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Remittances of Indian Migrants to the Middle East:  
An Assessment with special reference  
to migrants from Kerala State

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## INTRODUCTION

Migration of workers to other countries is not something new in India. Over the past one hundred years or a little more, there have been a few major waves of emigration. Workers from India went to countries as far as the present Guyana and Surinam in Latin America.

In recent years, a good number of workers from India migrated to the U.K. Most of this migration took place in the 50's and early 60's. During the same period, and possibly for some time thereafter, there also took place a sizeable movement of workers to the United States and Canada. Thus, it is estimated that today some 750,000 persons of Indian origin live in the U.K., 200,000 in Canada and 350,000 in the U.S.A. These numbers include workers and their dependants.

Much more recently, i.e. in the 70's, started another wave of migration of workers from India. This wave has been directed towards the Middle East, especially towards the oil exporting countries bordering the Persian Gulf.

Inflow of remittances is the reverse of the same coin which has migration of workers on one side. But the nature, extent and duration of remittance inflow are bound to differ from migration to migration because each migration has its own special features. Also, the significance of remittance inflow differs from time to time, depending upon the various economic circumstances of the labour exporting country.

It is the purpose of this paper to analyse the remittance inflow resulting from the migration of Indian workers to the Middle East in the context of the current economic situation in India. Since the major part of the outflow of manpower to the Middle East has been contributed by the State of Kerala, the analysis is specially focussed on the migration from Kerala.

The paper is divided into five parts. Part I reviews the experience so far in the migration from India to the Middle East. It is still an on-going experience and its future course is a matter of one's judgement. The contribution of the State of Kerala in this outflow of manpower from India has also been assessed in this section. In Part II, a review of the trend in India's remittance receipts is followed by an attempt at estimating the contribution of Middle East to this inflow. What part of the remittance receipts flow into Kerala State has also been attempted. The impact of remittances on the economy of India is dealt with in Part III. Here, use has been made of not only the macro level evidence but also the micro-level findings of a few studies of villages of high migration in Kerala State, which were conducted in recent years. Part IV describes and analyses the various policies and procedures followed in India with respect to both the export of manpower as well as the inflow of remittances. In the following section, Part V, a review is made of the future prospects with regard to migration to the Middle East from the developing countries in general and India in particular and the policy responses that the changing situation may possibly evoke. The paper concludes with a few general observations.

## P A R T - I

### Migration to the Middle East

#### (1) Expatriate Labour Force in the Middle East

According to one estimate (See Table 1) the expatriate, non-national, labour force in five major labour importing countries of the Middle East (Saudi Arabia, Libya, Kuwait, Qatar and United Arab Emirates) was around 2.5 million in 1980. Between 1975 and 1980, this labour force grew at about 8 per cent annually. (See Serageldin and Socknat, 1980, p.33.)

That the dependence in the Middle East on expatriate labour, which was already considerable even in 1975, has increased further in recent years is also brought out in Table 1. According to a more recent report (See The Far Eastern Economic Review, March 3, 1983) 70 per cent of the workers in Saudi Arabia in 1982-83 were expatriates. The estimate for 1980, cited earlier, was that Saudi dependence on expatriate workers was of the order of 51 per cent.

Probably, more than the overall dependence on expatriate labour, the significant change in recent years in the Middle East labour market has been the ethnic composition of the expatriate labour force. An expanding proportion of the expatriate labour in the Middle East is being drawn, in recent years, from non-Arab sources. In 1975, more than 70 per cent of migrant workers in the labour importing Middle East countries came from the neighbouring Arab countries. This proportion, it is reported, has been on the decline ever since. (See Birks and

Sinclair, 1980, p.34). An increasing dependence on Asian labour force was in evidence in Bahrain, Kuwait, Qatar and UAE already in the first half of the 1970's; in 1975, 46 per cent of migrant workers in these countries were from Asia. On the other hand, in 1975 Arabs constituted 90 per cent of the migrant workforce in Saudi Arabia, the largest economy of the region. Even there the composition of expatriate workforce has been changing markedly in favour of the Asians since then. (See Birks and Sinclair, 1980, p.31).

## (2) Migration from India

India has emerged as one of the major participants in the recent export of labourers to the Middle East. No attempt has, however, been made thus far to collect in a systematic manner information on Indian migration. Available information from different sources is not amenable to easy aggregation and comparison. However, by piecing together the information, certain broad orders of magnitude and trends can be discerned. Table 2 gives estimates of Indian migrant workers (and total population) in the Middle East. It appears that the number of migrant workers from India to Middle East grew from 150 thousand in 1975 to between 800 thousand and a million in 1983. This approximates to a growth rate of about 25 per cent per annum.

There was possibly some acceleration in the growth rate of Indian migrant workers in the Middle East in more recent years: from 20 per cent annually between 1975 and 1977 to 25 per cent between 1977 and 1979 and to over 25 per cent between 1979 and 1982. Lately, the Indian Labour Ministry has provided annual estimates of the number of Indian

workers who registered for emigration. These estimates approximate to the flow of migrants. As a measure of new migrants to the Middle East they are not completely adequate since they (1) include migrants to countries besides the Middle East countries; (2) also include a number of workers going on second (or higher order) work contract; (3) do not capture the number of illegal migrants; and (4) do not also capture professional migrants who are not required to register. Also return flow has to be allowed for. Despite these deficiencies, and bearing in mind that the scope for migration to countries other than those in the Middle East has been extremely limited; the figures on workers registered for migration can be taken as an indication of the pace of migration to the Middle East. The number of workers registered for emigration increased from 170,000 in 1979 to 230,000 in 1980 and reached 270,000 in 1981. The figure for 1982 however, shows a decline to 240,000 and the indications, based on the figures for the first few months of 1983; are that the number might be the same in this year. (See Tandon 1983; India, Ministry of Labour, 1983). While given the weakness of data base, it would not be right to read too much into year to year changes; it does seem noteworthy that there is no evidence of any significant deceleration in the outflow of Indian migrants to the Middle East.

It was seen above that the total inflow of migrant workers in the Middle East increased at 8 per cent annually. Given their significantly higher growth rate, the proportion of Indian workers among all migrant workers in the Middle East increased from only 8.5 per cent



in 1975 to 13 per cent in 1979 and has possibly reached as much as 20 per cent in 1983.

The change noted above in Saudi Arabia's pattern of immigration is important from the point of view of the migration of Indian workers. Firstly, Saudi capacity to absorb labour is very much larger and also the wage levels there are significantly above those in the other labour importing countries of the region. Secondly, the proportion of Indian migrant workers in Saudi Arabia has been on the increase; from 2 per cent in 1975 it increased to about 8 per cent in 1979 and is, perhaps 15 per cent in 1983. This has possibly been a major factor sustaining Indian emigration in the past two three years. Now, the largest single concentration of Indian migrants is no longer UAE, and the share of new workers going there has been declining. Indeed, the absolute net migration since 1975 to Saudi Arabia has almost certainly been larger than to UAE. As a consequence, Saudi Arabia's share of India migrants to all Middle East countries increased from about a tenth in 1975 to a little over one fifth in 1979, to about a quarter in 1983.\*

### (3) Migration from Kerala State

(a) Recent Trends: Within India, the migration to the Middle East has been concentrated to a few regions. Again, information on the subject is neither comprehensive nor continuous. However, for the state of Kerala, which seems to have contributed significantly to the outflow

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\* According to a most recent estimate attributed to India's Minister of State for External Affairs, of the 755 thousand Indian workers in six Middle Eastern Countries (UAE, Saudi Arabia, Oman, Kuwait, Qatar and Bahrain) as many as 180 thousand were located in Saudi Arabia. (Sec Kurup, 1983.)

of workers to the Middle East, relatively more dependable information is available. The State's Directorate of Economics and Statistics conducted two surveys, one towards the end of 1977 and another in the beginning of 1980 in which information was canvassed on migrants abroad and their location. The second survey also collected some information on the educational qualifications and the skill of the migrants. According to the second survey, out of 208 thousand Keralites working abroad as many as 187 thousand were working in the Middle East in early 1980. (See Kerala, Directorate of Economics and Statistics, 1982, Detailed Table 5). On the assumption that there were 350,000 Indian workers in the Middle East in 1979 (See Table 2) Keralites could thus be said to have formed about half of the Indian workers there.

Between end-1977 and early 1980, 73,000 new workers migrated abroad from Kerala (Kerala, Directorate of Economics and Statistics, 1982, p.44). Of these, at least 90 per cent, if not more, migrated to the Middle East. From Table 2, it would also be seen that the total Indian outflow between 1977 and 1979 is estimated at about 140,000. Thus it would appear that not only did Kerala account for a very major part of the stock of Indian migrants in the Middle East but also its contribution to the flow of migrants continued to be significant in the late 1970s.

Since 1979, the average annual outflow of Indian workers to the Middle East has been at a much more accelerated pace; the average rate of annual net outflow for the three year periods, 1979-82, should have been of the order of 180,000,\* after one has allowed for some

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\* Since Pakistani annual outflow to the Middle East has been around 150,000 (Ahmad, 1982, p.1); it would appear that the gap between the stock of Indian and Pakistani workers in the Middle East has been narrowing.

amount of return flow. Set against the outflow of workers from the country as a whole, the share of Kerala in the outflow during the period seems to have declined significantly. About 15,000 workers are reported to have registered annually for emigration at the offices of the Protectors of Emigrants within Kerala in the first two years. Since, at least twice that number of Keralites register outside Kerala,\* the amount of outflow from Kerala in recent years has possibly been of the order of 40-45 thousand as against the estimated outflow of 180 thousand for the country as a whole. If this estimate of the recent annual outflow from Kerala is broadly correct, then in early 1983 there were 310-325 thousand workers from Kerala in the Middle East, forming about 33-40 per cent of the total Indian workers.\*\*

It would appear that while aggregate Indian migration to the Middle East has been on the increase and was particularly buoyant between 1979 and 1981, the outflow of workers from Kerala does not seem to have increased as fast in recent years. It is therefore likely that Kerala's share in the stock of Indian migrant workers in the Middle East may have declined somewhat.

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\* Ascertained in personal interviews. Those migrating in groups, it is understood, tend to register in Bombay and New Delhi.

\*\* However, according to the recent report attributed to India's Minister of State for External Affairs, as many as 54 per cent of the Indian workers in six Gulf countries including Saudi Arabia, were from the State of Kerala. In that case, the outflow from Kerala, in recent years, should have been of the order of 80-90 thousand per annum i.e., twice as high as indicated in the text.

(b) Changed pattern of migration from Kerala: During the last three decades, the people of Kerala showed quite a propensity to migrate. In 1971, migrants to other states formed about 5 per cent of Kerala's population (and 15 per cent of the workforce).<sup>\*</sup> Relative to migrants from other States, Kerala's inter-state migrants had significantly higher educational attainments and were more concentrated in professional, administrative and clerical jobs. There has been a steady decline, however, in the extent of migration from Kerala to other States. In the 1950s, the average net outmigration was 28,000 persons annually; in the 1960s the number was 25,000; and during the two years, 1978 and 1979, only 5,000 workers migrated to other parts of India (Paniker, 1978, Table 6.1 and Kerala, Directorate of Economics and Statistics, 1982, p.44).

The pattern of migration from Kerala has changed significantly in recent years. Now the bulk of the migrants are going abroad. As noted above, in two years, 1978 and 1979, 73,000 workers went abroad while only 5,000 went to other parts of India. As against that, in 1977, out of 432,000 migrants, only 31 per cent were working outside India (Kerala, Directorate of Economics and Statistics, 1982, p.44).

Despite significant outmigration, by 1980, the proportion of outmigrants to workforce had fallen to less than 10 per cent as compared to 15 per cent in 1971. The steep decline is perhaps largely statistical since the definition of 'worker' in 1971 was much more

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\* Only the States of Punjab, Haryana and Rajasthan had higher proportions. See Panikar et.al, 1978, p.78.

stringent than in 1981. However, part of the decline was perhaps genuine and had represented a fall in migration to other Indian states for which the international migration had not compensated adequately.

