

**ECONOMIC IMPACT OF MIGRATION TO  
THE MIDDLE-EAST: A STUDY OF  
MALAPPURAM DISTRICT**

*Thesis*

*submitted to the University of Calicut in partial fulfillment of  
the requirement for the award of the degree of*

**Doctor of Philosophy**

*By*

**SHIBY M THOMAS**

**Department of Economics,  
University of Calicut  
Dr. John Mathai Center,  
Aranattukara, Thrissur**

**2006**

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**2006**

Date..19/9/2006

**CERTIFICATE**

I Dr. B Alwin Prakash hereby certify that the written account titled ECONOMIC IMPACT OF MIGRATION TO THE MIDDLE EAST : A STUDY OF MALAPPURAM DISTRICT is a bonafide record of research work done by the candidate under my supervision. I also certify that no part of this work has been submitted earlier for any other purpose.



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Supervisor  
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## DECLARATION

*I SHIBY M THOMAS do hereby declare that the written account titled ECONOMIC IMPACT OF MIGRATION TO THE MIDDLE- EAST : A STUDY OF MALAPPURAM DISTRICT is a bonafide record of research work done by me under the supervision of Dr B Alwin Prakash. I also declare that this thesis has not been submitted by me earlier for the award of any degree, diploma, title or recognition.*



**SHIBY M THOMAS**  
Research student

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# Chapter I

## Introduction

### Introduction

“The field of human geography is concerned with the movement of people in space.” (Bilsberrow et al 1984). The spatial movement of people, which is termed as migration and its causes and effects, has been attracting the attention of administrators, researchers and policy makers in the world over ever since the ancient period itself. Every part of the world has experienced their own account of the different kinds and nature of migration. Examples are many. Various international, governmental and non-governmental organizations as well as individual researchers have been conducting demographical, sociological, and economic researches in order to understand different facets and dimensions of migration.

Since the oil price increase of 1973, the Middle East has become a magnet for Asian workers who want to improve their economic lot (Fred Arnold and Nasru M Sha 1984). The migration to middle east is a contract type migration where labour was recruited for work in the gulf on limited contract terms and was expected to return home at the end of the contract period (Prakash 19980). Labour migration has had impacts on the labour sending countries. The important among them are the impacts due to the withdrawal of labour force on the sending economies and the balance of payment impacts due to the remittances inflow. The massive inflow of remittances has now become the top foreign exchange earner in several Asian countries.

The phenomenon of outward migration can be seen in the case of India also. Historically migration from India has a glorious past, as there were several instances migration from India to different nations as laborers and traders. (Nayyar 1994). But the large exodus to Middle East countries began in the mid 1970's with dramatic rise in the price of crude oil and petroleum. (Nayyar 1994 Prakash 1998, Thomas Isaac 1997)

Out of the different states of India, the state of Kerala contributed a major share of the number of labour migrants to different countries (annual reports, ministry of labour). The Kerala emigrants were estimated as 35.75% of the total Indian emigrants in the gulf countries (Kannan and Hari 2002). The share of remittances to Kerala economy during the nineties was estimated on the average as 21% of state domestic product for a period of 1991 to 1999-2000 (Kannan and Hari 2002). Different researchers have conducted various studies on the impacts of the remittances to Kerala economy. Some argue that migration and its remittances has been a direct positive outcome of the Kerala model of development (Zacharia et al 1999). Even though migration can overcome some financial shortage of our economy way of remittances, it creates some negative impacts to the society like unproductive use of money, conspicuous consumption and concentration of income as argued by different researchers (Thomas Isaac 1997, Zacharia et al 2004). Most of them conclude that migration has affected the economic, social, political and religious life of the state. (Zacharia et al 1999)

Several districts of Kerala have been experiencing the impacts of migration. With regard to the Middle East migration the district of Malappuram has its own prominent

position. Moreover several features of Malappuram differentiate it widely from other districts of Kerala. The Kerala migration study<sup>1</sup> (Zacharia et al 1999) pointed out that Malappuram district had sent out the largest number of emigrants and it received the largest amount by way of remittance from abroad. Malappuram has the highest birth rate, the highest rate of population growth, the highest average family size, the highest proportion of illiterates and the lowest proportion of persons with a secondary school certificate or a degree in Kerala. Another study published in 2004 (Zacharia et al 2004) also had highlighted the specific features of Malappuram where some of them little differ compared to the study in 1998. According to this study Malappuram district has second position in the matter of remittances next only to Trichur. The remittances formed about 46% of districts domestic income. A third of all households in the district are direct beneficiaries of remittances from abroad. The researcher put these points in order to take Malappuram as an area of study where no comprehensive economic impact study based on migration to Middle East has been undertaken so far. The present study is an attempt to fill the gap.

## **1.1 Review of Literature**

There is vast literature on the topic of migration. Migration can be classified into different types like international migration, interregional migration, permanent migration, temporary migration; contract migration etc. Each type of migration has its

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<sup>1</sup> The study conducted by the CDS during 1998-99 is named as Kerala Migration Study (KMS), which is the content of CDS Working Papers No 297 (1999), No.303 (2000) and No.319 (2001). A book entitled Dynamics of migration in Kerala. Dimensions, differentials and consequences (2003) have been published based on the results of KMS.

socioeconomic impact on the sending and receiving countries. Individual researchers and world research organizations have contributed their own account to the literature of the study of migration.

Early studies on migration were primarily based on giving theoretical explanations. (Ravenstein 1889, Lee 1996, Todaro 1969 etc). Later the attention had been shifted towards analyzing the socio economic impacts of migration i.e. study of migration in its totality. Why migration occurs? What are the determinants of migration? What are the processes involved in it? are some of the questions that were disturbing the minds of most of the migration theoreticians.

