Chapter 6

Resume
In recent years, much attention has been given to the role of remittances in the economic development of developing countries through savings and investments of remittances. It is an understood fact that remittances could increase the household income of migrant families and contribute to the national economic growth by enhancing savings and investments. Migrants’ savings in the banks serves as a means of financing loan to customers living elsewhere. In India, domestic savings have played a dominant and crucial role in financing economic development. This has greatly helped in reducing the country's reliance on foreign aid. Indian planners have been laying much emphasis on the mobilisation of domestic savings from the very beginning of the planning era in the country. In some parts of India like the southern most state of Kerala, savings through remittances has played a major role in the economic development.

The present study is based on the investment behaviour of the emigrants of Kerala. Kerala is known the world over not only for its beautiful and picturesque landscape, spices, vast and varied flora and fauna, but above all for its globetrotting people. One important aspect distinctly dominating the Kerala economy for the last few decades is the increase in the number of emigrants from Kerala and the inflow of a large volume of remittances into the state. Kerala, with its very long-standing tradition of organized education, has contributed greatly to the phenomenon of emigration, even though emigration was a relatively unknown phenomenon in the state till the end of 1940s and foreign remittances had only a limited visible effect on the social and economic life of the people of Kerala till the 1960s. Kerala’s economy experienced unanticipated changes in its socio-economic environment after the mid 1970s, due to large scale emigration to the countries bordering the Persian Gulf in the Middle East, triggered by the oil boom. The 'Gulf Money' has improved the income level of the emigrant households considerably. This has directly affected their consumption, savings and investment behaviour. A good measure of remittances has been expended on constructing elegant mansions and on luxuries, which is a clear manifestation of the desire to display their economic prosperity.

The crucial issue regarding the impact of emigration on labour-exporting countries is whether the remittances sent by emigrants have any role in strengthening the local economy in terms of productive investment. The inflow of remittances may
be termed as a transfer payment made to domestic households from abroad for the supply of labour services. The impact of remittances on the long term growth prospects of the economy depends crucially on the way it is utilised.

The primary objective of the present study is to find out the investment behaviour of the emigrant households in Kerala. The specific objectives of the study are recapitulated below.

1. To study the volume of remittances from abroad to India, especially to the State of Kerala.
2. To study the motivational factors of Gulf migration.
3. To study the socio-economic characteristics of emigrants in Kerala.
4. To assess the income of emigrants from remittances and their consumption patterns.
5. To study the investment behaviour of the emigrants with respect to the composition of various assets.
6. To make recommendations based on the findings of the study.

For the purpose of this study, secondary data was collected from sources like the publications of the World Bank, the International Monetary Fund (IMF), the Reserve Bank of India, and the Centre for Development Studies, Kerala and analysed. Primary data was collected from sample emigrants through a field survey for which a structured interview schedule was used.

In order to have a better representation, a sample of 500 migrants from the Sultanate of Oman was selected for the study. A multi-stage sampling technique was used to collect the data. The data was collected from the respondents by dividing them into groups on the basis of the rate of migration from each district.

The data collected was analysed with the help of computer software - SPSS, as well as suitable mathematical and statistical tools such as percentage, mean, standard deviation, chi square test, McNemar test and Fisher’s exact test were used, keeping in view the objectives of the study.
An Overview of International Migration and Remittances

In 2010, 214 million persons, representing 3 per cent of the world population, lived outside their country of birth compared to 75 million persons or two and half per cent of the world’s population in 1960. Among total migrants, almost half the world’s international migrants are women.

Majority of the migrants live in more developed countries like USA, European Countries, and Middle Eastern Countries. The United States of America accommodates about 42.8 million migrants which is about twenty percent of the total migrants in the world.

In the Middle East, Saudi Arabia, the largest country among the Gulf Cooperative Council countries, accommodates the highest number of migrants. In 2010, the stock of migrants in Saudi Arabia was 7.2 million compared to 63,389 in 1960. In Qatar, United Arab Emirates and Kuwait, the number of migrants outnumber their citizens.

The formal transfer of remittances by the international migrants was about US$328 billion in 2008 compared to US$160 billion in 2005. It is estimated that an equal amount is additionally transferred through informal channel.