Table 3 gives the profile of Kerala's migrants in 1980. Of the 510 thousand migrants, about three-fifths were in other Indian states, over one-third in the Middle East countries and less than one-twentieth in other foreign countries. The educational attainments (and hence the skill composition and nature of jobs) were strikingly different according to the destination. At one extreme, one of four migrants to non-Middle East foreign countries had a professional degree and only about one-third had less than secondary school education. At the other extreme, 70 per cent of the migrants to the Middle East had less than secondary school education (the bulk of these had no skills at all) and only 6 per cent had professional qualifications. The educational status of migrants to other Indian states fell between these extremes.

(c) Possible Factors behind migration: While no attempt is made here to provide a general theory of migration, an attempt is made to identify what appear to be major factors behind migration from Kerala, particularly that in recent years.

One principal factor is the pressure of population on land. Kerala has the highest population density in the country (654 persons per square km. as against the national density of 216 in 1981). This has resulted in: (a) the lowest worker participation rate in the country (in 1981, 31 per cent of Kerala's population was in the workforce as

against the national average of 38 per cent) and (b) the highest unemployment rate (in 1979-80, 25 per cent of the labour force in Kerala was unemployed when the national average was 8 per cent). On account of inadequate work opportunities and given the relatively much more well developed educational infrastructure in the State, there is a greater tendency to continue as a student in Kerala than in the other states, and, correspondingly, the incidence of educated unemployed is very much greater. Given the large pool of educated unemployed, it is only natural that good number has tended to spill out of Kerala in search of employment.

There are thus two migrant streams: one consisting of largely unskilled workers, almost all men, migrating predominantly from rural areas to supplement family income derived from agriculture or other low-productivity rural occupations; the other stream consists more of urban based, relatively better educated men and women. Migrants to the Middle East have come primarily from the former stream, though it is possible that over time there has been some contributions from latter stream as well. The migration to the Middle East is thus only partly a diversion of those who would have otherwise gone to other Indian States, for the latter migration drew to a considerable extent on the urban educated. The recent decline in migration to other states probably reflects both the narrowing of inter-state differences in educational attainments and the slower growth of work opportunities outside Kerala.

Some rough corroboration of these hypothesis is obtained from an examination of the information relating to the districts of high migration. The three districts with the highest migration in recent

years relative to their workforce are listed in Table 4. All three districts have higher population densities and significantly lower worker participation rates than the State averages. Alleppey, which sends its migrants largely to other regions of India, has a much higher than State average literacy rate; Malappuram, from where workers go principally to the Middle East, has a relatively low literacy rate and Trichur, which sends workers to both the Middle East and other Indian States, has a literacy rate that falls in between.

#### (4) Skill composition of migrants

According to one estimate (see Hoevit and Zachariah, 1978, p.34) 14 per cent of migrant workers in the Middle East were employed in professional, technical and managerial occupations, while about two-thirds were semi-skilled or unskilled workers.

Given the skill composition of migrant workers in the Middle East, the contribution of the different labour exporting countries to various categories of migrant workers was different. Comparable figures by country of origin are available only for Kuwait for the year, 1975 (see Table 5). About 50 per cent of workers from Palestine and about 30 per cent each from Jordan and Egypt were professionals with a University degree or technicians with post-secondary school education or training; the corresponding percentages for India and Pakistan were 14 and 9 respectively. While 65 per cent Indians and 80 per cent Pakistanis were unskilled or had manual skills; the corresponding proportions for Palestine, Egypt and Jordan were 27, 61 and 47.

As between the three major labour exporting countries of South Asia, there has been an important difference between India on the one hand and Pakistan and Bangladesh on the other. While the proportion of the completely unskilled workers is significantly high in the case of migrants from India, Pakistanis and Bangladeshis have, to a markedly greater extent, possessed some manual skill. Even the State of Kerala, which has by far the highest literacy rate in the South Asia, has sent more unskilled workers to the Middle East than Pakistan and Bangladesh (See Table 5). It therefore appears that there were fairly distinct regional profiles of migrants.

There are reasons, however, to believe that since 1975 the average skill level of Indian migrants has improved somewhat. This can be seen from a comparison between Indian migrant workers in Kuwait in 1975 and migrants to the Middle East from Kerala in 1980 (see Table 5). This shows that the average skill level of Kerala's migrants in 1980 is higher than the skill level of migrants from India in 1975. In 1980, 18 per cent of Kerala's migrants were professionals or had post-secondary technical education; the corresponding proportion for Indian workers in Kuwait in 1975 was 14 per cent. The proportion of unskilled workers was 48.9 per cent of migrants from Kerala (1980) and 51.8 per cent for migrants from India (1975). At the same time, an interesting aspect of the changing skill composition of the migrants appears to be the reversal of proportions within skilled and semi-skilled group. The proportion of those in clerical and office occupations has declined and that of manual workers has increased sharply.



However, the continued heavy preponderance of unskilled migration from India suggests a sort of stable country pattern of migration. Larger skill demands in the Middle East have probably been met by greater migration of skills from particular regions and countries rather than through an upgradation of skills from all labour exporting regions and countries. Thus, it appears that the increased demand for manual skills has been met very largely, by Pakistan and Bangladesh, whereas India (going by the information available for Kerala) has continued to supply largely unskilled labour. Pakistan, it appears, would have exported more skilled workers to the Middle East but for the shortage of such workers it has begun to experience (see Ahmad, 1982, pp.13-16). Greater professional/technical skills are probably being imported from South Korea through "project" imports and from Western countries. No direct empirical evidence is available on whether within India regions other than Kerala have exported higher average skill levels than Kerala. Even if that would be consistent with the greater skill demand in the Middle East and the indication of possibly falling share of Kerala in Indian migration, it would still not be consistent with the relative supply (or excess supply) of skills within Kerala.

## P A R T - II

### Inflow of Remittances

#### (1) Aggregate Remittance Receipts

Remittances from Indian workers staying abroad are recorded principally as 'private transfers' in the current account of the balance of payments statistics published by the Reserve Bank of India. These receipts have constituted a third or a little more of the gross receipts on account of invisibles during the period, 1970-71 and 1981-82. [See Table 6 column (8)]. In addition, the capital account of the balance of payments statistics records net changes in the external accounts, denominated either in rupees or foreign currencies (viz., Sterling or Dollar), of the non-resident Indians. Until recently, these accounts were eligible to the same rate of interest as the domestic accounts of comparable maturity but were exempt from income and wealth taxes and could be repatriated fully. Since April 1, 1982, the external accounts are eligible for a premium of 2 per cent over and above the interest rate allowed to domestic accounts of comparable maturity. In the five years ending with 1981-82, the accretions to the external accounts accounted for between 10 to 20 per cent of the total remittance receipts of India. [See Table 7, column (12)].

As can be seen from Table 7 [column (10)], total remittance receipts of India were Rs. 23,000 million in 1981-82. These were slightly lower than those in 1980-81. But the remittance receipts had recorded

phenomenal increases in both 1979-80 and 1980-81 so that the figure for 1980-81 was more than twice that for 1978-79.

Contrary to the fears expressed in the early part of 1983 that remittance receipts in 1982-83 might be lower than those in 1980-81; the latest information in this regard is that these receipts might well be somewhat higher, particularly on account of the significant increase in the inflow of remittances on capital account. External accounts of non-resident Indians registered an increase to the tune of Rs.5,513 millions during the fiscal year ending March 31, 1983. On the assumption that the remittance receipts on revenue account in 1982-83 were of the same order as in 1981-82, viz., Rs.21,000 million, the addition of capital account receipts of Rs.5,500 billion gives a figure of Rs.26,500 million which is higher than the corresponding figure in 1981-82 of Rs.23,000 million by 15 per cent. It is no doubt a modest rate of increase compared to the increases recorded during most of the decade since 1972-73 but it is quite high in itself.

## (2) Remittances and Balance of Payments

In Table 8, is presented the position of remittance receipts of India relative to major balance of payments categories. Growth of remittance receipts has been particularly fast in relation to exports. In 1974-75, remittances were only 7 per cent of export receipts but by 1980-81 the proportion was almost 27 per cent. This happened despite an impressive export performance in the 1970s compared to the earlier export growth. Indian exports, valued in US dollars,

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\* See India, Economic Survey, 1982-83, p.59.

increased at 5.7 per cent annually in the 1960s and at 17.5 per cent annually in the 1970s.\*

Remittance growth has been much more modest when seen in relation to invisible receipts; as a percentage of invisible receipts remittances increased from 28 per cent in 1974-75 to 34 per cent in 1975-76, fluctuated in a narrow range till 1979-80 and reached 40 percent in 1980-81. This reflects the importance of remittances as a major component of invisible receipts remittances in India's balance of payments, though, at the same time, it indicates that some of the other components of the invisible receipts, as for example travel, have also been quite dynamic in growth.

In relation to imports also the growth of remittances has been quite impressive. Between 1974-75 and 1977-78, the volume of imports increased by 30 per cent and yet remittances as a proportion of import payments increased significantly. However, this performance could not be maintained in the next two years despite virtual stagnation of imports, largely because import prices (unit value index) rose by 45 per cent. Remittance growth of 1980-81 was large enough to raise the remittances/import payments ratio to a level slightly above the maximum reached in 1977/78 even though the volume of imports increased by 47 per cent over the previous year; this time the decline in import prices helped.\*\* The growth of India's remittance receipts relative

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\* See IMF, International Financial Statistics, Supplement on Trade Statistics, 1983.

\*\* The details of import volume and unit value indices are from India, Economic Survey, 1982-83, Appendix Table 6.8.

to amortisation payments has also been more or less similar to that relative to import payments.

A comparison has been attempted also of the Indian performance with that of other major labour exporting countries (See Table 9). Remittances as a proportion of imports and other current payments have grown particularly rapidly in Pakistan, Yemen (PDR), Bangladesh, Sudan, Egypt and Sri Lanka. They have not grown significantly in Morocco, Jordan, Tunisia and South east Asian countries, South Korea, Philippines and Thailand. India's performance falls somewhere between these two groups.

However, growth of remittances in relation to current payments can also be a reflection of slow import growth. To the extent that means restraint in the import of essential goods, it can be detrimental to growth. It is necessary, therefore, to examine whether remittances have been able to grow fast enough to permit larger import volumes. Viewed thus, it would appear that despite rising import prices the inflow of remittances to India have grown sufficiently fast to enable the country to finance an increasing volume of imports. Table 10 shows the volume of petroleum which could be purchased with Indian remittance receipts from 1973 to 1981. Between 1974 and 1978, the purchasing power of these receipts increased steadily so that in about five years the effect of the first round of oil price hike could be offset and by 1978 the purchasing power of remittances exceeded somewhat their purchasing power in 1973. The remittance receipts in 1979 and 1980, though higher than in 1978 by 24 per cent and 150 per cent respectively, just about retained their purchasing power because it was during 1979-80 that the second round of oil price increase occurred.

An attempt has been made to compare the Indian experience with the experience of other major labour exporting countries in regard to the purchasing power of remittance receipts. Comparable estimates of aggregate inflows for 1973 and 1974 are not available, but as in India's case, the purchasing power of aggregate remittances almost certainly fell sharply between 1973 and 1974; aggregate flows, thereafter, grew, as in the Indian case, faster than oil price upto 1978. Evidently, the pace of remittance inflow was much greater for countries other than India because the purchasing power of their remittance receipts in 1978 was higher than in 1975 by 145 per cent as against 102 per cent for India. But in the subsequent two years, 1979 and 1980 the purchasing power of the remittance receipts of the countries other than India declined sharply, whereas for India, as stated already, it maintained its level. For 1981, the purchasing power of the remittance receipts of these other countries suffered a further fall of 20 per cent. The corresponding fall for India was of the order of 15 per cent with India's receipts having stayed at more or less the same level as in the preceding year and oil price having risen by over 13 per cent.

The period till 1977-78 saw the successful adjustment of the Indian economy to the first round of oil price increases. There was a trade surplus in 1976/77 and only a minor deficit in 1977/78. As a result, the increased remittances went essentially to augmenting the country's foreign exchange reserves. This happened even though there was a certain amount of import liberalisation, particularly with respect to essential commodity imports with a view to holding the price level. There was a sharp jump in the level of edible oil imports from Rs.1,000 million in 1976-77 to Rs.7,120 million in 1977-78, and since then, edible

oil imports have, on an average, been of the value of Rs.1,000 million a year. The import of fertilisers and iron and steel were also stopped up. (For further details on import trends after 1976/77, see Nayyar, 1982, Table 5). After the second sharp hike in oil prices in 1979-80, the situation developed differently. India's import bill went up substantially. Moreover, with export growth faltering since 1976/77, the trade deficit has been growing; although remittance receipts grew fast [see Table 8, Row (iv)] they have been financing a decreasing portion of the trade deficit.