It was argued that migration occurred in search of opportunity. Ravenstein (1889) supported the argument through his famous laws. "Migrants move from areas of low opportunity to areas of high opportunity. The choice of destination is regulated by distance, with migrant tending to move to nearby places, each stream of rural urban migration produces a counter stream of return migrants back to the rural areas Urban residents are less migratory than rural ones and that migration accelerates with growth in the means of transport and communication." Though these arguments explain some factors behind migration it lacks comprehensibility according to present circumstances.

Economic model building incorporating the spatial movements and developmental aspects were also done. Lee (1966) developed a general scheme in which a variety of spatial movements could be placed. He gave the conceptual frame work for classifying

migration in terms of push and pull factors. The push factors are negative factors affecting migration and the pull factors are positive factors. Lewis (1954) and Ranis (1961) formulated a development model incorporating migration by conceiving it as an equilibrium mechanism through transfer of labour from the labour surplus to the labour deficient sector, eventually brings about equality in the two sectors. Cost and returns also should be taken into consideration while discussing migration. (Sjstad1962). Returns comprise both monetary and nonmonetary components, the latter including changes in psychic benefits as a result of locational preferences. Similarly costs include both monetary and nonmonetary costs such as costs of transportation, disposal of property, wages forgone while in transit, and any training for a new job. Psychic costs include those of leaving family surroundings, adopting new dieting habits and social customs and so on. The expected returns are also a factor behind migration. The decision to migrate includes a *perception of* the potential migrant of an expected stream of income which depends on prevailing urban wages and subjective estimate of the probability of obtaining employment in the modern urban sector.”

Recently migration (Bilsberrow et al 1984) has been discussed on welfare point of view also. Migration as part of a broad decision-making process to maximize welfare. Migration decision of individuals and house holds are only one of a broad set of inter related household decisions involving decisions about work, non work activities of all members of the house hold, education/school attendance activities of children, fertility and child care arrangements. Joseph (Joseph K V 1988) attempted to discuss migration on historical point of view. Radical changes in the institutional set up and occupational

pattern brought about by the industrial revolution was the starting point of several streams of migration of the modern period.

The sum and substance of all these theoretical arguments can be summarized in terms of push and pull factors behind migration. The migration to middle east has also its push and pull factors. Before going to discuss the Gulf migration it is necessary to review some literature on the types of migration.

There is an attempt to classify migration as traditional type and contract type (Nayyar 1994, ILO 1989, Prakash 1998). In the traditional type, migration is influenced by social, political and economic considerations and most of the emigrants settle down in the host country. On the other hand, contract type migration is usually characterized by a job contract concluded on behalf of the workers and employers with a single visa authorization given to group of workers on behalf of a single employer. The duration of the stay normally one year is explicitly specified in the contract and workers usually travel without their dependents accompanying or following them. In the host country workers are usually provided accommodation by the employer. As the two types of migration are extremely different in character and patterns, the consequences are also different in nature. Further migration is also classified as permanent or temporary (Nayyar 1994). The emigrations to industrialized countries are mostly having a permanent nature and the emigration to the Middle East is considered as mostly temporary. They widely differ in their impact on the host and the receiving countries.

The migration to the Middle East and its consequences are of great concern for the economists and the researchers of the world over. The middle east migration can be strictly terminated as contract type migration as labour was recruited for work in the gulf on strictly limited contract terms and was expected to return home at the end of the contract period. (Prakash 1998). Nation wise studies of different countries as well as specific region wise studies were made .All these studies are based on issues like the pattern and utilization of remittances, the impact on the labour market of the sending economies, the productivity of remittances, the contribution of the remittances on the distribution of income .The contract type migration includes return as an inevitability, so there are studies that discuss the problems of return migration.

With regard to the effects of migration on labour market, a known finding is that migration is the result of the movement of people from labour surplus regions to labour scarce regions. Nayyar (1989) of the view that given the magnitude of labour outflows and the reservoir of surplus labour, it would be reasonable to infer that the impact of the withdrawal of labour, if any on the output of India would have been negligible but it created reduction in unemployment and disguised unemployment even though the country level impact on it is marginal. Regarding skill shortages and skill formation the effects are not possible to be analyzed due to the extemporary nature of the problem. There may be some wage rise temporarily but it is due to the general rise of price in the economy as a whole and we should not treat it as a result of skill shortages due to migration. The contribution of return migrant to the productive sector is based on his attitude after return as well as availability of specific productive

activity to utilize skills. Several country studies have proved this aspect. (Rashid Amjad 1989)

The utilization of remittances came under widespread attention of the researchers. There are conflicting views about whether the remittances contribute development of the receiving countries. In a large country like India where the migration is limited to certain pocket like Kerala remittances may have little impact on the economy. The role of remittances on the development of a nation depends on the extent by which it create an excess of investment over savings and export over imports. The balance of payment impact also should taken into consider while discussing international labour migration (Thomas Issac 1997, Nayyar 1994, Aswini Saith 1989). In Bangladesh the importance of remittance flows as a component of national economy steadily rose up to 1982-83, in which year it accounted for more than 5% of GNP. The role of remittances in meeting the trade deficit also comes clearly from various estimates, for example, in both 1982-83 and in 1983-84, remittances could pay for about 40% of the countries net imports of commodities and services. (Wahiduddin Mahmud 1989). In Pakistan the average proportion trade balances covered by remittances ranged from 29% in 1976-77 to 75% in 1982-83. The exports to middle east also increases due to the increased demand for Pakistani nationals for native goods. The migrant families used 62% of remittance expenditure for consumption, 22% went into real estate and housing, 11.5% went into physical investment while only 1.4% went into financial investment. The ILO ARTEP survey find that greater part of remittances was spent on consumption while investment was mainly in the form of construction activity (Nadeem A Burney 1989, Shahanz Kazi 1989) The other country studies are also exhibits more or less the

same behaviour. Besides the country studies, studies on household utilization of remittances was also made. Rashid Amjad observes that evidence from survey of migrant households in different countries shows that a large proportion of remittances went into increased consumption mainly food items, clothing as well as consumer durables. Also the bulk of the investment was in housing –renovation, repair or construction. Moreover he also noted that savings from remittance income by migrant households were not low as generally believed to be the case. He cited the example of Bangladesh where surveys showed a remarkably high saving rate for rural households i.e. 50% of their income and 40% in urban areas. (Rashid Amjad 1989)

The impact of migration on poverty and income distribution is another area that needs a detailed study. Country wise studies differ on the nature of this type of impact. The first important point to note is that the large majority of migrants to the middle east although mainly skilled and semiskilled production workers did not come from the poorest strata of the population. However the direct and multiplier impacts of migration were on the whole so direct, especially on domestic wages and employment as to have an overall favorable impact on poverty alleviation. (Aswini Saith 1989, Rashid Amjad 1989).

