



# The Impacts of Gulf Migration on Kerala Economy: Some Recent Evidences

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**Abstract:** *The exploration of oil in 1930's and consequent increase in construction activities in 1970's created tremendous movement of people from different nations to the Middle East countries. One of the areas where the impact of migration has been tremendous is Kerala, the southernmost state of India. The remittances from migration contribute around 30% of NSDP. A secondary data analysis of the trends and pattern of migration proves that the Middle East migration and consequent remittances have been the major factors that contributed dynamic changes in the economy of Kerala for the last 40-45 years. In spite of contrary views, this contract type of migration still remains as the single most factors that reckon the tiny state's economy.*

**Key words:** *Migration, Contract Migration, Remittances, Economic impact.*

## I. INTRODUCTION.

The Middle East migration is a contract type migration. The contract migration is strictly a concept originated in the pathways of 20th century. People have been migrating to various countries especially to Middle East in search of employment based on a written or unwritten contract. It is mandatory that they have to return to the home country after the expiry of the contract. In the contract migration studies, therefore the impacts study should be based on not only on the withdrawal of people from the home country and their remittances from abroad but also on the subsequent re-entry.

An economic analysis of the impacts of contract migration in sending countries is not easy. The issues range from the microeconomic cost benefit analysis of migration in the individual households to macro level impacts on the whole economy means of contribution of national income and aggregate investments. The impacts of labour markets and the distributional aspects of remittances is another area where both micro level and macro level analysis interact. The impact of remittances on the balance payment analysis of sending nations is another area that is to be analyzed comprehensively.

## II. THE NATURE OF MIDDLE EAST MIGRATION

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## III. MIGRATION TO MIDDLE EAST FROM KERALA. A REVIEW OF EARLIER STUDIES

A lot of studies have been made available about gulf migration from the mid 1970's itself. Some of the earlier studies were made by Prakash (1978), Mathew and Nair (1978), Commerce Research Bureau (1978), Radhakrishnan and Ibrahim (1981) and Agro Economic Research Center (1981) and P R Gopinathan Nair (1989) and Thomas Issac (1998). A C K Nambiar has dealt with the problems of return migrants and their impacts on Kerala's lop sided economy on re-entry (Nambiar 1998)

From 1990 onwards, the researchers in the Centre for Development studies have conducted a series of studies. Zacharia, E T Mathew and S Irudaya Rajan (2003) have given a comprehensive account of the dimensions, differentials and consequences of migration in Kerala entitled the dynamics of migration in Kerala. They named the effort as Kerala Migration Study (KMS).

Kannan and Hari (2002) constructed a time series estimation of remittances from abroad to the Kerala economy for the period 1972 to 2000. They constructed a variable called modified state income adding the remittance income to the net state domestic product. K C Zacharia, B A Prakash, and S Irudaya Rajan (2002) conducted an on the sight study on employment, wages and working conditions of Kerala emigrants in the United Arab Emirates. Zacharia, P R G Nair and S Irudaya Rajan (2001) conducted a study of rehabilitation problems and development potential of return migrants. Another study by Zacharia and Rajan (2004) has made a comparative study of social and economic consequences of migration in 2004 with that of 1999, which was the previous study period. They have emphasized the increasing negative impacts of migration more than the positive impacts.

All of these studies follow more or less the same pattern while discussing the social and economic impacts of migration .As a prelude they discuss the profile of migrants such as age distribution, sex, education status, occupation status before and after migration etc. The economic and social impacts are studied thereafter.

In the case of economic impact both macro and micro aspects were discussed .The contribution of remittances to the state domestic product (Kannan and Hari 2002) and the support given by remittances to state development was also examined (Thomas Isaac1993). Several micro level studies examined the impact of remittances to household’s economic behavior.

#### IV. METHODOLOGY

The study is an aggregate study based on the relevant variables that are affecting the Economy of the state of Kerala. The study mostly depends on the data published by the state planning board in the Kerala migration Survey 2014. Appropriate statistical tools are used wherever necessary to substantiate the findings.

#### V. TRENDS AND PATTERN OF GULF MIGRATION FROM KERALA

The following table provides an idea about the trends and pattern migrants From Kerala in recent years.