### (3) Origins of Remittances

From aggregate statistics for the whole world and major country groupings, it can be seen that the structure of world remittance flows changed significantly during the 1970s (see Table 11). Remittance outflows from oil exporting countries were 7.5 per cent of total world outflows in 1970 and increased to 20 per cent in 1980.\* Over the same period, the share of developed market economies in remittance outflows declined from four-fifths to two-thirds. At the receiving end, while the share of non-oil developing countries in remittance inflows doubled from 18 to 36 per cent, the share of developed market economies in the inflow of remittances declined from 79 per cent to 62 per cent. It is important to note that the developed market economies have continued to be the principal recipients of remittance inflows.

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\* The proportion in 1980 was probably higher, since the data used do not include outflows from United Arab Emirates, Qatar, Iran and Iraq.

\*\* Their continued high share in world remittance receipts reflects receipts by relatively less developed, labour exporting European countries such as Greece, Portugal, Spain, Italy and Yugoslavia.

Among developing countries, the share in the remittance flows of the least developed countries (characterised by very low per capita incomes, literacy rates and shares of manufacturing in GDP) increased by approximately two and a half times, from 2.8 per cent to 6.8 per cent.<sup>\*\*</sup> The developing ESCAP countries<sup>\*\*\*</sup> also more than doubled their share in remittance inflows and that too within a shorter time span, between 1975 and 1980.

In 1980, while \$67.6 out of every \$100 of world remittance flows originated in developed market economies, \$62.3 remained within the same group of countries. Only \$5.3 reached the non-oil developing countries, but this formed about 15 per cent of their total remittance receipts. By a similar calculation it may be seen that earlier, in 1970 and 1975, non-oil developing countries received 17 per cent and 43 per cent respectively of their remittances from the developed countries. Thus, while between 1970 and 1975, remittances emanating in the developed countries acquired increasing significance for non-oil developing countries, the process was reversed between 1975 and 1980. It should be noted also that the bulk of developed countries' remittance outflows to developing countries went to only a few countries. Besides Turkey, the countries receiving significant remittances from developed countries have been former colonies: North African countries from France, British Commonwealth countries from Britain and Indonesia from Netherlands.

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\* The main beneficiaries were Bangladesh, Sudan, Yemen Arab Republic and Yemen Peoples Democratic Republic.

\*\* The ESCAP countries receiving remittances were Pakistan, India, Thailand, Republic of Korea, Bangladesh, Philippines, Sri Lanka, Nepal and Tonga.



It seems quite likely that in 1975 (and before that) the share of remittances from developed countries was significantly greater for India than in the case of all developing countries (for whom, as noted, the proportion was around 40 per cent). This could have been so in view of a sizeable proportion of migrants of Indian descent (first and second generation) residing in the developed countries. According to one estimate, in the late 1970s, there were some 1.4 million persons of Indian origin living in the developed countries, principally Britain, United States and Canada (see Singh, 1982, Appendix 4). Of these, about half were still Indian citizens and of the remaining half more than 50 per cent possibly maintained their ties with India. The two together add upto one million. Of these, about 490,000 could have been potential remitters to India.\* As against that, there were about 150,000 potential remitters to India living in the Middle East (see Table 2). At the same time, it has to be borne in mind that migrants to the West went on a more or less permanent basis, which is reflected among other things, in the higher dependency ratio of these migrants in the country of immigration compared to the Indian migrants in the Middle East.\*\* As such the propensity to remit of the former

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\* In the United Kingdom, Indian migrants had a sex ratio of 85 females to 100 males in the early 1970s and about 10 per cent were under 15 years of age (See UN, 1979, p.109). Using the same ratios, the number of working men among persons with ties in India would work out as follows:

$$1,000,000 \left( \frac{100}{185} \times \frac{90}{100} \right) = \underline{486,500}$$

The same number could also be taken to stand for the possible number of potential remitting households of Indian descent in the developed countries.

\*\* The dependency ratio, the ratio of dependents living with migrant workers in the country of immigration, would work out to 1.06 for the migrants to the West and 0.77 for the Indian migrants to the Middle East taking into account the stock of migrant workers and their dependents in 1975.

would have been lower than that of the latter, even in the mid 1970's. On the other hand, the capacity of the migrants to the West to remit was possibly higher than of those in the Middle East because of both higher wages in the West and better skill composition of the migrants to the West. Weighing all these factors, remittances to India around 1975 possibly emanated largely in the West. Were they as high as three-quarters of the Indian remittance receipts or lower is, however, difficult to say. There is no doubt, that taking the more permanent character of the migration to the West, the likelihood of the proportion of their share of the remittance inflow to India being lower despite their higher capacity to remit, is greater. Possibly, migrants to the Middle East would have sent about one-third of the remittances\* received by India in mid 70's.

Since the mid-1970s, almost the entire net migration from India, though quite sizeable, seems to have been to the Middle East so that by the early 1980s, for every potential remitter in the West, there were perhaps 1.5 potential remitters in the Middle East. Since the overwhelmingly large bulk of recent migration from India to the Middle East has, as noted, been of workers unaccompanied by dependants, the dependency ratio in the Middle East ought to have declined drastically. This, it is felt, could have been the most dominant influence on remittance growth and origin. It would not be an unreasonable guess therefore that the share of remittances from the Middle East in total remittances to India had increased to around 75 per cent by 1980.

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\* The possibility of remittances from other developing countries has been ruled out since Indians in these countries have been settled there for many generations and have practically no kin ties with India.

On the basis of the above, estimates of Middle East remittances to India have been attempted. It is assumed that the proportion of Middle East remittances was one-third of the total in 1974 and 1975 and three quarters in 1980 and that the proportion in the intervening years rose linearly. The estimates are shown in Table 12 and refer only to current account private transfers. On an average, Middle East remittances grew at about 67 per cent annually; there was, however, a continuous deceleration between 1975 and 1979, followed by a sharp pick up in 1980.

It will be recalled that the average rate of growth<sup>of</sup> migrant workers was 25 per cent annually. The rate of growth of remittances works out to be much higher and indicates an increase in remittance per worker. This<sup>is</sup> in line with the tendency, noted above, of the migrants to the Middle East to increasingly leave their dependents behind and consequently for the dependency ratios in the country of immigration to decline drastically. On the basis of Tables 2 and 12, it would appear that the remittance per Indian worker in the Middle East increased from Rs.10,000 in 1975 to Rs.24,000 in 1979.\*

From Table 12, it will also be noted that non-Middle East remittances after experiencing an initial spurt, have possibly grown very little. The figures in this regard have however, to be viewed with caution since they have been derived on the basis of assumptions with respect to the share and growth of Middle East remittances.

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\* Since these calculations do not take into account (a) the number of illegal Indian migrants to the Middle East and (b) the amounts illegally remitted through various channels, the figures in the text have to be used with caution although, as noted later, there is a good reason to believe, that the latter have declined substantially.

All the same, there are at least two reasons (see Mayyar, 1982, pp.649-651) why non-Middle East remittances could have experienced increase in the first half of the 1970's and stabilised thereafter:

- 1) India has been receiving remittances through official channels in the 1950s but, as the rupee got progressively overvalued in the 1960s, these remittances declined sharply. As a result there were, it is believed, significant remittance inflows through illegal channels from Indian expatriates in Europe and America. In the 1970s, after the rupee was allowed virtually to float and it depreciated rapidly, so that by the mid-1970s its overvaluation was nearly eliminated, sizeable part, if not all of illegal remittances should have returned to legal channels.
- 2) In the first half of the 1970s, i.e., till 1974-75, since the international price of gold rose rapidly, the difference between the international and (the higher) Indian price was considerably narrowed; this too should have reduced the incentive to remit illegally through smuggled gold and correspondingly increased the use of legal channels for the purpose.

(4) Remittances and Other Foreign Exchange Receipts from the Middle East

In 1974-75 about three-quarters of India's foreign exchange receipts originating in the Middle East came through the export of goods; the share of remittances in total receipts was only one-eighth (see Table 13). By 1980-81, the share of remittances had risen to almost two-thirds and that of exports had fallen to one-third. Concessional assistance (entirely in the form of loans) was significant in 1975-76

(30 per cent of total foreign exchange receipts); but thereafter it has been falling so that even in absolute terms it reached negligible levels in 1979-80 and 1980-81.

Seen from the Middle East end however, remittance outflows grew faster than payments for imports from non-oil developing countries only in Saudi Arabia and that too only until 1978. Moreover, even from Saudi Arabia remittance outflows were slightly less than outflows on account of payments for imports in 1981, whereas as indicated above, Indian remittance receipts were twice the country's receipts on account of exports. Clearly, India has not taken advantage of the opportunity to export goods to the Middle East to the same extent as it has responded to the labour demand from there. In fact, the share of Indian exports going to the Middle East after peaking in 1975-76 at 13 per cent of its total exports has declined steadily and in the early 1980s it was only 10 per cent. The single major cause of this decline was the sharp setback (even in absolute terms) to India's exports to Iran. Interestingly, once Iranian exports fell off, UAE, the largest labour importer, also became the largest importer of Indian goods in the Middle East. Moreover, as with labour exports, the most rapid growth of goods exports has been to Saudi Arabia; in the early 1980s Saudi Arabia and UAE took in equal amounts of Indian goods, each accounting for 2.5 per cent of Indian exports.\*

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\* The details of Indian exports are from India, Ministry of Commerce, Annual Reports, New Delhi, various years.

## P A R T - III

### Impacts of Remittances

What sort of impacts does the receipt of remittances produce on the economy of a country is a very important question. That it can make a major impact on the import capacity of a country by supplementing its foreign exchange earnings has been amply documented. In this paper itself this aspect was dealt with at length in the section immediately preceding this section. In this section, an attempt has been made to assess the other impacts of remittance receipts on the economy of a recipient country. This has been attempted on the basis of evidence available from the State of Kerala, a principal source of migrants from India to the Middle East. This evidence is available both at the macro level and from a number of micro-level studies.

#### (A) Macro Level Evidence from Kerala

(1) Income: Table 14 shows how, as estimated, remittances to Kerala have been growing faster than the domestic product of the State. In 1980-81 remittances formed between 22 and 28 per cent of the State's domestic product. If we assume that remittances are distributed across districts according to the distribution of migrants to the Middle East, it is seen that in 1979-80 remittances formed 40 per cent and 50 per cent of domestic product in Trichur and Malappuram districts respectively (see Table 15).

From Table 16 it may be seen that real per capita domestic product fell in Malappuram district over the 1970s and it increased in Trichur district by only 2 per cent over the decade. Alleppey managed

a slightly better performance of a 4 per cent decadal increase, the same rate of increase as for the State as a whole. The poor absolute changes of per capita domestic product in Malappuram and Trichur districts were superimposed on low initial levels, so that (barring Cannanore) they continued to be the poorest two districts of the State. Alleppey district only retained its sixth rank among the eleven districts. The failure of per capita domestic product to show an appreciable rise reflects no doubt the relatively high population growth rate in Malappuram, but it also reflects rather poor economic performance during the decade in both Malappuram and Trichur.

In these circumstances, the inflow of remittances from the migrant workers abroad seems to have played a remarkable role in having coincided with a period of near stagnation in the economy of the State as a whole. More than that, the benefit of the remittance receipts seems to have been distributed in favour of the districts of the State with rather depressed levels of domestic product as well as its growth. As can be seen from Table 17, the distribution of per capita remittance receipts is largely in favour of districts which ranked low with respect to per capita domestic product. That there has resulted a decided levelling up between the various districts can easily be observed from a comparison of the dispersion between per capita domestic product of different districts and the dispersion between per capita income inclusive of remittance receipts. The dispersion in the latter case works out to less than half of that in the former.\*

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\* The measure of dispersion is derived by dividing Range (i.e. Maximum - Minimum) by Average. This works out to 0.6616 for district-wise per capita domestic product and 0.2925 for district-wise per capita income i.e. domestic product plus remittance receipts.