The impact of migration on income distribution may, however not have been so favorable. In the Republic of Korea, the gini-coefficient, increased in the late 1970,s (from 0.33 in 1970 to 0.40 in 1978 and 0.36 in 1985) when overseas employment was its peak suggesting that the inflationary impact remittances contributed to the increasing inequality (Rashid Amjad 1989). Several other country studies also show

the same pattern. On the opposite example, In Srilanka, the evidence tend to suggest that workers remittance may have played a contributory role in helping to moderate the widening distribution disparities under the open economy strategy (Chandra Rodrigo and R A Jayatissa 1989). Thus the distribution aspects are country specific.

## **1.2 Migration to Middle East - A Review of Kerala Studies**

A lot of studies have been made available about gulf migration from the mid 1970's itself. Some of the earlier studies were made by Prakash (1978), Mathew and Nair (1978), Commerce Research Bureau (1978), Radhakrishnan and Ibrahim (1981) and Agro Economic Research Center (1981). P R Gopinathan Nair (1989) carried out another study examining the incidence, impact and implications of migration during the 1980's. Another study examined the repatriation of Keralite migrant workers from Kuwait and its consequences on the regional economy of Kerala and national economy (Thomas Isaac 1993). The same author also under took a study discussing the economic consequences of gulf migration (Thomas Isaac1997).

The social impacts of migration also have been studied in a Kerala perspective. Leela Gulati studied the hard ships the migrant's wife and children hade to face when their husbands were in abroad. (Leela Gulati 1998). T V Sekhar examined the social effects of gulf migration on the basis of impacts of male emigration on women and family. (T V Sekhar1998)

A C K Nambiar has dealt with the problems of return migrants and their impacts on Kerala's lop sided economy on reentry (Nambiar 1998)

Very recently, in the late 1990's as well as in recent years the researchers in the Center for Development studies have conducted a series of studies. Zacharia, E T Mathew and S Irudaya Rajan (2003) have given a comprehensive account of the dimensions, differentials and consequences of migration in Kerala entitled the dynamics of migration in Kerala. They named the effort as Kerala Migration Study (KMS). Kannan and Hari (2002) constructed a time series estimation of remittances from abroad to the Kerala economy for the period 1972 to 2000. They constructed a variable called modified state income adding the remittance income to the net state domestic product. K C Zacharia, B A Prakash, and S Irudaya Rajan (2002) conducted an on the sight study on employment, wages and working conditions of Kerala emigrants in the United Arab Emirates. Zacharia, P R G Nair and S Irudaya Rajan (2001) conducted a study of rehabilitation problems and development potential of return migrants. Another study by Zacharia and Rajan (2004) has made a comparative study of social and economic consequences of migration in 2004 with that of 1999, which was the previous study period. They have emphasized the increasing negative impacts of migration more than the positive impacts.

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

In the case of economic impact both macro and micro aspects were discussed .The contribution of remittances to the state domestic product (Kannan and Hari 2002) and the support given by remittances to state development was also examined (Thomas Isaac1993). Several micro level studies examined the impact of remittances to household's economic behavior. At this juncture, it is imperative to review the major ideas explained by some of the major economic impact studies.

Various studies on gulf migration show that most of the migrants are<sup>2</sup> male migrants. E T Mathew and PRG Nair (1978) stated that not only emigration was a predominantly male phenomenon, but also a youthful phenomenon. They showed that 84.5% of migrants in the sample were aged below 35 years. Department of Economics and Statistics (DES) survey conducted in 1987 showed that 92.5% migrants were male workers. The 1992-93 DES survey again showed that 94.8% of migrant workers were male. These surveys again indicated that majority of the migrants belonged to the age group of below 45 years. Zacharia and others (1999) stated that the average age of an emigrant was 27 years and the average age of a return migrant was 34 years.

These studies have also shown that majority of the migrants to Middle East comprise Muslim population and their main destination is Saudi Arabia.

E T Mathew and PRG Nair (1978) stated that 41.2% of migrants in their sample were literates who did not have an S S L C Certificate. The study conducted by Prakash

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<sup>2</sup> The words migrant and emigrant are used synonymously in order to refer those who go abroad in search of employment.

(1978) had shown that majority of the migrants were literates below SSLC. Zacharia and others (2003) have shown that only 40% of the emigrants have secondary school certificate or degree that means 60% of the emigrants are below S.S.LC.

The Kerala migration study (Zacharia et al 2003) showed that most of the emigrants had been laborers in agricultural or non-agricultural sectors, job seekers or student, before emigration. These four categories constituted 64% of the total. About 15% came from private sector and about the same proportion came from among the self-employed. Less than 3% were Govt or semi Govt employees.

The study also further noted that on return, not all of them went back to their earlier occupations. Self-employment became the dominant sector among the 38% of them. More than one fourth of the return migrants went back to non-agricultural labour. The number of persons who did not require a job also increased very sharply, from 0.2% before emigration to 6.5% on return. The proportion of jobseekers decreased from 26.8% to 6.6%. (Zacharia et al 2003) The consequences of Middle East migration also attracted the attention of researchers.