Throughout the world, 75 percent of the remittances are received by the developing countries. Remittances are now close to triple the value of the Official Development Assistance (ODA) provided to low-income countries. Among all countries in the world, India receives the highest amount of remittances which amounted to US$51.97 billion in 2008 compared to US$21.7 billion in 2005. There was a phenomenal growth in the inflow of remittances to India during the period from 1990 to 2008. In absolute terms it increased from US$2.352 billion in the year 1990 to US$51.974 billion in 2008.

Even though the remittances as a percentage of GDP are phenomenal for small economies, the remittances account for only 3 percent of the GDP of India. On the other hand, the share of remittances as a percentage of remittances in Tajikistan amounts to 45.54 percent, which is the highest share of GDP among world nations.
The best estimate of annual remittances to Kerala during 2007-08 was Rs.30,122 crores. Of this a total of Rs.24,447 crores was received from Gulf Countries. This constitutes more than 80 percent of the total remittances received by Kerala.

The remittances to Kerala were 1.74 times the revenue receipts of the state, 2.3 times of annual expenditure of the Kerala Government and 5.5 times of what the state received from the Central Government. The remittances were sufficient to wipe out 70 percent of the state’s debt in 2008. The remittances in 2008 were 36 times the export earnings from cashew and 30 times that from marine products. The effect of remittances on Kerala’s per capita annual income in 2008 was an increase of Rs.12,850.

The NRI deposits mobilised by banks in Kerala has increased from Rs. 24,534 crores in 2001-02 to Rs. 33,303 crores in 2006-07. But during the period 2007-08, the NRI deposits in Kerala has slipped to Rs.29,889 crore.

The Arab countries of the Middle East were the destinations of nearly 95 percent of the emigrants from Kerala. Saudi Arabia alone accounted for nearly 40 percent in 1998. The other major destinations were UAE, Kuwait, and Oman.

Based on estimation, the largest number of emigrants from Kerala originated from the district of Malappuram amounting to 2,97,000 persons or more than one-fifth of the state total. Trissur is the next in the order of importance.

Among different communities, 50.7 percent of emigrants from Kerala are Muslims. A majority of whom are from Malappuram district. The next predominant community is the Hindu community followed by Christian community.

The impact of migration and the remittances it brought to the state can be seen in various areas like housing, transportation, town planning, educational and religious institutions, amenities, and other infrastructural facilities. The unemployment rate in Kerala state has reduced by about 3 percent as a consequence of migration.

Among the 500 respondents chosen for the study, majority of respondents belongs to the age group of 30-40 years followed by the age group of 40-50 years. 90
per cent of the total emigrants are males and only 10 per cent are females. As regards
the marital status of the emigrant members, of the 500 respondents 85 percent
respondents are married and 15 percent are unmarried.

Community-wise, the majority of the sample respondents belonging to Muslim
community followed by the Hindu community. Of the 500 respondents, 42.8 percent
were Muslims, 24.4 percent were Hindus, and 17.13 were Christians.

The educational qualification of the emigrants reveals that 48.6 per cent have
only school education, 37 per cent have college education, 14.4 per cent have post
graduate qualifications. Among the respondents who have only school education, 37.4
percent are matriculate and 11.2 percent are non-matriculate.

The employment status of the emigrants in their host countries reveals that 13
per cent of the emigrants are engaged in business, 14.6 per cent are professionals, 18.4
percent respondents are supervisors and managers. The remaining respondents are
distributed among different categories of employment.

32.2 percent respondents have been working in the destination country for a
period of 5-10 years. It proves the general argument that the migration to Gulf
countries is temporary in nature. Only 7.2 percent of the total respondents have been
working in the destination country for more than 25 years.

FINDINGS OF THE STUDY

Motivational Factors

The major push factor responsible for the Gulf migration is the urge to earn a
better salary followed by the desire for high standard of living. Better job
opportunities in the destination countries are described by the respondents as the
major pull factor for the Gulf migration.