(2) Consumption: Table 10 sets out some information on consumption and housing in the three high migration districts of Alleppey, Trichur and Malappuram for the year 1979-78. The estimates of per capita domestic product and income for the same year have also been provided, although there are some doubts whether the two sets of estimates i.e., of domestic product and income on the one hand and consumption and housing on the other, are quite consistent and comparable. It will be seen that while all three districts have a per capita domestic product lower than the State average (no account is taken here of remittance receipts) and Trichur goes above the State average in terms of per capita income (inclusive of remittance receipts), the position of two of the three districts is distinctly better in regard to consumption when compared to the average level of per capita consumption for the State as a whole. Even for Malappuram, the third district whose per capita consumption is nine per cent below the State average, the position is still better than that reflected in Malappuram's per capita domestic product which is 19 per cent lower than the State average.

Malappuram, as noted above, ranks lowest among all districts in terms of per capita domestic product and its aggregate per capita expenditure is also quite low. However, per capita expenditure on food in Malappuram district is slightly higher than the State average. Indeed, per capita expenditure on rice is the highest in Malappuram among all districts of the State and that on edible oil and meat, eggs and fish is also much above the State average. Even the expenditure on medicines in Malappuram is above the average. Only on non-food items other than medicines, does Malappuram seem to fall markedly behind the rest of the districts in the State. If Malappuram's case can serve as an illustration, it would appear that the first charge on remittance receipts in a poor district tends to be of food.



Therefore, remittance can be considered to have helped raise the standard of food consumption from what would have prevailed in their absence in a poor district.

The picture in regard to housing, as presented in Table 18, shows Trichur to be either doing better than the State as a whole or doing almost as well, judging by various norms. If the proportion of relatively new houses (i.e. those less than two years old) is as high (or low) in Trichur as in the State as a whole, it has to be taken alongside the fact that in Trichur the proportion of huts and dilapidated houses is distinctly below that for the State. Malappuram, on the other hand, seems still have to go a long way to catch up with the State average in both regards. Having made up the gap on food consumption, Malappuram may already have set about attending to its non-food requirements including housing. The change in position will be known at the time of the next survey of housing in the State.

(3) Prices: The commonly expressed view is that remittance receipts, by raising both the income level and the level of bank deposits in an economy cause the price level to rise. The impact on per capita income level has been noted already. It is true also that in Kerala bank deposits have risen faster in recent years than in the past. Furthermore, the increase in bank deposits in Kerala State has been more rapid than in several other States of India and has also been above the national average. It can be seen from Table 19 that firstly the rate of increase in bank deposits in Kerala itself was considerably faster during 1975-80 than during 1971-75 and secondly the ranking of Kerala in terms of per capita bank deposits improved significantly during

1975-80 as compared to that during 1971-75 so that in recent years Kerala's per capita bank deposits have tended to be somewhat above the national average. At the same time, it is difficult to say what part of the increase in bank deposits can be attributed to the increased remittances from abroad. Several of the States experiencing quite fast growth in bank deposits had little, if any, remittance receipts from abroad to report. The State of Jammu and Kashmir is a case in point since it experienced the fastest growth in bank deposits during 1975-80 with hardly any remittance receipts from abroad. It could nevertheless be argued that the growth in deposits in Kerala in recent years has been due principally to the increased remittance inflow. This is borne out by the growth in bank deposits in the districts of high migration abroad compared to that for Kerala State as a whole during the period, 1975 to 1980. The bank deposits in Malappuram district registered a three-fold expansion compared to two-fold expansion for the State in the course of the above period (See Nair, 1983).

Have the growth in bank deposits and increased income level made a particular impact on prices in Kerala? Table 20 shows that consumer price movements in the districts with concentration of migrants have not been particularly out of line with price movements in other districts. Evidently, the impact if any, of large remittance inflows on prices is not confined only to districts which receive them. However, it is necessary to note in this context that Kerala has a long history of commercial development and hence a well-integrated market. It could be argued therefore that whatever pressure the remittances exercise on prices in any particular area spreads quickly to other

parts of the State so that the State, as a whole, experiences the impact and the pressure gets evened out.

But is the price level in Kerala moving up at a faster rate than in the other States of India? Evidence on the subject does not indicate that.\* An important factor, possibly stabilizing consumer prices in Kerala, despite a large infusion of demand in the form of remittances and despite the expansion in bank deposits is possibly the availability of imports from other States. In regard to the crucial item of foodgrains, Kerala has been, for long, importing half or more of its requirements from other states of India.\*\* Vast quantities of durable goods and construction materials are also imported. Therefore, the price impact of additional demand generated by the outlays made out of remittances probably gets considerably diffused. Of course, it can be argued that in the process production activity within the State does not receive the necessary stimulus. But that is a question which relates to the impact of remittance, not on the price level but on investment.

Since a good part of the remittances are known to be absorbed in the purchase of land and construction of houses, it is natural to ask what the position in regard to land prices and wages of construction workers has been in the districts of high migration. It is generally believed that land prices in Kerala, particularly in districts and

\* The consumer price index for India as a whole registered an increase of 228 per cent between 1970-71 and 1981-82; the corresponding rise in Kerala State was of the order of 230 per cent.

\*\* The proportion of foodgrains imported from other States has risen from 52 per cent in 1976 to 59 per cent in 1981. See Kerala, Economic Survey, 1982, p.25.

villages of high migration have registered an increase of 100 per cent a year since the mid 70's but they cannot easily be documented at the macro level because of the increasing tendency to understate the value of land transactions in documents of transfer to avoid taxation whose formal rates are quite high. However, even the recorded increases in wage rates of construction labour, skilled or unskilled, in the State as a whole or in the districts of high migration such as Trichur and Malappuram, do not quite reflect the increases widely spoken of in popular press. Possibly, the wage increases in more recent years (i.e. after 1978-79) have been much greater because of both the increased demand as well as the reduced supply, especially of skilled hands. To the extent that remittances are channelled towards purchase of land, construction or even financial assets, it can be said to reduce pressure on consumer goods prices. It may even be a reasonably valid assumption that sums realised in land sales (including capital gains thereon) will not ordinarily get directed to consumer goods purchases. Still since the consumer price index does not give sufficient weightage to the prices of services (education, health, transport, house rents, domestic help etc.) and since these prices are also

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\* During 1970-71 to 1974-75 and 1974-75 to 1978-79, wages of carpenters in Trichur increased by 39 per cent and 37 per cent respectively; wages of unskilled male labour by 48 per cent and 21 per cent respectively and wages of unskilled female labour by 27 per cent and 66 per cent respectively. But these rates were not particularly out of line with those at the State level (see Kerala, Statistics for Planning, 1980). Still, in all informal exchanges with officials and public men there is unanimity that officially recorded increases grossly understate the reality.

\*\* In the context of an economy like that of Kerala State with chronically large surpluses of labour as reflected in high rates of unemployment and under-employment in the State compared to that for the country as a whole (in 1972-73, the unemployment rate for Kerala was estimated to be 25.23 per cent as against the national average of 8.34 per cent see Kerala, State Planning Board, 1978) one should really be speaking in terms of reduced surplus of manpower.

believed to have risen considerably. It is possible that the price rise in Kerala is somewhat understated. There is no evidence however that the price rise in Kerala would still be very much above that in the rest of the country. On the whole, therefore it is difficult to pin down on the growth in remittance receipts of Kerala State a price rise out of line with that of the country as a whole.

(E) Some Evidence from Micro Level Studies

This sub-section drawn upon five micro-level studies, conducted in the late 70's, of the characteristics of migrants from Kerala State and the impact of remittances they send back home. (1) Praksh, 1978, studied one village in Trichur district; (2) Mathew and Nair, 1978, studied two villages in Trivandrum district; (3) Commerce Research Bureau, 1978, studied one village each in Chirayinkil taluk (Trivandrum district), Tirur taluk (Malappuram district) and Chavakkad taluk (Trichur district); (4) Radhakrishnan and Ibrahim 1981, studied one village in Chirayinkil taluk (Trivandrum district) and (5) Agro Economic Research Centre, Madras, 1981, studied all the villages in Chowghat Block of Trichur district. All the villages studied were chosen because they had experienced largescale migration to the Middle East. The observations drawn from these studies are supplemented, wherever possible, with other available information.

After outlining the major characteristics of the migrants to the Middle East, as noted in the micro-level studies, the sub-section proceeds to present the major findings with respect to the impacts of remittance receipts on consumption expenditure and various types of asset formation.

(1) Migrant characteristics: The major characteristics of the migrants from Kerala State to the Middle East were found to be as under:

(i) The majority of the migrants is, at the time of their first migration, young in age. More than three-fourths of them, it appears, are 35 years of age or below. Migrants of Muslim religion, who seem to comprise the largest group (Commerce Research Bureau, p.6) are, on average, younger than migrants of other religions.

(ii) Not only is the majority of the migrants young but also a very substantial proportion of them is unmarried. According to one study (Mathew and Nair), migrants less than 25 years of age, who constituted 34.5 per cent of the migrants, were almost entirely unmarried. Nearly half of all the migrants were found in this study to be unmarried. The proportion of those unmarried at the time of their first migration could have been even higher.

(iii) Almost all migrants are men. Only one out of 176 migrants identified in one of the studies (Mathew and Nair) was a woman. This has had a significant impact on the sex ratios in the migrant villages and, in the judgement of the authors of one study (Mathew and Nair) is bound to slow down population growth in those areas. This is largely supported by the 1981 Census data presented in Appendix I. It will be seen that the high migration taluks in Kerala State have a greater ratio of women to men and have lower population growth rates than the districts in which they are situated.



(iv) The low average educational status of the migrants is confirmed by the micro studies. The majority comprises of under-matriculいたes and matriculates. They together constitute between two-thirds and nine-tenths of the migrants. However, it appears that there are religion specific differences. Muslims, in general, are not only younger in age but also have lower educational attainments (Mathew and Nair).

(v) According to one study (Commerce Research Bureau), 63 per cent of the migrants were unemployed before they left. Prakash noted that the proportion of unemployed among migrants was 36 per cent. Radhakrishnan and Ibrahim observed that the incidence of unemployment among under-matriculate migrants was 50 per cent and among those with higher education was 80 per cent or more. Most of the other migrants (i.e. those not unemployed), according to all studies, were in low productivity jobs, such as daily wage labour, beedi making, petty trade etc. before migrating. A small majority comprised of masons, carpenters, skilled technical workers, engineers, teachers etc. This supports the earlier observation, made on the basis of macro level information, that substantial push factors possibly operated strongly on the migrants to seek employment outlets outside the State.

(2) Consumption expenditure: Going by the reported remittance receipts of the households studied (Mathew and Nair), it would appear that the consumption expenditure accounts for close to 90 per cent of the remittance receipts. The same study however, observes that the element of under-reporting of remittance receipts could be quite large. Additionally, it could be that the amounts which either migrants remit directly into their own accounts or they bring with them on

their visits back home do not get captured in what the households report. So the proportion of consumption expenditure to actual remittances, when these factors are allowed for, could be much lower. According to a more recent study (Agro Economic Research Centre, 1982), current consumption expenditure forms about 52 per cent of the income received from abroad by migrants households. The latter study also showed that while food and clothing still accounted for 81 per cent of the consumption expenditure, items like education and medicines registered notable increases in relative terms.

(3) Acquisition of Physical Assets: All micro-level studies stress the large investments made by migrant households in land and construction or renovation of houses. According to one study (Mathew and Nair) about three-quarters of the 'capital' expenditure (which was defined to include financing of emigration of close relatives and marriage but not repayment of debts which were repaid within a year or two of the migration) was taken up by land purchase and house renovation or construction. In contrast, less than one per cent went into financing business or livestock investment. About 5 per cent was set aside for financing emigration of close relatives, 12 per cent for marriages and 7 per cent for jewellery and other durable consumer goods. A study completed more recently (Agro Economic Research Centre, 1982) also observed that while in investment of surplus funds left after meetings current consumption expenditure remodelling and construction of dwelling houses was the most popular, acquisition of land was next in importance. Indeed, this particular study found that in the households with the smallest remittances, i.e. those receiving less than Rs. 5,000 a year) acquisition of land had the highest priority, with



land acquired accounting for 79 per cent of the funds invested in the acquisition of assets. Among other assets acquired, gold was the most common. In addition, as another study (Prakash) observed, acquisition of consumer durables is quite widespread among migrant households.