The inflow of remittances and its utilization has created tremendous boost to the otherwise dismal economy of Kerala (Zacharia et al 2003). "The immediate impact of remittances has been a significant narrowing of the urban rural difference." (Thomas Isaac 1997). The average per capita consumer expenditure had been significantly above the national average for the mid 1970's. Prakash (1998) observed that migrant households had higher income, better consumption levels and asset position compared

to non-migrant households. He further noted that they invested the major share of their savings on land and houses. Zachariah and others (CDS W P 297) noted that 86% of households had mentioned that living expenses as the main expenditure item out of remittances. The other important uses were education (36%), repayment of debt (27%), construction and repair of buildings (11%) and bank deposits (8%). (Zacharia et al 1999)

Zacharia and others in 2004 estimated that the total remittances were Rs 18465 Crore. The net state domestic product (NSDP) for Kerala was RS 83782 Crore for 2002-2003. The remittances of Rs 18465 crore comes to about 22% of the NSDP of Kerala. They observed that the past five years experienced a general decrease in the ratio of remittances to NSDP, from about 25% in 1999 to 22% in 2003. Some macro level comparisons of remittances to Kerala economy is that it constituted 1.74 times the revenue receipts of the state, 1.8 times the annual expenditure of the Kerala Govt, and 7 times of what the state received from the central Govt and were sufficient to wipe out 60% of states debt in 2003. (Zacharia et al 2004).

The impact of migration on unemployment and labour market were also discussed. Some of the earlier studies showed that majority of migrants were unemployed at the time of migration. Radhakrishnan and Ibrahim (1981) observed that the incidence of unemployment among under matriculate migrants was 50% and those with higher education was 80% or more. Prakash (1978) noted that the proportion of unemployed among migrants before migration was 36%. Another study (commerce research bureau 1978) pointed out that 63% of migrants were unemployed before they left. Recent

studies also confirmed this point. Zacharia and others in 2004 stated that before migration about one third of the emigrants had been employed as casual labourers. Among the rest, 9% had been employed working in the private sector and 7% had been self-employed. “Emigration is associated with a shift from the job seeker status to the status of the employed in private sector and semi govt sectors.” They concluded that emigration by itself had a salutary effect on the unemployment situation in Kerala. (Zacharia et al 2004). These findings justified the general conclusion that migration is primarily a labour market adjustment mechanism by which people from labor surplus regions migrate to labour deficient regions

Thomas Isaac (1997) observed that the rank of Kerala in the major states of India in terms of per capita expenditure had improved from 10 in 1970-71 to 2 in the 1980's. The balanced diet consisted of carbohydrate rich tubers and protein rich sea fish was replaced by a combination of costlier cereals, milk, meat, imported vegetables and processed foods. Isaac also noted the increase in physical assets such as consumer durables, construction in homes and phenomenal expansion of financial savings by households in Kerala as distinct from physical savings. DES (2000) survey noted that the migrant had incurred higher expenditure on food, clothing, education, fuel, light, and other type of similar activities. The per capita monthly expenditure for migrant family is RS 650.44 while the other type of family is RS 496.65 (DES 2000). The Kerala Migration Study (2003) observed that conspicuous consumption is a hallmark of an emigrant especially Kerala emigrant. The migrants are purchasing many durable goods compared to non-migrant households.

The problems of people who had returned after went abroad for some years and their rehabilitation have also been studied .One of the pioneering study in this field was done by A C K Nambiar (1998). He observed that a number of returnees were of the failure type. Therefore he called for their reabsorption in the economy by evolving suitable rehabilitation schemes. He further opinioned that in spite of being gulf returnees a significant portion of them were living below poverty line. KC Zacharia, PR Gopinathan Nair, S Irudayarajan (2001) took out a comprehensive study of the return migrants and their problems in various dimensions. They pointed out that majority of the return migrants neither had the human nor the material resources to make a real contribution to Kerala's development. The education levels were also poor and therefore the govt should take initiative and introduce some schemes for the return migrants.

The major studies about the socio economic impact of migration to middle east on Kerala's economy, especially the recent ones has shown us the important place the district of Malappuram has in these studies. But a comprehensive study about the economic variables on a district framework has not been made so far. This is the context by which the study is attempted by the researcher.

### **1.3 Objectives of the Study**

In order to study the economic impact of migration to the Middle East from Malappuram district the following specific objectives are framed to analyze in detail

- 1 To examine the costs of migration and the role of remittances in the sample households
- 2 To assess the impact of migration on consumption, saving and investment
- 3 To examine the impact of migration on labour market.
- 4 To compare the impact of migration on migrant and non-migrant households

### **1.4 Hypothesis of the Study**

Migration to middle east is one of the dominant phenomenons that have been affecting the state of Kerala for about 40 years ever since the mid 1970's .Its impact can be seen in Malappuram district where in terms of number of emigrants it has the foremost position. Based on the objectives framed in the present study, the researcher put forward the following hypothesis.

1. The remittance and the source of income of the migrant households are significantly correlated.
2. The incidence of consumption, savings and investment brings about induced growth in the region.
3. The positive impacts in the labour market are more prominent than the negative impacts.

4. The remittances and the possession of wealth of the migrant households are significantly and positively related, relative to non-migrant households.

### **1.5 Sample Framework**

The sampling methodology adopted is a multistage random sampling. Of the total 100 Panchayaths and 5 municipalities of Malappuram district, 18 Panchayaths and 2 municipalities were selected at random. From each Panchayath/municipality one ward was selected at random and in total there were 18 Panchayath and 2 municipal wards or localities. From each ward/locality, 40 households were selected at random from the Panchayath/municipal voter's list of the concerned ward. There were 800 households are included in the sample but only 758 were located. Schedules according to our objectives were prepared and interviewed each household by personal visit. So the present sample consists of the 758 households, which were taken from the selected localities of the Malappuram district. Almost similar methodology was used by the research team of Center for Development Studies while conducting the South Asian Migration study (2004) in which Malappuram district was also an area of study.