**Table 1. Country of residents of migrants from Kerala(percentages)**

Countries	2014	2011	2008	2003	1998
UAE	37.5	38.7	41.9	36.5	31.0
Saudi Arabia	21.8	25.2	23.0	26.7	37.5
Oman	7.9	8.6	7.6	8.3	10.2
Kuwait	7.6	5.6	5.9	6.2	5.0
Bahrain	6.2	4.5	4.6	5.9	5.5
Qatar	4.4	6.5	5.5	5.4	4.6
Other West Asia	0.9	0.3	0.0	0.1	0
Sub Total	86.3	89.4	88.5	89.0	93.9
USA	2.9	3.0	4.7	5.3	
Canada	0.5	0.4	0.6	0.3	2.2
United Kingdom	1.6	2.0	1.8	1.2	
Other Europe	0.8	0.5	0.4	0.8	
Africa	0.6	0.6	0.6	0.9	
Singapore	0.4	0.5	0.5	0.8	
Maldives	0.1	0.3	0.3	0.7	
Malaysia	0.4	0.6	0.5	0.3	
Other SE Asia	2.2	0.7	0.4	0.4	
Australia/New Zealand	1.6	1.1	1.0	0.3	
Other Countries	2.6	1.1	0.6	00	4.0
<b>Total</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>

Source: Estimates Of Kerala Migration Survey (2014) published in CDSWP: 463

The table shows that 89.42% of Kerala Migrants in the reference years are to the Middle East countries. In percentage wise Middle East is still vibrant in the dreams of average Kerala Migrant at the same the settlement migration to the other nations are also in an increase in percentage wise. One concern is that the Middle East migration is a contract type migration and return is an inevitable condition and consequently the govt has to frame suitable inclusive socio economic policies to rehabilitate the return Migrants. The number total migrants, return migrants and net migration are presented in the table below.

**Table 2. Pattern of Migrants and return Migrants**

Category	2014	2011	2008	2003	1998
Total migrants	2400375	2280543	2193415	1838478	1361955
Return Migrants	1252471	1150347	1157127	893942	739245
Net migration	1147904	1130196	1036288	944536	622710

Source: *Estimates Of Kerala Migration Survey (2014) published in CDSWP: 463*

The table shows that the number of total migrants is on the increase in absolute terms but the rate is evidently declining. The number of return migrants is constantly on the rise. Even though the return migrants and the migrants are not the same people, rehabilitation and employment of return migration is a complex problem that will expect to occur in the coming years as like that of unemployment problem in Kerala prior to the huge exodus people in the 1970s to Gulf region.

## VI. THE REMITTANCES TO KERALA

It is not easy to divide the remittances to Kerala into Gulf and Non –Gulf but it is assumed that since the large of share of migrants are to gulf regions and the migration is of contract type, most of the remittances are from the gulf regions. Table below shows A macroeconomic picture of remittance to Kerala economy during the reference period.

**Table 3. Total remittances in Kerala (in crores of rupees)**

Year	Remittances
1998	13652
2003	18465
2008	43288
2011	49695
2014	71142

Source: *Estimates Of Kerala Migration Survey (2014) published in CDSWP: 463*

An analysis on the pattern of remittances shows that the absolute amount of remittances is on the rise. It shows a significant change along the 16 year period from 1998 to 2014. The underlying occupations from which the remittances derive should be seriously discussed. Another point need to discuss here is the utilization pattern of remittances. Since most of the remittances are towards the household sector, an appropriate micro level research is needed to understand the true impacts of remittances.

## VII. MACRO ECONOMIC IMPACTS OF REMITTANCES – A DISCUSSION ON SELECTED VARIABLES.

In order to understand the larger role remittances in the state economy, a discussion on the impacts of remittances on selected Macro variables are necessary. The table below shows such kind of an analysis.

	Item	1998	2003	2008	2011	2014
1	Remittance as percentage of NSDP	25.5	22.0	30.7	31.2	36.3
2	Remittances as ratio of revenue receipts	1.9	1.7	1.7	1.6	1.2
3	Remittances as ratio of transfer from centre	6.9	7.0	5.5	6.2	5.0
4	Remittances as ratio of Govt Expenditure	2.3	1.9	2.3	2.2	1.5
5	Remittances as ratio of state debt	0.9	0.6	0.7	0.6	0.6
6	Remittances as ratio of receipt from cashew exports	10.4	15.2	36.1	3.4	33.3
7	Remittances as ratio of receipts from marine export	16.7	18.6	30.3	29.8	20.7

Source: *Estimates Of Kerala Migration Survey (2014) published in CDSWP: 463*

The figures are interesting. Remittances have been consistently contributing around 30% State NSDP in these years. But with regard to the income of the Govt the remittances contribution is little. The ratio remittances with export income are on the rise. This seems an indication to the future pattern of the state income as the income from primary commodities export will be decreasing and the state have to find out new sources income if the remittances also decrease in years to come. More research is needed in this matter.

## VIII. CONCLUSION

The migration to Middle East is a widely discussed phenomenon in the state of Kerala. Its impacts are also varied differently. This paper attempt to summarize some important impacts based on recent evidences. The secondary data analysis shows that the Middle East is the main destination of the migrants from Kerala. The analysis shows that the absolute number of migrants increases but it rates declines. The remittance also increases in the recent years. The ratio of remittances to various economic



indicators, especially NSDP, shows that the gulf migration and consequent remittances are still crucial factors that motivate growth and development in the state of Kerala which is mostly transforming into service sector dominated economy. The scope of research in this area is widely commanding.

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