It is necessary to view the evidence on investment in land and construction in its right perspective. According to Prakash, half of the migrant households had less than 50 cents of land (100 cents = 1 acre) even at the time of the survey. A quarter of the households reported purchase of land in the previous eight years and of these half bought less than 30 cents out of the earnings of persons working abroad. As for building or rebuilding a house, in the past 5 years about two-thirds of the households had either renovated and reconstructed old houses or constructed new houses. Of course, the cost of construction and repairs was found to have a wide range but so would be range of the surpluses left with the households after they had met their current consumption needs, given the variation in remittance receipts per household.

Practically all the studies report large increases in land prices. Radhakrishnan and Ibrahim observe further, <sup>that</sup> the relatively small plots have experienced the largest price rise.

(4) Financial investments: While a substantial part of the surpluses out of migrant remittances seems to be directed to the acquisition and construction of physical assets, a good proportion is also kept in the form of financial assets. In fact, financial investment out of remittance receipts is probably quite substantial in the first few years after a worker's migration if repayment of debts is included

(as it ought to be) as financial investment. As was noted above, the general tendency is to clear the old debts, particularly the debts incurred in connection with migration itself, in the first few years after migration. One study (Mathew and Nair) noted that borrowing was a major source of financing migration and that the bulk of loans is repaid within a year or two after the migrant secures employment abroad.

Repayment of loans apart, there is, as noted, evidence that, as a consequence of remittance receipts, bank deposits in Kerala State have registered increases in recent years which are above the national average and that within the State the same is the case with regard to districts of high migration. Studies at the micro-level have also reported the opening of new bank offices in villages of high migration (Agro Economic Research Centre). Also, several households are reported to have opened new bank accounts and taken insurance policies (Mathew and Nair). In addition, migrant workers themselves opened non-resident external accounts in their own personal names and remitted funds directly into these accounts. Unfortunately, no attempt has been made to quantify the financial investment by migrant households because of the widespread tendency to under-report. However, from the information available at the macro-level for the country as a whole, it is known that 10 to 20 per cent of the remittance receipts are accounted for by deposits in the non-resident external accounts.

(5) Human Capital Investments: It is noted above that, according to one study, the proportion of expenditure incurred on education and medicines increased in consequence of the receipt of remittances.

Another study (Commerce Research Bureau), however noted that while, in general, migrant households spent significant amounts on education of children there were interesting differences between areas which sent persons largely to other parts of India and those sending migrants to the Middle East. Migrant households in Chengannur, from where the migration is principally within India, were found to spend much more on education than migrant households in Chavakkad and Chirayinkil from where migration was largely to the Middle East. Expenditure per child in the former was reported to be almost four times as high as in the latter. This is despite the very likely possibility that remittance receipts per household in the former are much less than in the latter. It would appear then that while internal migration remains crucially dependent on educational status and hence creates pressure for higher educational attainments, migration to the Middle East did not create any such pressures. Nevertheless, the fact that relatively more is tending to be spent on education and health out of the increased incomes of the remittance receiving households is still a positive indication.

## P A R T - IV

### Policies and Procedures

#### (1) Manpower Exports

Manpower exports from India, as from the other countries of the subcontinent which, at one time, formed parts of British India, has been governed by the Indian Emigration Act of 1922. Under this law, recruiting agents had to take out a licence and they were obliged to follow certain rules and procedures. Unfortunately, the operative part of the law was struck down by the Indian Supreme Court in early 1974 and the guidelines, issued by the court to be followed until a new legislation is enacted, do not provide for licencing or registration of recruiting agents. As a result there has been a mushrooming of recruiting firms in India. Today, there are thousands of private recruitment agencies.

The harrowing tales of the exploitation of intending migrant workers appear frequently in the newspapers in India. The recruiting agents export money from poor, ignorant workers by holding promise of lucrative jobs abroad and frequently indulge in the forging of demand letters, power of attorney and model service contract. They take money from the workers for passport processing, visa and airpassage even though practically all these items of expenditure are met by the foreign employers. The ones who suffer the most are the poorest. They are the least knowledgeable on rules and rights. They also are the ones who can least afford to lose money, raised with great difficulty, to tricksters.

Not that the Government of India is altogether unaware or unmindful of the present situation. It is with a view to reducing the scope of mischief in the recruitment of workers that every Indian national travelling abroad has to have his passport specially endorsed by the Protector of Emigrants (or Passport Officers) to the effect either that he/she has been cleared for emigration or that he/she does not require emigration clearance. In the case of those who are cleared for emigration, the Protector of Emigrants is obliged to satisfy himself that the contract of employment under which the emigrant will work abroad meets the minimum conditions in regard to wage, overtime allowance, hours of work, terminal benefits, compensation for accidents, passage, accommodation, medical care and other benefits. In fact, a model agreement has been drawn up by the Ministry of Labour for the guidance of the Protectors of Migrants. In addition, the Ministry advises each Protector of Emigrants from time to time of the minimum wage for each category of work that a foreign employer in different labour importing countries must undertake to pay.

It is, at the same time, true that there is still large scale violation of the norms laid down by the Government of India. The violation of norms takes place in a number of ways. On the one hand, there is, as noted, blatant falsification of documents. If passports and endorsements therein are genuine, the documents on the basis of which these certificates might have been obtained may be forged. In several cases, passports themselves may be forged. On the other hand, cases have come to light of the flagrant violation of the contracts actually signed by the foreign employers in regard to wages, working

and living conditions and various benefits. Reports of ill treatment of Indian workers in the Middle East are a regular feature now of the newspapers in India.

Whether or not the new Emigration Bill, which has been passed recently by Indian Parliament, will help alleviate the situation further time along will tell. The Bill provides for the compulsory registration of the recruiting agents. They have to be financially sound and trustworthy and also have expertise in carrying out the task of recruitment for jobs overseas. Where foreign employers intend to recruit workers directly, they will have to obtain a permit for the purpose. Cheating of emigrants has been made a cognizable offence.

Furthermore, the question of setting up a Manpower Export Corporation and canalising employment of workers for overseas jobs through it has been discussed and debated but the idea has not taken concrete shape. At the State level, a few State Governments have taken the initiative in this regard. In Kerala, for instance, the State Government set up the Overseas Development and Employment Promotion Consultants Limited (ODEPC). Table 21 gives the number of overseas placements effected by this public sector agency in Kerala. While undoubtedly the numbers placed have been on the rise, they comprise an infinitely small part of the current annual outflow of migrant workers from the State. It will be recalled that at least 40,000 workers are estimated to have migrated from Kerala annually in the past three years, 1980 to 1982. At the national level, there takes place some, but again quite marginal, canalisation of manpower export through public sector/private sector firms which undertake construction jobs abroad. Firms

have been set up, in both public and private sectors, with the express objectives of undertaking and executing construction projects abroad. More than one hundred such firms are reported to be in this business. Project exports constitute an important part of the Indian export expansion programme. So far, some 500 construction projects of the value of Rs.4,400 million have been completed abroad by Indian firms.

(Separate figures for the projects completed in the Middle East are not available). These projects involved the employment and export of substantial number of Indian manpower of different skills but the numbers are not easily available. It is unlikely that relative to the number of workers migrating every year during, say 1980 to 1982, project exports by Indian firms could have accounted for more than a small proportion.

## (2) Remittance Receipts

The policies in relation to remittance receipts could be limited to attracting or ensuring the inflow of foreign exchange or could go further and attempt to influence the domestic deployment of these receipts after the conversion of foreign exchange into domestic currency.

Unlike several countries exporting manpower to the Middle East, in India the Government has so far refrained from imposing any formal obligation on Indian migrant workers, or their foreign employers, to remit part of the wages earned by, or payable to, these workers to India. However, under the existing exchange control regime, all Indian citizens are obliged to repatriate to India all their balances held abroad once they return home. In order to induce the workers to remit their savings to India while they are still working abroad, the Government has adopted a number of schemes.

The most important scheme is the one already referred to above. It is addressed to both non-resident Indians and persons of Indian origin.\* This is the scheme allowing the opening and maintenance of non-resident external bank accounts. Since 1975 these accounts can be kept in rupees or denominated in pound sterling or US dollars. Regardless of whether these accounts are kept in rupees or these are denominated in a foreign currency, the balances in these accounts, inclusive of interest earned thereon, are repatriable outside India. The two major incentives these accounts enjoy are: (1) the exemption from income and wealth taxes and (2) the entitlement of term deposits of one year or more to interest at rates two per cent above the comparable domestic deposits. The latter incentive came into effect from March 1, 1982. While the foreign currency accounts are free from foreign exchange risk, being repatriable in the foreign currency in which they are denominated, the rupee accounts carry that risk. At the time of repatriation, balances in the rupee accounts are to be converted into foreign exchange at the rate obtaining at the time, regardless of the rate of exchange at which the principal was remitted to India at the time of deposit. However, the rupee accounts can be maintained in the form of current, savings or fixed accounts whereas the foreign currency accounts can only be kept as fixed deposits and not as current or saving accounts.

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\* 'Non-residents', for the purpose of these incentives, include Indian citizens staying abroad for employment or any other purpose for an indefinite period and include government servants deputed abroad. A 'person of Indian origin' is anyone who has ever held an Indian passport or someone whose parents or grandparents were Indians and permanent residents in undivided India i.e. before August 15, 1947.



As can be noted from Table 7, these external accounts have attracted about 13 per cent of the foreign exchange coming in the form of total remittance receipts during the period, 1976-77 to 1981-82. But the amount thus received has not been insubstantial, being as large as Rs.12.5 billion, equivalent to \$1.3 billion at the exchange rate prevailing during the period, within a span of six years. As between the two external accounts, the rupee accounts appear to have been much more successful. Only 11 per cent of the deposits in the external accounts have been accounted for by foreign currency accounts; the balance came into the rupee accounts. Indeed in the years, 1979-80 to 1981-82, there were net withdrawals from the foreign currency accounts. However, after the raising of interest rates, as from March 1982, the position is reported to have improved and the foreign currency accounts recorded a sizeable net accrual alongside accruals in the rupee accounts. Still, accruals in the foreign currency accounts for 1982-83 comprised less than 20 per cent of the total inflow in the external accounts.

The question whether the amounts which accrued into the external accounts would not have come in without the incentives and facilities specially offered to them is important but not quite easy to resolve. On the basis of an inter country, econometric analysis (Swamy, 1981), it was observed: "... the variables describing relative rates of return on deposits and the incentive schemes of labour exporting countries to encourage remittances through official channels do not have any effect on remittances". The same study makes an even stronger statement in regard to the exchange rate when it observes:

"The overvaluation of currency does not appear to have negative effect on remittances either". Nevertheless, it is difficult to be sure that the amounts received by a country over and above what the country receives in the normal course by way of private transfers would have been received otherwise. Nor can one be certain that remittance receipts, as a whole, won't be affected by exchange rate uncertainties. In the Indian context, while the fact that (a) the major part of the funds deposited in the external accounts has accrued to rupee accounts which do not carry any exchange rate protection and (b) the accretion into the external accounts was quite substantial even without the benefit of a special premium interest which has lately become available, does reinforce the question posed above, it may still be not easy to assert that either exchange rate protection or interest rate premium can be dispensed with without risking the rate of inflow into these accounts.

Of course, there is the additional concern which any labour exporting country might legitimately feel in regard to its incoming remittances and that relates to the deployment of these remittances by persons and households receiving them. As noted, the inflow of these remittances could have its impact not only on household incomes but also on prices through both additional demand generation and the creation of additional bank money. In this context, the Indian Government's incentives on external accounts could be said to serve the objective of inducing additional savings out of remittance receipts. The Indian Government also offers direct incentives for investments, on repatriable or non-repatriable bases, in Indian companies, the Unit Trust of India and Government securities. (See Reserve Bank of India, 1983).

The investments can be made out of funds brought in from abroad through normal banking channels or from amounts lying in non-resident external accounts.

Investments without repatriation facilities are allowed without any limit, be these investments in the existing shares and debentures of companies or new shares of companies or investments in partnerships or proprietary concerns. Nor is any limit imposed on investments in the units of Unit Trust of India, Government securities and saving certificates.