Spending Pattern at the Destination Country and Remittances

Majority of the respondents are living in the destination countries in rented
accommodation. Out of 500 respondents, 62.4 percent respondents are living in the
rented accommodation and 37.6 percent respondents do not spend on the rent. Of the
500 respondents, 59.6 percent of respondents spend less than Rs.10,000 per month on
food and 16.6 percent of the respondents are provided with food by their employers.
As regards the remittances, 64.6 percent of respondents remit home less than Rs.50,000 each time. Majority of the respondents send remittances every month. Of the 500 respondents, 83.2 percent respondents send their remittances monthly and another 14 percent occasionally. A majority of the respondents (94.2 percent) send remittances for the purpose of savings and investment of remittances.

Consumption Pattern of the Emigrant Households

From the analysis of the primary data, it can be noted that 49.2 percent respondents spend Rs.5,000 to Rs.10,000 per month for household expenses. Another 21.2 percent respondents incur a monthly household expense of Rs.10,000 to Rs.15,000. There is a significant relationship between the household expenses and the income groups. Among the respondents belonging to the income group of less than Rs.5,00,000, 78.8 percent respondents incur a household expenses of less than Rs.10,000. Meanwhile, 76.3 percent of the respondents belonging to the income group of Rs.5,00,000 to Rs.10,00,000, spend a monthly household expenses of less than Rs.10,000 and 66.1 percent respondents belonging to the income group of more than Rs.10,00,000, spend a monthly household expenses of Rs.5,000-15,000.

Of the 500 respondents, 83.2 percent respondents occupy self-owned houses. Among these respondents who occupy self-owned houses, 76.4 percent respondents have constructed the houses after migration.

Among 318 respondents who have constructed new houses, 98.1 percent respondents have constructed their houses after migration and only 1.9 percent respondents had constructed before migration. Among those who have constructed new houses, 39 percent of the respondents, have spent Rs.10,00,000 to Rs.20,00,000. Another 24.5 percent respondents have spent less than Rs.10,00,000. Only 8.49 percent respondents have spent more than Rs.50,00,000.

The analysis of relationship between the cost of construction/purchase of new houses and income shows that 27.5 percent of respondents belonging to the income group of less than Rs.5,00,000 have incurred a cost of less than Rs 10,00,000. Another 27.5 percent respondents belonging to the same income group have spent more than Rs.25,00,000. Meanwhile, 32.3 percent of the respondents belonging to the income
Majority of the respondents have constructed new houses using remittances alone.

Majority of the respondents were occupying poor quality houses before migration. Of the 500 respondents, 39.2 percent respondents were occupying poor quality houses before migration. The quality of houses occupied by the respondents has improved after migration. Among 39.2 percent respondents who were occupying poor quality houses before migration, 14.2 percent respondents and 15.6 percent respondents respectively are occupying luxurious and very good houses after migration and another 2.2 percent respondents are occupying good houses. No migrant is occupying Kutcha house after migration. Majority of the respondents possess the modern household gadgets.

84.2 percent respondents use four wheel vehicles. Of the 500 respondents, 53.4 percent respondents use four wheelers and 22.4 percent respondents use motorcycles. Only 8.4 percent respondents use bicycles. Among these respondents who own vehicles, 79 percent respondents have acquired vehicles using the remittances alone.

Among those who send their children to schools, 55.2 percent respondents send their children to the unaided institutions and another 24.1 percent respondents have opted for government schools for the education of their children. On an average respondents spend Rs.86,498 for the education of their children.

Of the 223 respondents who have undergone medical treatment, 82.5 percent respondents have opted for allopathic treatment and 83 percent respondents have preferred private hospitals. Among these respondents, 74 percent of them have incurred an annual medical expense of less than Rs.5,000. Only 2.2 percent respondents incurred more than Rs.25,000.

**Investment Behaviour**

With respect to investment of savings from remittances, Of the 500 respondents, 98.6 respondents have invested their savings. There is no significant relationship between the investments by the respondents and the demographic variable.
Of the 500 respondents, 48 percent respondents have invested 20-40 percent of their savings. The relationship between the percentage of income invested and the marital status of the respondents is significant.

As regards to the frequency of investment by the migrants, 51.9 percent of respondents invest regularly and 33.5 percent of respondents invest their income annually, followed by 14.6 percent respondents who invest occasionally.