### **1.6 Statistical Methodology for Analysis**

758 household samples were taken for analysis as described in the sample framework. Secondary data was also used wherever necessary in the analysis. Averages, proportions, percentages, rate and index are used to analyze the data collected. Tables are used to make an easy understanding of the analysis made. Analysis of variance

(ONE WAY ANOVA) has been used in order to find out significant difference between various characters of household groups.

### **1.7 Sources of Data**

The major source of data is the household sample survey conducted in 758 households of 20 localities in Malappuram district. Secondary data are taken from the research papers of individual researchers, publications of Department of Economics and Statistics, Govt of Kerala, Planning Board, Ministry of Labour, Govt of India and Center for Development Studies. The websites of various academic and research organizations, World Bank, various state and central Govt agencies are also used for getting data.

### **1.8 Limitations of the Study**

“Shortcomings in the coverage and quality of data prevail in virtually every field of development analysis and formulation. However in the case of overseas migration, such data inadequacies are both somewhat greater than in other fields and also rather greater significance. Consequently it is virtually impossible to conduct any systematic full blown analysis of the impact of the migration phenomenon in the sending economy and in the absence of such an analysis, policy formulation rests unfortunately but unavoidably on a shaky basis.”(Aswini Saith 1989).

The limitations of a migration study are implied in the words stated above. The degree of accuracy of data is the most important limitation of our study. The respondents could not reveal exactly their financial and living status for reasons known by everybody. These variables should be estimated by taking proxies. But the respondents could not give exactly the details of such proxies like the area of landed property and the quantity of durable assets etc. The survey was conducted in day time and only women or old age people were present in most of the houses, the house hold profile, details about occupational status, educational status and income level etc were also subjected to lack of accuracy.

Moreover, the migrants have been living abroad, and we got the economic and social details of them only from secondary or tertiary respondents. Therefore a large amount of guesswork might be done by the secondary and tertiary respondents while giving the data even though they were spouses or parents of the migrant individual.

Again due to lack of adequate specific recording facilities, the data regarding savings, investment etc in a regional context could not be possible to get. The researcher has to simply rely on the less accurate data given by the household members on this aspect. The study focus on a general view point of the economic impacts of migration to middle east on this district so that industry specific or product specific labour market impacts like skill formation, skill shortages, labour substitution etc is not discussed deeply here. These parameters themselves constitute a separate topic of research and limitations of time, organization and human effort do not allow the researcher to include these details in our study where the focus is on another dimension. Due to

these reasons, output changes as a result of labour migration are studied on a limited way.

In spite of the limitations that arose in the collection of data, maximum care has been given by the researcher in order to make the data as accurate as possible.

### **1. 9 Plan of the thesis**

The thesis is divided into 9 chapters including summary and conclusions. The first chapter is the introductory chapter containing review of literature, objectives, sample framework, methodology and limitations. The second chapter discusses theoretical and analytical framework. The third chapter makes an assessment of the migration from India and Kerala. The analysis starts with the fourth chapter which discusses the profile of the districts and the samples taken. The fifth chapter discusses the cost of migration and the role of remittances in household's economic behavior. The sixth chapter examines the impact of migration on consumption, savings and investment. The seventh chapter discusses the impact of migration on labour market. The eight chapter make a comparative study of the impact migration on migrant and non-migrant households. The ninth chapter includes summary, findings, verification of hypothesis and conclusion.

**ECONOMIC IMPACT OF MIGRATION TO  
THE MIDDLE-EAST: A STUDY OF  
MALAPPURAM DISTRICT**

*Thesis*

*submitted to the University of Calicut in partial fulfillment of  
the requirement for the award of the degree of*

**Doctor of Philosophy**

*By*

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**2006**

## Theoretical Framework

### 2.1 Conceptual Framework

The International Labour Organization (ILO, 1989) has classified international migration for employment into two major categories, viz. settlement migration and contract migration. Settlement migration is a traditional type of migration in which people migrate one country to another to secure jobs and settle there. People from under developed economies having higher skills and professional qualifications used to migrate to developed countries to secure better jobs, opportunities, and living conditions and to settle there.

International contract migration occurs when a worker is officially granted permission to enter another country and take up employment in a given job and where a contract is entered into on his behalf or between him and employer or enterprise for which he is to work. Contract itself takes several forms like individual contract and collective contract. In collective contract a number or group of foreign workers are being admitted for the purpose of employment under a single authorization or on behalf of a single employer. It has variously been referred to as block wise migration, collective contract migration or project –tied migration. Project tied migration conjures up a picture of foreigners admitted to a migrant receiving country for a period of time on the basis of a work contract with an enterprise or employer to carry out in that country specific projects that by their nature are limited in time.

According to another classification, (Bilsborrow, et al 1997) the contract workers are defined as persons working in a country other than their own under contractual agreements that set limits on the period of employment and on the specific job held by the migrant. Once admitted, contract workers are not allowed to change jobs and are expected to leave the country of employment upon completion of their contract, irrespective of whether the work they continue or not. Although contract renewals are some times possible, departure from the country of employment may be mandatory before the contract can be renewed.

A third attempt to classify migration also has also been made (Dustmann 2000). According to this, migration is categorized into three main groups: temporary migrations, permanent migrations and political migrations. Importance is that we use the term temporary from the perspective of the host Country: a migrant is a temporary migrant, even if he leaves the home country home permanently, as long as he remains only temporary in the host country.

While temporary and permanent migrations are primarily of economic nature, Political migrants have a dislike to live in their home country. This is often as a result of discrimination, or of political or ethical persecution. Political migrants are either permanent or temporary migrants. However, different from the other two groups, whose status is determined by their own decision or regulations of the host country, the status of political migrants is determined by non-economic factors in the home country. This may have number of behavioral implications.

Temporary migration may again be sub-classified .One important type of temporary migration is circulatory migration. With circulatory migration, migrant workers move frequently between host and source country. They only stay for a short period in the target country. Circulatory migration is often illegal in the host country.