Investments with repatriation facilities are allowed without limit only in non-convertible debentures of companies and in the units of the Unit Trust of India, Government securities and saving certificates. For other investments in this group, the restriction on acquisition ranges from one per cent of a company's paid-up and preference capital for any single investor to 74 per cent in certain special cases.

While it is too early to say whether or not the various investment incentives being offered for non-resident investment have had a major impact on the inflow of funds, it is necessary to be clear on what sort of impacts such incentives could possibly have. Would these incentives attract additional funds from non-resident Indians? Or, would they result in a reordering of the deployment of funds already coming in? Probably both, in some combination. But what that combination is can be quite important in both evaluating the measures taken already and formulating measures in the future. In this context, it is relevant to note the word of caution sounded in the study already referred to, that "in the presence of such strong preferences for real assets, that

will appreciate with inflation and that are relatively risk free, investment schemes may not be particularly popular". (Swamy, 1981). To the extent, this fear is valid, the success or failure of investment schemes will have to be judged principally on the basis of what additional inflow of funds is possible for them to attract.

## P A R T - V

### Future Prospects and Policy Implications

The future course of remittance inflows to India from the Middle East is intimately linked to what happens to the Indian workforce in the Middle East. As noted, the experience of the most recent years, 1979 to 1982, seems to indicate a sort of levelling of the absolute level of outflow at a little below 200 thousand a year. The figures for the first half of 1983 indicate that the outflow of workers will be of the same order during the current year.

Is this levelling of the migration outflow a precursor to another escalation or to a reversal of the rising trend so far? In all probability, it is the latter. Given the prospects, medium and long term, with respect to world oil price and oil exports from the Middle East, it is quite likely that the rate of growth of both investments and output in the labour importing countries of the Middle East will be much slower hereafter than was possible for these countries to sustain in the 70's. Also, it has to be borne in mind that as the composition of future investments in these countries changes in favour of more capital-intensive industries and away from construction activities, which tend to be far more labour intensive, the overall demand for expatriate labour for investment projects, is bound to decline.

That the overall demand of the Middle Eastern labour importing countries for expatriate labour is unlikely to experience the rates of growth registered before is widely accepted. Indeed, the prospect seems to be that while in the next few years there may still continue

to be some demand for a certain amount of additional labour, it is unlikely to be at levels registered in recent years. In the longer run, there may, in fact, be a net reversal of the process in that expatriate labour in the Middle East may well start returning home.

But what happens to the total expatriate labour force in the Middle East may affect its different national components differently. It is, for instance, widely accepted that with the relative slowing down of construction activity in the Middle East, the demand for simpler skills is bound to decline. Likewise, with the growth of the service sector, the demand in the Middle East will probably grow for the type of skills needed to deliver the required services. Which of the labour exporting countries of to-day will be able to respond appropriately to this changing pattern of demand for skills from the Middle East is a question that cannot easily be answered on the strength of past trends. One thing is certain, that the labour exporting countries will be able to retain their share (or even improve upon it) of the expatriate labour force in the Middle East, the greater flexibility they have in adjusting their supply of manpower to the changing pattern of skill demand from the Middle East.

Given the large pool of manpower which the countries of South Asia share between themselves and given also the availability of skills over a wide spectrum, it will be a reasonably safe assumption to make that for a country like India the supply constraint is unlikely to operate for quite a long time to come. The Government may still have a role to play in not only regulating the activities of the numerous agents, mostly private but a few public, engaged in the recruitment

and export of workers but also securing to the extent it is desirable a much more balanced geographical distribution of manpower export as between different parts of the country and between different parts of the labour exporting states within the country. Otherwise, as the experience in recent years has demonstrated that as a consequence of a virtually unregulated export of manpower while some parts of the country, as for instance has happened in parts of Kerala State, have had an overdose of emigration of workers, several other parts have been left virtually unaffected. That so far such intervention on the part of Government was not considered necessary, does not mean that some intervention would not be desirable in future. The need for intervention could arise, particularly when skill requirements of the labour importing countries start competing with the requirements at home in a manner that, if the present geographical distribution of migration were to be allowed to continue, it could create pockets of scarcity within the country and impede balanced development. Also the case for a less uneven geographical distribution of manpower export can be made on the ground that then the burden of adjustment will be more equally shared between various regions when the reverse flow of migration assumes a sizeable proportion as it well might despite current forecasts to the contrary.

As for the future inflow of remittances, it is crucially dependent on not only the stock of a country's migrant workers and their earnings abroad but also their continuing 'temporariness' and consequential interest in remitting funds back home. The fact that there are signs of a certain amount of slowdown in the pace of economic activity in the Middle East combined with the knowledge that Government

in the Middle East are extremely sensitive to any attempt at settlement by expatriate workers will probably ensure the temporariness of their work as well as residential status in these countries. So, if the stock keeps rising and earnings do not decline, there is reason to hope that remittance receipts of labour exporting countries as a whole would keep rising.\*

As has been noted, India has so far refrained from imposing any compulsory obligation, either directly or indirectly, on its emigrant workers to remit home any part of their earnings abroad. How effectively these measures to secure compulsory remittances out of earnings abroad operate is not yet fully assessed but there can be ways and means of circumventing such measures. In India's case, the inflow of remittances from the Indian workers in the Middle East, has been quite substantial, judging by any yardstick, without resort to compulsion. Of course, even the Government of India offers a number of incentives for the placement of funds remitted home in the form of deposits or investments in firms and companies. But the amounts kept in deposits or invested have, as noted, added up to not more than a fifth of the total remittance receipts of the country in any recent year. The bulk of the remittance receipts have, as noted, come in without availing themselves of the concessions and benefits offered by various schemes intended to encourage certain types of savings and investments. Evidently, the individual migrant workers

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\* World Bank's projections extending to 1995, on the basis of what is called the central growth scenario, yield an annual increase in the remittance inflow of the labour exporting countries of Asia at the rate of 6.3 per cent (See World Bank, 1983, p.32).



have priorities of their own to follow even in regard to the placement of investment of that part of their remittances which their kith and kin back home do not need for meeting their current consumption requirements.

There can be no quarrelling with these priorities. The desire to acquire a piece of agricultural land or a house site is something that is deeply embedded and the factors operating behind it are well known. No amount of inducement for other forms of investment can easily deflect an individual migrant from his preference for land. The same is possibly the case in regard to renovation or construction of one's house. These are instances of infinitely inelastic demand. Nevertheless, any Government would be perfectly justified in attempting to direct as large a proportion as possible of the savings out of remittances into what are considered as priority investments from the national point of view. After all, there are several incentive schemes addressed to people at home which too attempt to channelise their savings in desirable directions by offering subsidies, concessions and the like. So measures of this type will continue to have a role of their own.

Indeed, incentive measures may well have to be made much more effective and wide ranging, as the reverse flow of migration takes on larger proportions. Then, funds repatriated home by returnee migrants would need to be channelised in proper direction. In their case, external account facilities will no longer be available because they are not non-residents any longer. Still, they are instrumental in bringing home valuable foreign exchange with them. At the same time, there is the danger that their hard won savings may be frittered away in the

pursuit of half-baked schemes of resettlement or get locked in projects and schemes launched by unscrupulous agencies which are bound to crop up the moment the opportunity presents itself. The Government will have to be prepared to take suitable advance measures to forestall such possibilities. This will have to be in addition to whatever steps are taken with a view to resettling the returnee migrants.

CONCLUDING OBSERVATIONS

Whether or not the net migration of workers from India to the Middle East is likely to come to a halt and the reverse flow start in the near future, the remittance receipts of major labour exporting countries like India will in all likelihood, experience hereafter a very much slower rate of growth than was registered in the past seven, eight years. That in itself is something to be taken clear note of by these countries in the budgeting of their foreign exchange earnings and in the formulation of external economic policies. If, as is widely forecast, the industrialised countries in the West resume their economic growth and reduce their protectionist barriers against exports from the developing countries, it may well happen that a slackening in the expansion of remittance receipts is possible to be made up by faster growth in export earnings. Otherwise, India and other developing countries which have come to depend so critically on expanding remittance receipts for financing their development imports will have to be prepared to adjust their import requirements downwards and consequently, experience lower rates of growth.

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Table 1

National and Expatriate Labour Force in Five Major Middle  
Eastern Countries

Country	Number ('000)		Annual Growth rate 1975-1980 (percentage)	Share <sup>1</sup>			
	1975	1980		Nationals		Others	
				1975	1980	1975	1980
<b>Saudi Arabia</b>							
Nationals	1,026.5	1,133.3	2.0	57	49	43	51
Others	773.4	1,163.9	8.5				
Total	1,799.9	2,297.2	5.0				
<b>Libyan Arab Jamahiriya</b>							
Nationals	449.2	525.8	3.2	57	51	43	49
Others	332.4	510.2	8.9				
Total	781.6	1,036.0	5.8				
<b>Kuwait</b>							
Nationals	91.8	117.2	5.0	31	31	69	69
Others	208.0	259.9	4.6				
Total	299.8	377.1	4.7				
<b>United Arab Emirates</b>							
Nationals	45.0	52.7	3.2	15	14	85	86
Others	251.5	333.8	5.8				
Total	296.5	386.5	5.4				
<b>Qatar</b>							
Nationals	12.5	15.6	4.5	23	15	77	85
Others	53.7	90.7	11.1				
Total	66.2	106.3	9.9				
<b>Total</b>							
Nationals	1,625.0	1,844.6	2.6	50	44	50	56
Others	1,619.0	2,358.5	7.8				
Total	3,244.0	4,203.1	5.3				

Note: 1. Per cent of total labour force.

Source: UNCTAD, Trade and Development Report, 1982 (New York: United Nations)

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Table 2

Indian Migrant Workers in the Middle East  
(Numbers in '000)

Country of Employment	1975 (1)		1977 (2)		1979 (3)		1983 (4)	
	No.	%	No.	%	No.	%	No.	%
Saudi Arabia	15.0 (34.5)	9.7 (13.0)			(100.0)	(21.6)	270.0	29.6
Libya	0.5 (1.1)	0.3 (0.4)			(10.0)	(2.2)	40.0	4.4
UAE	61.5 (107.5)	39.9 (40.4)			(152.0)	(32.8)	250.0	27.4
Kuwait	21.5 (32.1)	14.0 (12.1)			(65.0)	(14.0)	115.0	12.6
Qatar	16.0 (27.8)	10.4 (10.4)			(30.0)	(6.5)	40.0	4.4
Baharain	9.0 (17.3)	5.8 (6.5)			(26.0)	(5.6)	30.0	3.3
Oman	26.0 (39.5)	16.9 (14.5)			(60.0)	(13.0)	100.0	10.9
Iraq	5.0 (7.5)	3.2 (1.2)			(20.0)	(4.4)	50.0	5.5
Total	154.0 (266.3)	100.0 (100.0)	214.0		350 (463.0)	(100.0)	800 1000.0	100.00

- Notes:
1. Figures in brackets give migrant population (workers plus dependents) totals and percentages.
  2. The estimated number of workers in 1979 has been worked out on the assumption that the number of dependents remained unchanged between 1975 and 1979, i.e. all net migration after 1975 was of workers and new family members migrating to the Middle East only replaced those returning from there.
  3. In 1979, there were 21,000 Indians in Iran.

- Sources:
1. Birks and Sinclair, 1980, Tables 13 and 14.
  2. MF Survey, Vol.7, No.17, Sept.4, 1978.
  3. Weiner, 1982, pp.5 and 32, also Singh, 1982.
  4. Indian Express, May, 27, 1983, June 2, 1983 and June 11, 1983, reports based on statements issued by AA Rahir, Minister of State for External Affairs, India; also, Tandon, 1983.

Table 3

Percentage Distribution of Migrant Workers from Kerala according to Educational Status and Destination, 1980

	No. of migrants (000)	Below Secondary		Secondary		Possessing degree in General professional subjects	Possessing degree in technical subjects	Total
		Skilled	Unskilled	Possessing certificate/diploma in technical subjects	Not possessing certificate/Diploma in technical subjects			
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
1. Middle East Countries	136.5 (36.6)	20.3	48.9	11.5	15.2	4.6	1.5	100
2. Middle East Foreign Countries	21.2 (4.2)	11.7	24.0	19.3	18.5	18.6	7.8	100
3. Other States within India	301.8 (59.2)	16.4	32.8	16.6	25.6	6.5	2.0	100
4. Total	509.6 (100.0)	17.7	36.3	14.8	20.8	6.3	2.1	100

Note: Figures in brackets in column (2) give percentage distribution of total migrant workers from Kerala according to their present location.