The analysis reveals that 87 percent of respondents seek capital gain from their investments and 81.5 percent respondents prefer regular income. However, only 7.7 percent of respondents invest for the purpose of tax benefits. Among the sample respondents, 55.8 percent respondents expect a rate of return of 10-15 percent from their investments. Another 26.4 respondents expect a return of 15-20 percent on their investment.

Various sources of information are used by the respondents to take investment decisions. Nearly 79.5 percent of the respondents take the assistance of print media followed by friends and relatives accounting for 54 percent of the respondents. Only 25 percent respondents refer to pamphlets and hoardings.

Majority of the respondents arrange finance for their investments through remittances. Among 493 respondents who invest their savings, only 17.8 percent respondents use borrowed funds along with the remittances. Commercial banks are the main source of finance for a majority of respondents (52.3 percent) who borrow for investment purposes. Another 28.4 percent of respondents have opted cooperative banks as the source of borrowed funds.

Majority of the respondents are risk averse. Among 493 respondents who invest their income, 49.3 percent respondents opined that they are risk averse. Only 14.8 percent of respondents opined that they are risk seekers. The analysis revealed that the relationship between the risk perception and the expected rate of return is highly significant.

The investment by migrants in agriculture has increased after migration. Of the 493 respondents who use their savings for investment, only 9.75 percent
respondents had invested in agriculture before migration. But after migration, the number of respondents with investments in agriculture has increased to 19.1 percent.

The proportion of investment in agriculture has decreased after migration. Majority of the respondents who have invested in agriculture before migration, have invested 75-100 percent of their savings in agriculture. But after migration, the majority of migrants have invested 25-50 percent of their savings in agriculture.

Of the 94 respondents who have invested in agriculture after migration, 97.87 percent respondents have invested in plantation. Only 3.19 percent respondents each have invested in aquacultures and poultry farm. But no migrant has invested in food crops.

Among those who have opted for investment in plantation, of the 92 respondents, 59.8 percent respondents have invested in coconut plantation followed by 39.1 percent respondents in rubber plantation. At the same time, 18.5 percent respondents have invested in areca nut plantations and the rest in cashew and other plantations.

Of the 94 respondents who have invested in agriculture, 44.7 percent respondents have used 2-4 acres of land for agriculture and 63.8 percent respondents are using newly purchased agriculture land for cultivation. Another 36.2 percent respondents use the land inherited by them. As regards the amount invested in agriculture, 44.7 percent respondents have invested Rs.5,00,000-10,00,000 in agriculture. Of the 94 respondents, 44.7 percent respondents receive an annual income of Rs.50,000 to Rs.1,00,000.

No respondent has invested in educational institutions before migration. But after migration, among those who have invested in educational institutions, the majority of migrants have invested less than 25 percent of their savings in educational institutions.

The growth in the investment in business after migration is considerable. Of 493 respondents, 25.58 percent respondents have invested in business after migration while only 6.9 percent respondents had invested in business before migration. It is
worth noting that 20.5 percent respondents have invested in business for the first time after migration and only 1.82 percent respondents have given up their investment in business after migration.

The proportion of savings invested in business has also changed after migration. Majority of the respondents who have invested in business before migration, have invested 75-100 percent of their savings in business. But after migration, the majority of migrants have invested 25-50 percent of their savings in business. An equal proportion of respondents have chosen sole proprietorship and partnership business. No respondent has claimed any other form of ownership.

Of the 126 respondents, 56.3 percent respondents have chosen services. Another 33.33 percent respondents have selected retailing. Among those who have selected retailing, majority of the respondents have invested in footwear business, followed by electronics and grocery. A majority of the respondents, who had selected services, have invested in hotels and restaurants, followed by consultancy services. A considerable number of respondents have invested within Kerala.

There is a phenomenal growth in investment in physical assets after migration. Of the 493 respondents, 85.2 percent respondents have invested in physical assets after migration compared to 3.66 percent respondents before migration. 81.54 percent respondents have invested in physical assets for the first time after migration.

Contrary to investment in agriculture and business, there is an increase in the proportion of savings invested in physical assets. While majority of the respondents had invested less than 25 percent of their savings in physical assets before migration, have now invested 75-100 percent of their savings in physical assets after migration.