A transient migration describes a situation where the migrant moves between different host countries with out necessarily returning home. Very recently, an increasing number of migrants from Africa or Asia enter Europe through Italy, Spain or Portugal and then move towards northern countries like Germany, or even Sweden.

A contract migration is a temporary migration where the migrant lives in the host country for a limited number of years, which is regulated by a contract. Many circulatory migrations are contract migrations.

Return migration is the type of migration one has usually in mind when referring to migration as being temporary. Return migration describes a situation where migrants return to their country of origin by their own choice, often after a significant period abroad.

Another concept, which is well identified with migration, is the brain drain<sup>1</sup>. A brain drain or human capital flight is defined as an emigration of trained and talented individuals (human capital) for other nations or jurisdictions, due to conflict or lack of opportunity or health hazards where they are living.

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<sup>1</sup> The concept of Brain drain is taken from [www.wikipedia.org](http://www.wikipedia.org) the worlds' largest on line encyclopedia.

## **2.2 Definition of the Concept in the Present Study**

From the above conceptual discussion, migration to middle east can well be defined as a contract type migration. Labour is recruited for work on strict limited contract terms and is expected to return home at the end of the contract period. As a result of the Middle East migration lot of social and economic changes have been taking place in the home countries.

## **2.3 A Discussion of the Theoretical Issues**

As the migration phenomena progress along with expansion of human activities, several theories have been developed time to time in order to give explanations according to the parameters of various disciplines .It is imperative to discuss here the various theories and arguments put forwarded by various economists, social thinkers and researchers. E G Ravenstien, (Ravenstein1889) one of the pioneers in this field gave the famous laws of migration.

The laws of migration are stated below<sup>2</sup>;

1. most migrants go only for a short duration.
2. long distance migration favour big cities.
3. most migration is rural to urban.
4. most international migrants are young males
5. most migrants are adults; 20-45 years

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<sup>2</sup> This portion is taken from the theoretical concepts discussed in [www.remittancestocolombia.xnapster.com](http://www.remittancestocolombia.xnapster.com) viewed on April 09 2005.

6. most migration proceeds step by step
7. each migration flow produces counter flow.
8. females are more migratory than males within their countries
9. large towns grow more by migration
10. migration increases in volume as industries and commerce develop and transportation improves
11. usual direction of migration is from agricultural areas to centers of industries and commerce
12. major causes of migration are economic

The laws give some root picture of the causes of migration and its multidimensional characteristics. They fail to take account of the modern tendencies in migration especially the temporary and contract type and its impact on the sending and receiving countries. Before discussing the various modern concepts of migration, it is necessary to discuss migration in pure theoretical point of view provided by various schools of thought.

#### **2.4 Major Approaches to International Migration Theories**

Among the various models attempting to explain international migration five major approaches can be discussed. They are neoclassical macro theory, neoclassical micro theory, the new economics of migration, dual labour market theory and world system theory (Sharon Stanton Russell 2005).

## **2.5 Neoclassical Economics: Macro Theory**

Based on certain assumptions, this theory discusses migration as the geographical differences in the supply and demand for labour in the sending and receiving countries. Among the assumptions of this model are that international migration will not occur in the absence of these differentials, that their elimination will bring an end to international movements, and that labor markets (not other markets) are the primary mechanisms inducing movements. Government policy interventions affect migration by regulating or influencing labor markets in origin and destination countries.

## **2.6 Neoclassical Economics: Micro Theory**

This theory focuses on the individual rationality of cost benefit calculations which means that there should be a positive net return to movement. In this approach, human capital characteristics that raise the potential benefits of migration, and individual, social, or technological factors that lower costs, will lead to increased migration. The key variables to be analyzed here are the differences in earnings and employment status.

## **2.7 The New Economics of Migration**

This theory views migration as a family (i.e., group) strategy to diversify sources of income, minimize risks to the household, and overcome barriers to credit and capital. In this model, international migration is a means to compensate for the absence or failure of certain types of markets in developing countries, for example crop insurance

markets, futures markets, unemployment insurance, or capital markets. In contrast to the neoclassical models, wage differentials are not seen as a necessary condition for international migration, and economic development in areas of origin or equalization of wage differentials will not necessarily reduce pressures for migration. Governments influence migration through their policies toward insurance, capital, and futures markets, and through income distribution policies that affect the relative deprivation of certain groups and thereby their propensity to migrate.

## **2.8 Dual Labor Market Theory**

This theory holds that demand for low-level workers in more developed economies is the critical factor shaping international migration. To avoid the structural inflation that would result from raising entry wages of native workers, and to maintain labor as a variable factor of production, employers seek low-wage migrant workers. In this model, international migration is demand-based and initiated by recruitment policies of employers or governments in destination areas. Wage differentials between origin and destination areas are neither necessary nor sufficient conditions for migration. The options for government policy intervention to affect migration are limited--short of major changes in economic organization in destination areas.

## **2.9 World Systems Theory**

This theory focuses not on labor markets in national economies, but on the structure of the world market--notably the "penetration of capitalist economic relations into peripheral, non capitalist societies," which takes place through the concerted actions of

neocolonial governments, multinational firms, and national elites. International migration is generated as land, raw materials, and labor in areas of origin are drawn into the world market economy and traditional systems are disrupted. The transport, communications, cultural and ideological links that accompany globalization further facilitate international migration. In this view, international migration is affected less by wage or employment differentials between countries than by policies toward overseas investments and toward the international flow of capital and goods.

The five approaches mentioned here summarize briefly a comprehensive picture of the human psychologies and compulsions behind migration. The migration to middle east also exhibits some of the features pointed out by these theories; it has certain specific features that need detailed analysis. The objective of the researcher is not to analyze the pros and cons of various theories, so that the discussion on that aspect is only brief.