Source: Kerala Survey on Housing and Employment 1980, 1982, p.47.

Table 4

Factors in Kerala's Migration

	All migrant workers as a proportion (%) of		Worker participation rate (%)				Population density (persons per sq. km.)	Literacy rate %
			Rural		Urban			
	Total Workers	Male Workers	M	F	M	F		
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
Trichur	13	19	38	16	40	13	805	74
Alleppy	11	16	39	15	37	10	1248	79
Malappuram	9	11	36	8	36	5	677	61
Kerala State	7	9	45	18	43	12	654	70

- Notes: 1. The three districts for which figures are given separately are the districts of highest migration in the State. They are ranked according to the proportion of migrant workers to labour force. However, if the districts were to be ranked according to migrant workers located outside India, Malappuram would rank first, Trichur second and Alleppy fourth coming after Cannanore.
2. Number of migrants in early 1980 was divided by the number of workers in 1981. All other figures relate to 1981.

- Source: 1. Kerala, Survey on Housing and Employment, 1980, 1982.
2. Census of India, 1981, Series 10, Kerala, Paper 2 of 1981.

Table 5

Skill Composition of Expatriate Workers in the Middle East according to their Home Country

Occupational Category	In Kuwait, 1975				In all Middle East countries (4)				
	Palestine	Egypt	Jordan	India	Pakistan	Kerala, 1979	Pakistan 1971-79	1980	Bangladesh 1977-78
Professional with Science based degrees	10.8	7.2	6.5	3.6	2.1	4.5			
Professionals with arts degrees	3.3	3.3	2.8	1.0	1.0	4.6	2.9	1.6	5.4
Technicians with post secondary education/training	35.9	21.1	17.6	9.0	5.5	11.5	*(2)	*(2)	2.6
Skilled and semi-skilled office and clerical occupations	22.7	7.9	26.1	21.7	11.7	13.2	19.4	10.5	
Skilled and semi-skilled manual occupations	14.2	25.6	25.8	12.9	59.5	20.3	40.0*(2)	41.4*(2)	58.6(3)
Unskilled	13.1	24.9	21.2	51.8	20.2	48.9	37.4	44.0	28.1
Total (1)	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Note: 1. In some cases, the percentage do not add up to 100 because skills could not be classified.

2. For Pakistan, 1971-79 and 1980, technicians are included in skilled manual occupations.

3. Almost entirely manual workers.

4. The proportions for Pakistan, 1971-79 and 1980, and Bangladesh are derived from flows of workers during the specified period. The rest are based on stock estimates.

Sources: 1. Birles and Sinclair, 1980, Table 24, p.144.

2. Kerala, Survey of Housing and Employment, 1980, Table 6.1, p.47.

3. Ali et.al., 1981, Table 1.7, p.28.

4. Ahmad, 1982, Table 7, p.15.



## Table 6

Trends in India's Invisibles and Private Transfers in Balance  
of Payments on Current Account  
(Million Rs.)

Year	(1) Total Invisibles			(2) Private Transfers			5 as	7 as
	Receipts	Payments	Net (2-3)	Receipts	Payments	Net (5-6)	% of 2	% of 4
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
1970-71	4,165	4,964	-799	1,364	132	1,232	32.7	..
1971-72	4,476	4,854	-378	1,745	123	1,622	39.0	..
1972-73	4,624	5,062	-438	1,653	113	1,540	35.7	..
1973-74	5,564	5,680	-116	2,033	117	1,913	36.5	..
1974-75	8,824	5,573	3,251	2,799	62	2,737	31.7	34.2
1975-76	14,295	7,447	6,849	5,412	134	5,278	37.9	77.1
1976-77	19,253	9,374	9,879	7,456	68	7,388	38.7	74.8
1977-78	25,289	9,616	15,673	10,293	65	10,228	40.7	65.3
1978-79	28,234	11,308	16,926	10,593	168	10,425	37.5	61.6
1979-80	45,539	14,141	31,398	16,319	77	16,242	35.8	51.7
1980-81	58,902	15,796	43,106	22,688	116	22,572	38.5	52.4
1981-82	58,120	20,083	38,037	22,371	165	22,206	38.5	58.4

- Notes: 1. Receipts and Payments on Current Account excluding those of merchandise on both private and government account.
2. Include various types of receipts some of which cannot be considered as migrant remittances such as (1) donations to religious organisations and charitable institutions in India and (2) Contra entries against imports under U.S.F.L.480 Title II grants. Unfortunately, the breakdown of Private Transfers under various subheads is not available except for the contra entries against PL 480 imports.

Source: Reserve Bank of India Bulletins ending with that for April 1983.

Table I

## Trend in India's Remittance Receipts (Million Rs.)

	Remittance Receipts on current account				Remittance Receipts on capital account				Total remittance receipts 4 + 8	Growth in total remittance receipts % of 10 pts %		
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)			(9)	(10)
Net Private transfers receipts	Private transfers receipts	Imports	Adjusted private transfers receipts (1)	Growth in private transfers receipts	Receipts into non-resident external rupee accounts	Receipts into non-resident foreign currency accounts	Total receipts into external accounts	Growth in external receipts %				
1970-71	1,232	-	1,232	-	-	-	-	-	1,232	-	100	
1971-72	1,622	-	1,622	32	64	-	64	..	1,686	37	96	
1972-73	1,540	-	1,540	- 5	88	-	88	37	1,628	- 3	95	
1973-74	1,913	-	1,913	24	69	-	69	- 22	1,982	22	97	
1974-75	2,737	597	2,140	12	294	-	294	326	2,434	23	83	
1975-76	5,278	1,176	4,102	92	330	75	405	38	4,507	85	91	
1976-77	7,368	1,219	6,167	50	1,255	503	1,758	334	7,927	76	78	
1977-78	10,228	1,120	6,103	48	1,353	895	2,248	28	11,356	43	80	
1978-79	10,425	1,155	9,270	2	1,672	177	1,849	- 18	11,119	- 2	83	
1979-80	16,242	1,598	14,644	58	2,090	- 50	2,040	10	16,684	50	88	
1980-81	22,572	1,193	21,379	46	2,318	- 37	2,281	12	23,668	42	90	
1981-82	22,206	1,542	20,664	- 3	2,485	- 163	2,322	2	22,986	- 3	90	

Note: 1. Even after adjustment is made for contra entries against PL400 imports one cannot quite claim that the figures altogether represent remittance receipts. However, it is still reasonably safe to say that the non-remittance component of these receipts has not only been small all along during the period covered in this table but that this component has been fast declining. The knowledgeable do not put this non-remittance component at more than 5 per cent of the current level of what is recorded as private transfers in the balance of payments.

Source: Same as for Table 6.

Table 8

India's Remittance Receipts<sup>(1)</sup> in Relation to  
Selected Balance of Payments Items (in percentages)

	1974-75	1975-76	1976-77	1977-78	1978-79	1979-80	1980-81
(i) Exports	7.6	10.7	16.0	20.9	20.0	26.9	25.8
(ii) Imports	5.9	9.5	16.5	20.4	14.9	17.5	18.7
(iii) Balance of trade	24.9	79.5	+ve	1051.1	60.3	49.4	39.3
(iv) Invisible receipts	31.4	35.9	45.0	47.7	41.1	41.6	44.0
(v) Current plus amortization payments	4.9	7.8	13.0	16.2	12.4	14.5	15.9

Note: (1) Include receipts on both current and capital accounts as shown in Table 7.

Table 9

Remittance Receipts <sup>(1)</sup> as a Proportion of Current Payments

(in percentages)

	1975	1980
Pakistan	9.8	33.2
India	6.5	11.5 <sup>(2)</sup>
Yemen A.R.	87.1	47.5
Morocco	15.7	17.5
Jordan	18.1	20.2
Rep. of Korea	2.0	1.4
Yemen PDR	28.4	46.8
Tunssia	7.8	6.9
Philippines	3.7	2.9
Bangladesh	2.2	10.4
Sudan	0.0	13.3
Egypt	8.9	28.6
Syria	2.7	2.8
Sri Lanka	0.0	6.0
Thailand	2.0	4.2

Note: (1) For purposes of comparability, it was considered safer to relate only the remittance receipts in India on current account with those of the country's current payments.

(2) Relates to 1979.

Source: IMF, International Financial Statistics

Table 10

Purchasing Power<sup>(1)</sup> of Remittances for India and other Labour  
Exporting Countries

	1973	1974	1975	1976	1977	1978	1979	1980	1981
(1) India	96	32	51	67	85	103	95	102	87
(2) Major Asian and Arab labour exporters <sup>(2)</sup>			256	368	460	628	558	475	366
(3) Petroleum price: Saudi Arabia (US \$/barrel)	2.70	9.76	10.72	11.51	12.40	12.70	17.26	28.67	32.50

Notes: (1) Purchasing power is measured in terms of million barrels of oil that the remittance receipts would buy.

(2) 15 labour exporting countries noted in Table 8.9

Sources: Row 1) Same as Table 7

Row 2)

and IMF: International Financial Statistics, various issues.

Row 3)

Table 11

Structure of Remittance Flows<sup>(1)</sup> (Percentage to world to

	1970	1975	19
	(1) <u>Outflows</u>		
(1) World	100.0	100.0	100
(2) Developed market economies	81.3	60.0	67.1
(3) Developing economies	18.7	20.0	32.
(a) Oil exporting	7.6	9.0	-
(b) Non-oil exporting	11.2	11.0	
	(2) <u>Inflows</u>		
(1) World	100.0	100.0	
(2) Developed market economies	78.2	67.1	
(3) Developing economies	21.8	32.9	
(a) Oil exporting	3.8	2.6	
(b) Non-oil exporting	18.0	30.3	36
(i) Least developed <sup>(2)</sup>	2.8	3.6	6.
(ii) ESCAP <sup>(3)</sup>		6.0	11

Note: 1) The figures reported above related to 'private unrequited transfers'. These consist almost entirely of remittances but also include some miscellaneous items.

2) The 36 least developed countries are characterised by low per capita incomes, literacy rates and shares of manufacturing in GDP.

3) ESCAP countries receiving remittances are Pakistan, India, Thailand, Republic of Korea, Bangladesh, Philippines, Sri Lanka, Nepal, and Tonga.

Source: UNCTAD, 1983 (b) Annex p.32.  
IMF, International Financial Statistics.

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Table 1.2

India's Remittance Receipts from the Middle East and Other Regions

(Million \$)

	1974	1975	1976	1977	1978	1979	1980
1) Total remittances	310	550 (77)	770 (40)	1050 (36)	1310 (25)	1620 (24)	2930 (81)
Remittances from the Middle East	102	182 (78)	319 (75)	523 (64)	762 (45)	1045 (37)	2198 (100)
Non Middle East remittances	208	368 (77)	551 (50)	527 -	548 -	575 -	732 (27)

Notes: 1) Remittances from the Middle East have been estimated on the assumption that they were 33 per cent of the total in 1974 and 1975 and increased their share by 8.4 percentage points in each of the subsequent years, as explained in the text.

2) Figures in brackets give annual percentage changes over the previous year.

3) Remittances equal total remittance receipts (see Table 7).

Sources: 1) FBI Bulletin, various issues.

2) IMF, International financial statistics, various years.