Among those who have invested in physical assets, 95 percent of the respondents have invested in land. At the same time, 93.1 percent respondents have invested in ornaments and 38.1 percent have invested in buildings. Among those who have invested in land, 61.9 percent respondents have invested in rural land and 40.1 percent respondents have invested in urban land. Those who have selected buildings for investment have mainly invested in residential houses for renting. While 61.9 percent of respondents have invested in residential houses for renting, another 43.8
percent respondents have invested in commercial complexes. Of the 391 respondents who have invested in ornaments, majority of the respondents have invested in gold followed by silver.

Majority of respondents invest in physical assets occasionally. The main purpose of the respondents for investing in physical assets is to earn capital gain. Of the 420 respondents, 97.6 percent respondents' purpose is to earn capital gain. But only 24.5 percent respondents have invested in physical assets for regular income.

There is also a considerable growth in the investment in financial assets after migration. Among those invested in financial assets, 85.8 percent respondents have invested in financial assets after migration, compared to 23.94 percent respondents before migration. It should be noted that 62.07 percent respondents have invested in financial assets for first time after migration.

The proportion of the savings invested in financial assets has decreased after migration. Majority of respondents who had invested in financial assets before migration, have invested 75-100 percent of their savings. But after migration, majority of migrants have invested less than 25 percent of their savings in financial assets.

Majority of the respondents with investment in financial assets have chosen investment in bank deposit, followed by investment in shares. Of the 423 respondents who have invested in financial assets, 96.9 percent respondents have invested in bank deposit and 44.9 percent respondents have invested in shares. Among the respondents, 27 percent receive an annual income of Rs.2,000 to Rs.5,000 and 26.7 percent respondents receive an annual income of less than Rs.1,000.

The main objective of the respondents for investing in financial assets is to earn a regular income. Of the 423 respondents, 99.3 percent respondents have invested in financial assets to earn a regular income. 29.6 percent respondents opined that the objective of investment in financial assets is to earn capital gain. But only 15.4 percent respondents invested in financial assets for tax benefits.
CONCLUSIONS

The findings of the study which have been summarised, lead to the following conclusions.

Among the labour exporting countries, India occupies a dominant place in terms of the inflow of remittances. The major share of remittances to India goes to the state of Kerala. Remittances play a vital role in the State Domestic Production of Kerala. The unemployment rates in Kerala state has reduced by about 3 percent as a consequence of migration.

Based on estimation the largest number of emigrants from Kerala originated from the district of Malappuram. Majority of migrants have been working in the destination country for a period of 5-10 years. It proves the general argument that the migration to Gulf countries is temporary in nature.

The major push factor responsible for the Gulf migration is the urge to earn a better salary followed by the desire for high standard of living. The better job opportunities in the destination countries are described by the respondents as the major pull factor for the Gulf migration.

The remittances received by the households in Kerala are utilised for different purposes like household expenses, house construction, and investments. The migration to Gulf countries has resulted in the growth of construction of houses. Majority of the respondents own newly constructed self-owned houses, which are constructed using remittances alone. The quality of the houses of respondents has increased after migration. Majority of the respondents prefer unaided educational institutions for the education of their children and private hospitals for the treatment of their household members.

Almost all the respondents do invest their savings in different assets regularly with the main purpose of earning capital gain. Respondents have selected the investment options irrespective of their income level and a majority of them use their remittances for investments. While proportion of investment has been decreased in agriculture and business, there is an increase in the proportion of investment in physical assets. A major share of the respondents is risk averse and has preferred
physical assets as the major investment avenue. Buildings and land are the priority physical assets for the emigrants in the state. At the same time, there is a tremendous increase in investment in financial assets. The investment in agricultural activities has increased after migration, but majority of the respondents have invested in plantation crops rather than food crops.

**Recommendations**

On the basis of the findings and conclusions drawn from the study, the following recommendations are made. These recommendations will be useful to the policy makers at the state and at the national level for framing future policies.

