in terms of the respondent’s perception about expenditure on health and schooling of children also showed variation in the sample migrant households in Gujarat and Kerala, with the probability of responding ‘Yes significantly’, in case of educational expenses on children, being relatively high in case of sample households in Gujarat relative to households in Kerala, when the duration of remittance receipts increased.

**Impact of Remittances on Village Development**
The general development scenario in the two villages using certain development indicators show some similarities in terms of government developmental projects in both the villages and presence of basic civic amenities. Yet vast differences were observed in some indicators like presence of hospitals with a total of 6 hospitals in Dharmaj village in Gujarat compared to no hospitals in Mangalam in Kerala. Health care facilities were observed to be generally weak in Mangalam village in Kerala which was in sharp contrast to its state level performance in terms of health care. Also, presence of two colleges including a pharmacy college as well as an upcoming engineering college was observed in Dharmaj whereas in Mangalam there were no colleges present in the village.

Uses of remittances for different purposes indicated the existence of multiplier effects of remittances received by the migrant households to the non migrant households through generation of employment activities in the construction sector through investment of migrant households in houses, purchase of goods not available in the village leading to trade with the outside world and donations to other non migrant relatives during their ceremonies. This was found to be common in case of Gujarat as well as Kerala.

Migrant associations formed by the migrant members of the villages existed in case of Dharmaj village in Gujarat whereas such associations sending collective remittances for village development were non existent in case of Mangalam village in Kerala. The migrant associations in case of Gujarat, as stated by the key informants in the village, played a major role in the development of village facilities including building of schools and colleges as well as hospitals with modern equipments and services.

9.2 Conclusions

From the findings of the study it is concluded that although there is high dependence of migrant households in both the villages belonging to
Gujarat and Kerala respectively, yet there exists high dependence of migrant households in the village in Kerala on remittance income to satisfy their basic minimum needs of the family. Considering the findings of previous studies by Prakash (1978 and 1998) and Mathew and Nair (1978), it is observed that the socioeconomic conditions of the migrant households in villages such as Mangalam in Malappuram district of Kerala has remained unchanged despite several years of migration to the Gulf.

More generally, impact of remittances can be said to be dependant on household and personal characteristics of migrants and different uses of remittances at the origin. Also, remittances lead to better economic and social conditions of the households due to reduction in credit constraints and allowing for access to better education and health care for the members of the migrant households. However, in case of India where there exists state wise diversity in culture and migration patterns and streams, consequences in terms of end uses of remittances differ according to specific variations. Hence, designing of policies for effective channelization of remittances for development, need to encompass state wise variations.

Remittances lead to spill over effects from households to the village community via generation of employment due to increase in construction activities and investment of remittance money by the non migrant members into microenterprises and also increase in trade activities due to increased consumption of the migrant households that benefit the non migrant households. This also leads to more business activities in the villages in terms of money transfer, which has been observed in both the villages and attracting more banking services that was observed in case of Dharmanj in Gujarat.

Migrant associations have been found to play a significant role in village development in the village in Gujarat; hence inclusion of such associations in study of impact of remittances is essential. Hence, not only individual remittances need to be studied but also to study the role of collective remittances in villages where such philanthropy exist is crucial to
understanding the true impact of remittances in high remittance receiving villages.

There exists significant interactions between the households receiving individual remittances and the village to which they belong through multiplier effects, this combined with the impact of collective remittances from migrant associations lead to an overall developmental impact in the villages. In case of Dharmaj village in Gujarat there was a synchronization of the impacts of individual as well as collective remittances that lead to development of the village through betterment of public infrastructure accessible to not only migrant households but also non migrant households. In case of Mangalam village in Kerala, however, there was an absence of such a combined effect of both individual as well as collective remittances leading to a lower infrastructural development of the village.

Finally, as significant gaps in research on remittances exist in the Indian context especially at the household and the village community level, methodologically innovative approaches in terms of a multilevel approach, definitely need to be adopted to get a holistic picture.

9.3 Recommendations of the Study

1. **Data on emigration need to be strengthened**: Data on all kinds of migrants emigrating including both skilled as well as low skilled migrants need to be recorded. Also, more disaggregated data on the states and districts from which they move and countries to which they move need to be captured. Information on departures also need to capture the educational level of the emigrants at the time of departure and type of jobs they would be engaged in if going on a work visa.

2. **Data on remittances at disaggregated level (states and districts) need to be captured**: This could include remittances for family maintenance
and local withdrawals. This could be done with the help of information obtained by the RBI from Money Transfer Operators, Banks and exchange houses.

3. **Need for synchronization of statistics on both migration and remittances**: As Singh (2006) had rightly pointed out there needs to be a coordinated effort of migration authorities, immigration offices, population census and BOP compilers combined with host country statistics to strengthen information and statistics on migration and remittances useful for further research.

4. **Panel data needed for further research**: Another important recommendation would be gathering of panel data on remittances to understand its impact over a period of time on migrant households for better analysis and understanding. Similar forms of longitudinal and panel data exists for countries such as Germany where researchers could study determinants of remittances.

5. **Recording existence and activities of migrant associations**: As we have observed in this study that migrant associations play a major role in development of certain villages, existence of such associations cannot be ignored. Hence, number of such associations and their activities should be taken into account.

6. **Need for more financial awareness and infrastructure for villages such as Mangalam**: As we have seen in the study that informal money transfer agents do exist and play a vital role in villages such as Mangalam where only few banks exist and mostly housewives or dependant members receive remittances, there is a need for better financial infrastructure with more outreach and better services and more financial awareness amongst the people for bringing down informal money transfers.

7. **Specific policies to be aimed at effective channelization of remittances depending on differential usage patterns across states**: Policies aimed at effective channelization of remittances for development should take into consideration variations in end uses and impact of remittances that exists across states or regions such as present and emerging remittance markets in other rural areas in India such as
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Thimnapuram village in Guntur district and some villages in Palamoor district in Andhra Pradesh cited in Adapa (2007) and Azamgarh and Jaunpur areas in Uttar Pradesh according to Sasikumar and Hussain (2007). These villages have been experiencing exodus to international destinations and have the potential for development. Also, individual and collective remittances in such regions should be taken into consideration for policymaking. However, remittances are private transfers between the migrants and their families. Hence, any policy design should take into consideration the private nature of remittances and the interference they might cause to the migrant households.

8. **Promotion of migrant associations:** In villages that are similar to that of Dharmaj in Gujarat (such as those in Doaba region of Punjab) where there have been instances of migrant associations participating in developmental activities, such associations should be encouraged and possible collaborations with local governments should be considered such as those existing in Latin American countries (e.g: matching funds schemes).

9. **Promotion of Micro Finance Institutions:** Especially in villages that are similar to that of Mangalam in Kerala, micro finance institutions (MFIs) should be promoted where savings are meagre but exist in small amounts with migrant household members. This may be achievable through collaborations of MFIs with the local banks. For instance, local banks/NBFCs may offer remittances services. The MFIs may collect information about the beneficiaries who need remittance services and help them open their accounts with banks for availing remittance services. The MFIs may offer combination of products of remittances and savings or remittances and investment at the doorstep of their clients. The accounts of beneficiaries who may avail these combined products could be monitored by the MFIs and the banks (see Sil and Guha, 2010 for more details).

10. **Introduction of Islamic Banking System:** There have been considerations in the RBI for introducing Islamic Banking systems in the country. Such a system might prove effective in case of Muslim majority
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villages such as Mangalam in Kerala in this study. This would allow more effective usage of remittance money by these households.