Table 13

Relative Importance of Sources of Foreign Exchange Receipts  
from the Middle East

1) <u>Inflows into India</u>	(per cent)		
	<u>1974-75</u>	<u>1977-78</u>	<u>1980-81</u>
i) Exports	75	49	34
ii) Loans	11	13	2
iii) Remittances	13	38	64
Total	100 (5.4)	100 (13.3)	100 (24)
2) <u>Outflows from</u>	<u>1975</u>	<u>1978</u>	<u>1980</u>
(a) <u>Saudi Arabia</u>			
i) Imports from non-oil LDCs	31	38	38
ii) Concessional assistance	54	26	28
iii) Remittances	15	37	35
Total	100 (3.7)	100 (7.8)	100 (11)
(b) <u>Libya</u>			
i) Imports from non-oil LDCs	60	37	64
ii) Concessional assistance	20	30	11
iii) Remittances	15	37	35
Total	100 (1.3)	100 (1.8)	100 (2)
(c) <u>Kuwait</u>			
i) Imports from non-oil LDCs	24	30	38
ii) Concessional assistance	59	55	43
iii) Remittances	17	14	20
Total	100 (1.6)	100 (3.0)	100 (3)

- Notes: 1) Concessional finance estimates were taken from the World Development Reports for 1975 and 1976 and for later years from the Trade and Development Report, which appears to give more inclusive figures.
- 2) Figures in brackets give totals in Rs. billion for India and \$ billion elsewhere.

- Source: 1) IMF, International Financial Statistics, various years.  
 2) IMF, Direction of Trade Statistics, various years.  
 3) UNCTAD, Trade and Development Report, 1982.  
 4) World Bank, World Development Report, 1982.  
 5) India, Economic Survey, various years.  
 6) RBI, Report on Currency and Finance, various years.  
 7) India, Ministry of Commerce, Annual Report.





Table 14

## Trend in Estimated Foreign Remittances to Kerala

(Rs. Million)

	1976-77	1977-78	1978-79	1979-80	1980-81
Remittances	1,500-1,875	2,490-3,110	2,775-3,470	4,670-5,235	7,340-9,175
Kerala's Net State Domestic Product at factor cost (current prices)	23,280	24,630	26,900	30,350	33,140
Remittances as a proportion of SDP (%)	6 - 8	10 - 13	10 - 13	15 - 19	22 - 28

Note: Row (1) Kerala's share in the total remittance receipts of India as a whole has been arrived at on the assumption that (1) of the remittances received from the Middle East Kerala's share would be between 40 and 50 per cent and (2) of the remittances received from non-Middle East sources, Kerala's share may not exceed more than between 4 and 5 per cent. (See Table 12 for the assumption underlying the calculation of remittances from the Middle East to India as a whole.) Remittance receipts of migrants to other states within India are not included.

Row (2) Based on information available in Kerala, Economic Review, 1979 to 1982.

Table 15

Districtwise Distribution of Foreign Remittances 1979-80 in Kerala

(Rs. Million)

	State domestic product	Remittances	(2)/(1)x100
	(1)	(2)	(3)
Trivandrum	282	60	21
Quilon	329	53	16
Alloppy	243	48	20
Kottayam	218	42	6
Idukki	135	0.6	0.6
Ernakulam	378	11	3
Trichur	255	107	42
Palghat	218	20	9
Malappuram	191	99	52
Kozhikode	302	49	16
Cannanore	323	70	22

Note: Total remittances for the State were taken to be Rs. 5,250 million, the mean of the range in Table 14.

- Source: 1) Table 14 above.  
 2) Kerala Economic Review, 1980  
 3) Kerala, Survey on Housing and Employment, 1980, 1982, Detailed Table 5.

Table 16

Per Capita Domestic Product of Districts of Kerala

(Rs. at 1970-71 prices)

District	1970-71		1980-81	
	Amount	Rank	Amount	Rank
Trivandrum	552.97	7	593.22	5
Quilon	630.45	3	584.70	7
Alleppy	562.49	6	588.97	6
Kottayam	636.02	2	666.19	2
Idukki	599.73	4	598.73	4
Ernakulam	647.43	1	800.24	1
Trichur	531.58	9	545.34	9
Palghat	548.43	8	569.90	8
Malappuram	429.15	11	402.96	11
Kozhikode	586.88	5	636.81	3
Cannanore	521.91	10	525.83	10
State	567.18		539.80	

Source: Kerala, Economic Review, 1982.

Table 17

Per Capita Income (Domestic Product plus Remittances) of Districts  
of Kerala, 1980-81

District	Per capita domestic product in current prices, 1980-81	Remittances re- ceipts per - capita 1980-81	Per capita income (2) + (3)
(1)	(2)	(3)	(4)
Trivandrum	1252 (8)	348	1600 (8)
Quilon	1323 (5)	305	1628 (5)
Alleppy	1252 (7)	360	1612 (6)
Kottayam	1440 (4)	166	1606 (7)
Idukki	1517 (2)	24	1541 (9)
Ernakulam	1744 (1)	80	1824 (2)
Trichur	1185 (10)	655	1840 (1)
Palghat	1214 (9)	149	1363 (11)
Malappuram	876 (11)	601	1477 (10)
Kozhikode	1488 (3)	313	1801
Cannanore	1260 (6)	388	1648

Notes: (1) Figures in brackets in columns (2) and (4) of the districts.

(2) Assuming the total remittance receipts of Kerala Rs. 8260 million in 1980-81 they have been distributed to the districts according to the distribution of migrant abroad in 1980.

Source: 1. Kerala, Economic Review, 1982.  
2. Table 7, this paper.

Table 18

Consumption and Housing Patterns in Selected Districts and in Kerala

(a) Consumption, 1977-78

District	Per capita domestic product (income) (Rs.) (1977-78)	Per capita consumption (Rs.) (1977-78)							
		Total	Food	Rice	Milk products	Edible oils	Meat, egg fish etc.	Non-food	Medicine
Trichur	915 (1080)	826	548	191	39	38	50	278	29
Alleppey	900 (981)	743	497	182	25	26	58	246	23
Malappuram	802 (978)	634	469	193	14	22	42	167	24
Kerala State	987 (1075)	716	479	185	25	24	37	231	20

(b) Housing, 1979-80 (% of total houses)

District	Age of house			Facilities			Size (other than huts)			
	Below 2 years	2-30 years	Above 30 years	Electricity	Water supply	Water sealed lavatory	upto 500 sq.ft. without kitchen	501-1000 sq.ft. kitchen	1001-1500 sq.ft.	Above 1500 sq.ft.
Trichur	11	67	22	30	38	23	8	21	29	12
Alleppey	13	68	19	28	35	22	11	17	17	7
Malappuram	10	67	23	11	39	11	20	21	21	8
Kerala State	11	69	20	24	39	18	14	9	9	3

Sources: 1) Kerala, Survey of Household Savings and Investments, 1981,  
 2) Kerala, Survey on Housing and Employment, 1980, 1982, upper.

State-wise Distribution of Per capita Bank Deposits in India, Selected years

State	1971 Rs.	Rank	1974 Rs.	Rank	1975 Rs.	Rank	1976 Rs.	Rank	1978 Rs.	Rank	1980 Rs.	Rank
Maharashtra	335	1	459	1	570	1	728	1	1018	1	1380	2
Punjab	252	2	356	2	494	2	620	2	944	2	1441	1
West Bengal	222	3	350	3	412	3	500	3	710	3	933	4
Gujarat	217	4	319	4	369	4	470	4	705	4	961	3
Karnataka	126	5	150	6	229	6	299	5	458	7	660	7
Tamil Nadu	109	6	159	5	231	5	281	7	438	6	612	9
Jammu and Kashmir	107	7	179	8	212	7	287	6	603	5	818	5
Haryana	104	8	168	10	196	10	264	10	426	9	651	8
Kerala	102	9	171	9	207	9	266	8	488	8	632	6
Madhya Pradesh	94	10	164	7	208	8	265	9	404	10	595	10
Uttar Pradesh	69	11	72	15	140	11	160	12	270	12	405	12
Bihar	57	12	56	12	112	13	140	14	189	15	276	15
Andhra Pradesh	56	13	110	11	137	12	185	11	294	11	428	11
Rajasthan	55	14	87	13	102	14	112	13	219	13	327	12
Madhya Pradesh	43	15	76	14	95	15	128	15	190	14	281	14
Assam	38	16	69	16	83	16	111	16	172	16	227	16
Orissa	26	17	45	17	58	17	74	17	120	17	196	17
India	132		212		250		322		484		675	

Source: Reserve Bank of India, Annual Report on Trend and Progress of Banking in India, various years.

Table 20

Cost of Living Index Numbers in Selected Centres of Kerala,  
1980-82

Centre	Average Annual Index			Percentage Variation	
	1980	1981	1982	1981 over 1980	1982 over 1981
1. Trivandrum	203	229	243	+12.81	6.11
2. Quilon	204	235	250	+15.19	6.38
3. Punalur	198	222	238	+12.12	7.21
4. Alleppy	198	229	242	+15.19	5.68
5. Kottayam	201	229	245	+13.96	6.99
6. Mundakayam	192	224	238	+16.67	6.25
7. Marman	207	234	242	+13.23	3.42
8. Ernakulam	195	223	236	+14.36	5.83
9. Chalakudy	200	230	243	+15.00	5.65
10. Trichur	205	234	245	+14.14	4.70
11. Palghat	198	225	239	+13.84	6.22
12. Malappuram	201	228	238	+13.43	4.39
13. Kozhikode	203	233	248	+12.81	6.11
14. Meppady	205	233	248	+13.66	6.44
15. Cannanore	197	225	238	+14.21	5.79
Kerala State	201	229	242	+13.93	5.81
India	216	242	256	+12.04	5.79

Sources: 1) Kerala, Economic Review, 1982.

2) India, Economic Review, 1982-83.

Table 21

Deployment of Workers by the Overseas Development and  
Employment Promotion Consultants Ltd. of Kerala State,  
1979-82

Country	1979	1980	1981	1982	Total
Libya	199	199	216	216	830 (17.5)
UAE	169	169	169	169	676 (14.2)
Doha-Qatar	213	214	214	237	878 (18.5)
Kuwait	276	276	355	355	1262 (26.6)
Saudi Arabia	-	-	125	194	319 (6.7)
Iraq	-	-	110	158	268 (5.6)
Muscat	-	-	-	88	88 (1.9)
Other countries <sup>(1)</sup>	81	112	112	124	429 (9.0)
Total	938	970	1,301	1,541	4,750 (100.0)

Notes: (1) Includes Singapore, Maldives, Mozambique, Nigeria in addition to Bahrain and Dubai.

(2) Figures given in brackets in the last column are percentage of the total number of workers deployed by ODEPC during 1979 to 1982.

Source: Kerala, Economic Review, 1982.



## Appendix I

## Some Particulars of High Migrant Taluks (sub-district) of Kerala State

Taluk (District)	Population density (persons per km <sup>2</sup> )	Worker participation rate %		Literacy rate %	Sex Ratio (Numbers of woman per 1000 man)	Decadal growth %
		T	M			
<u>I. Taluks of High Migration</u>						
<u>To Middle East</u>						
1. Chirayinkeezhy (Trivandrum)	1361 (1184)	26 (27)	38 (45)	69 (71)	1114 (1030)	12.5 (18.1)
2. Chavakkadu	1608 (805)	22 (27)	34 (39)	70 (74)	1182 (1100)	15.1 (14.6)
3. Tirur (Malappuram)	1269 (677)	19 (22)	34 (36)	58 (61)	1076 (1032)	29.1 (29.4)
4. Vadamuzha (Kannur)	909 (957)	21 (22)	35 (36)	66 (70)	1055 (1020)	22.0 (23.3)
<u>II. Taluks of High Migration to Indian States</u>						
1. Pathanamthitta (Trivandrum)	1361 (1184)	26 (27)	38 (45)	69 (71)	1114 (1030)	12.5 (18.1)
2. Mavelikara (Alloppy)	1238	23	32	78	1072	9.5
3. Karthigappally (Alloppy)	1627	26	36	75	1070	10.6
4. Chengannur (Alloppy)	1266	24	39	80	1084	7.1
5. Thiruvalla (Alloppy)	1050 (1248)	25 (26)	40 (36)	83 (79)	1073 (1050)	6.1 (10.6)
6. Mukundapuram (Trichur)	512	26	39	76	1073	14.2
7. Trichur (Trichur)	1052 (805)	28 (27)	41 (39)	78 (74)	1069 (1100)	13.7 (14.6)
8. Ottappalam (Palghat)	740 (456)	27 (32)	40 (44)	63 (58)	1131 (1056)	19.3 (21.3)
9. Tellicherry (Cannanore)	626 (565)	24 (27)	38 (40)	72 (66)	1056 (1034)	22.6 (25.1)
Kerala	654	26	41	70	1032	19.2

Note: Figures in brackets relate to the districts to which the taluks belong.

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