## **2.10 Push and Pull Factors of Migration**

A general comprehensive viewpoint about migration is summarized in terms of push and pull factors behind migration. These factors are sociological, economic, political as well as anthropological. A detailed discussion of various push and pull factors of migration is discussed here.

Sociologists have long analyzed migration in terms of the "push-pull" model. This model differentiates between push factors that drive people to leave home from pull factors that attract migrants.

Pull factors occur within receiving states, that is, states that receive immigrants from sending states abroad. Push factors are negative aspects of the sending country, while pull factors are positive aspects of the receiving country. In fact, these differentiating factors are really two sides of the same coin. In moving migrants must not only seek lack of benefits at home (push factors) but also a surplus of benefits abroad (pull factors), otherwise the move would not be worthwhile.

Push factors come in many forms. Sometimes these factors leave people with no choice but to leave their country of origin. Following are some examples of push factors driving people to emigrate from their home country<sup>3</sup>.

Lack of Jobs/Poverty: Economics provides the main reason behind migration. In some countries jobs simply do not exist for a great deal of the population. In others, the gap between the rewards of labor in the sending and receiving country are great enough so as to warrant a move. India has recently experienced a surge in emigration due to a combination of these factors. The greatest challenge facing India is creating enough jobs for its burgeoning population. India's unemployed have never been properly estimated but they could total 100 million. The number of skilled workers coming out of Indian universities has never been higher. Meanwhile, the number of domestic jobs

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<sup>3</sup> These examples are taken from the theoretical concepts discussed in [www.globalization101.org](http://www.globalization101.org) viewed on June 21 2006.

available to them is minimal. Only about 0.7m jobs a year have been created in the past few years, most of them in the public sector. This will not keep skilled workers in the country.

Many instead go to the United States, where their skills and their lower wage demands are sought after by high-tech companies. As the population grows at 20 million per year, and more and more students graduate from technical universities, India may experience a great deal more emigration.

Civil Strife/War/Political and Religious Persecution: Some migrants are impelled to cross-national borders by war or persecution at home. Some of these migrants end up in receiving countries as refugees or asylum seekers. The 1951 Geneva Convention relating to the Status of Refugees defined the qualifications for such migrants and bound signatory countries not to return these newcomers to places where they could be persecuted.

### ***Pull Factors***

Whereas push factors usually drive migrants out of their countries of origin, pull factors generally decide where these travelers end up. The positive aspects of some receiving countries serve to attract more migrants than others. Following are some examples of the pull factors attracting migrants to receiving countries.

Higher standards of living/Higher wages: Economics provide the both biggest push and pull factor for potential migrants. People moving to more developed countries will often find that the same work they were doing at home is rewarded abroad with higher wages. They will also find a greater safety net of welfare benefits should they be unable to work. Aware of this situation, migrants are drawn to those countries where they can maximize benefits.

Labor Demand: Almost all developed countries have found that they need migrants' labor. Rich economies create millions of jobs that domestic workers refuse to fill but migrant workers will cross borders to take. In 2001, the British minister of foreign affairs, Robin Cook, gave a speech in which he argued that the country needed to continue taking in foreign workers to meet labor demand. He said, "Legitimate immigration is the necessary and unavoidable result of economic success, which generates a demand for labor faster than can be met by the birth-rate of a modern developed country." The speech was unpopular, however, because many British citizens are concerned about immigration changing the national culture. Likewise, Ireland has recently seen a surge of immigration because its economy prospered during the 1990s. Ironically, Ireland, which had sent so much of its population abroad over the last two centuries, started receiving immigrants seeking work. This has caused conflict among native Irish and the newcomers, including discrimination not unlike that faced by Irish who had previously immigrated to other countries.

Political and Religious Freedom: Throughout history the Jews have faced persecution or discrimination in most parts of the world. Especially in the late nineteenth century,

long-standing hatred against Jews in the Russian Empire exploded in "programs," attacks on Jews that led to murders, rapes, and arson against Jewish homes and stores, often encouraged and assisted by the government. Hundreds of thousands of Jews from across Eastern Europe fled to the United States, Canada, and South America, while others joined the old Jewish community in the Holy Land, then controlled by the Turkish Ottoman Empire, to help reestablish the independent Jewish state the Roman Empire had destroyed almost 2000 years before. Hundreds of thousands more Jews moved to Israel in the late 1940s in the aftermath of the Holocaust and after being expelled from Arab countries as a result of the war over Israel's creation. (At the same time, hundreds of thousands of Arabs fled from Israel, and they and their descendants live in neighboring Arab countries.)

### **2.11 Analytical Frame Work Used in Gulf Migration Studies**

The economic impact analysis of Middle East migration is based both on micro and macro perspectives. The micro studies are based on household sample surveys. The cost and returns of migration is studied on the household level (ET Mathew and PRG Nair 1978). The utilization of remittances is also studied on the same pattern (Prakash 1978 PRG Nair1978 and Ramachandran Nair 1998). The contribution of migration to aggregate variables such as savings investment, distribution of income, balance of payments are studied on macro perspectives (Nayyar1994, Rashid Amjad1989, T M Thomas Isaac1997). Though there are number of studies discussing the impact of migration to middle east only a few studies have given the analytical framework for analysis. It is imperative to discuss these methodologies at this juncture.

Aswani Saith (1994) has given a detailed framework for analysis of Middle East migration. Four areas of discussion were taken up by him: the influence the migration may have had on the formulation of aggregate national economic strategies within a medium term perspective; second the impact of migration on the balance payment of the labour sending country, third, the impact on the aggregate rate of savings and investment in the economy; and fourth the impact on the sectoral pattern of investment. These issues along with the labour issues would together govern the overall impact of migration in the sending economies.

The first issue dealing with the impact on the macro economic strategy within the medium or longer term is an exceedingly difficult one to link in any precise manner to the migration phenomena. What does it achieve is firstly a transformation in the position of the sending economy with respect to the state of its foreign exchange balances, and secondly an easing of employment imbalances. These aspects have to be identified on a country specific basis.