It is a known fact that the migration to Gulf countries has helped Kerala to reduce the unemployment situation in the state. The unemployment rate in Kerala state has reduced by about 3 percent as a consequence of migration. Therefore there is a need to promote emigration to various countries since the employment opportunities within the state are few. This would help the state to step up foreign remittances. The central and the state governments and the Indian embassies have to coordinate their functions in order to put the export of manpower in an efficient and systematic framework. This may be done through the establishment of a labour market monitoring authority with offices in important centres of the labour importing countries. The authorities have to study the nature of skill requirement and also carry out negotiations on various job contracts. The activities of the labour market mechanism should be linked with a comprehensive system of labour market information for all types of employment seekers. The aspirant job seekers in the Gulf countries should be provided training programmes based on the employment opportunities available in those countries. There are thousands of unemployed youths who have registered their names with the employment exchanges in Kerala. Therefore, the emigration from Kerala can be activated by co-ordinating the functions of employment exchanges by providing information on job opportunities and conditions of employment abroad and the procedures for deployment of workers.

At present the database of migrants from Kerala is not available. Therefore this is an area requiring immediate policy intervention on the part of the Government of Kerala to create an adequate data base on emigration from Kerala to various countries. Agencies like Non-Resident Keralities’ Affairs Department (NORKA) can
be given the responsibility to create an information system/data bank which monitors the inflow and outflow of emigrants with their profile, which is an important prerequisite to frame future labour export strategies and to formulate directives for channelising remittances into desirable directions and also to frame effective re-absorption/rehabilitation schemes for return migrants. The most important aspect of remittances is to channelise the inflow of remittances through formal channels. In this direction, the banking institutions should take up the leadership to attract the savings of the emigrants by offering attractive schemes.

It is noted that the majority of the respondents prefer long term investment in physical assets like buildings and lands. Government of Kerala should take the initiatives to encourage the emigrants to divert the investment of remittances towards more productive avenues like manufacturing industries, food crops, and the industries which are essential for the state economy. Steps should also be taken to popularise the investment in capital market securities which in turn ensure the participation of emigrants in the economic development.

The migration to Gulf countries is temporary in nature and the continuity of the employment in the destination country is insecure and uncertain. Almost all migrants have fixed job contracts which can be terminated at any time. Another problem faced by migrants is the localisation of jobs in the destination countries. Hence, the return migration is a feature of migration to Gulf countries. Therefore the scope of the insurance schemes and pension schemes for non-residents should be widened. Training programmes should be conducted to rehabilitate the return migrants and to divert their savings towards productive economic activities.

Government of Kerala should identify potential investors among the emigrant households and should offer them incentives for involving in modern investment activities. The emigrants and their households need a great deal of counseling on the 'best ways' of utilising their savings. The cultural and social associations of Keralites, functioning in different countries and the associations of emigrant returnees in Kerala may undertake such a mission. Government and voluntary organisations should initiate campaigns to educate the emigrant households to discourage unproductive investments and to make them realise the social and economic importance of the productive use of their savings. Efforts may be made by the
authorities to interact with the prominent emigrants, with a view to encouraging them to sponsor the infrastructure development schemes of the Panchayats and Corporations.

A special economic zone with appropriate infrastructural facilities and tax incentives can be created within Kerala to attract the NRI investment from different countries around the world. This would help the state to increase the employment opportunities for the unemployed youths. An Investment Advisory Board with prominent NRIs and officials of the government may be constituted to study the investment potentials of the state and to promote NRI investments in appropriate sectors. Policy measures may be taken to make Kerala an investor friendly state.

Scope for Further Research

There are several aspects to this study that can be undertaken for further research. On the basis of the various literature studied and from the primary data collected, the researcher would like to suggest the following areas for further research.

1. Entrepreneurship development and investment through remittances.
2. Using remittances for capital market access of financial institutions.
3. Role of Banking and financial institutions in remittance management.
4. HR issues of Gulf migration.
5. Gulf migration and issues in international marketing.
6. Gulf migration and issues in international finance.
7. The impact of economic globalisation on the remittance behaviour of the emigrants from Kerala.
8. The policy interventions needed in channelising remittances towards productive investments in Kerala.

It is hoped that the present study will prove to be a source of inspiration for further research in the above areas.