Turning to the balance of payments issue, while it is widely recognized that the remittance flows from the migrants provided a dramatic boost to the Bop, the precise position is not clear. Two factors should be taken into account. The first concerns the leakage or diversion of the remittances into imports. It should be noted though the scale and type of out migration might also raise the level of exports from the labour sending to the labour receiving ones. The overall impact would then depend upon the magnitude of this induced export expansion, and also the resulting change in the pattern of domestic availabilities; the induced imports are likely to be mostly luxury or

consumer items while induced exports are likely to be the elements of the migrants customary wage baskets viz necessities. The second aspect is the compensatory, or accentuating effect of changes in oil prices. Obviously this effect would vary from country to country. In the case of a country dependent on commercial oil exports, the compensatory effect would be substantial.

Moving to the third area, viz the impact of migration and remittances on savings and investment, one finding which emerges from the national accounts data of several countries is that there appears to have been hardly any effect on the rate of savings and investment at the macro economic level. Except through the use of an appropriate macro economic model it would be difficult to separate the impact of remittances (on the domestic rate of investment) from the other independent internal and external forces operating during the period. Such exercises are not available.

The relative absence of any major impact of remittances on the domestic rate of investment contrasts sharply with the saving behavior of the migrant himself who is often found to remit up to 75% of his overseas earnings. But in turn, the savings and investment rate out of these remittances are not dramatically high. Such investments as do occur are dominated by land purchase, house purchase or construction etc with very little investment in the productive sectors. A significant portion frequently goes towards debt repayment. As such, the direct impact of the migrant's expenditure pattern does not provide much of a boost for domestic investment.

Taking this a step further, it may be useful to separate two types of saving investment behavior. A section of the return migrants behave essentially like rentiers in that after meeting their priority consumption, debt repayment and house improvements, they maintain rest of their savings as financial deposits with banks. The savings of these rentiers then become available for investment within the rest of the domestic economy according to the priorities and demands operating and determining the direction of the investment there. In contrast those with a previous business background, and those who are attracted to such investments despite the absence of prior experience, use their own savings to make direct investment in their chosen fields. The impact of the two types, the rentier-saver and the investing saver could be rather different.

The difference between the two types becomes apparent when we move to sectoral composition and impacts of migrant investment behavior. The migrant saver investor shows a distinct preference for certain type of activities. Typically, he goes in for a small operation run on self-employment basis. Trade and commerce, food establishments, and single transport ventures come out as most favored sectors, after real estate of course. While all this is income generating for the migrant, from macro point of view, the question arises whether such investment could be treated as additive and incremental to the investment level of the economy, or whether they are substitute and restructuring in character.

The first major question associated with labour aspects is whether the level of output drops in response to the withdrawal of labour from the economy. This question has all too frequently been analyzed at the level of the migrant's household where, not

surprisingly, it is often found that domestically generated earnings drop. The question of labor substitution is linked to the impact of return migration back into the economy. One hypothesis could be that upon withdrawal, employers follow a labour substitution policy and raise capital intensity of the production process. This change is then held to be reversible, and thus migrants returning after the lapse of few years find they bear now confronted with a tighter and less responsive labour market. But the problems of such a thesis are several. The relative importance of labour replacement, and of labour substitution consequent upon labour withdrawal through migration, needs to be examined in closer terms at industry product process specific levels.

Another area, which needs some explanation, is the turnover of migrant labour. Does each case migrant involve a first time migrant? On the one hand, more workers might benefit and also imbibe skills etc; on the other hand one cost of a higher turn over at the macroeconomic level would be that savings and remittance propensities would be lower, and upon return, the investment propensity would also be probably lower. The rate of turn over would also have implications at the social political and cultural levels.

The distributional aspects of migration can be taken at various levels: at the (intra) house hold level, at the local level, community level; or at the regional and inter sectoral levels. Various studies reveal that a majority of migrants do not belong to the poorer strata of society; in general, only a very thin slice comes from the poorest sections. It is also self evident that migrants themselves benefit substantially, often spectacularly, in economic terms from working overseas. The question then is how and

to what extent this prosperity affects the rest of the population through direct and indirect effects of migration.

Moving from the migrants to their household, the impact is still powerfully positive on account of the massive flow of remittances that can often a large multiple of households' premigration income.

The overall impact on poverty and inequalities however also requires to consider the indirect effects generated by the migration overseas whether through the impact of remittances, or through the altered working of the sending economies labour markets. Here we need to examine several effects both at the local/community and national macroeconomic levels.

Deepak Nayyar (1994) distinguishes between the macro economic impact of labour flows on the one hand and financial flows on the other, although the two are often interwoven. The impact of labour flows on output and employment at a macro economic level depends on the magnitude of outflow of workers, the employment status before migration and the skill composition of migrants. If the migrants were unemployed or underemployed before their departure, it would lead to a direct reduction in the level of open or disguised unemployment. The migration of employed workers on the other hand may also lead to an indirect reduction of unemployment if they are readily replaced from pool of surplus labor. The extend of the reduction in unemployment or underemployment of course depends on the size of the outflow. The skill composition of migrant is also taken into account. The migration of unskilled

workers should have little or no impact on output and should reduce unemployment. However the migration of skilled workers or high skill professionals is likely to affect both output and employment if the migrants cannot be replaced without training which absorbs not only resources but also time.

In the case of temporary migration, we need to analyze not only the initial impact of the withdrawal on output, but also the subsequent impact of the reentry. Once again if the return migration is small as a proportion of the increment in work force, or of the surplus labour, the impact of reentry on output and employment is likely to be marginal if not negligible in the macro scene. The acquisition of skills by migrant while abroad and the utilization of such skills on return may of course influence productivity and output.

So long as the value of remittances exceeds income foregone as a consequence of migration, the migration of workers across national boundaries should lead to some increase in national income. In order to analyze the impact on such an increase in national income on macro economic aggregates, the simple national income accounting identity is used i.e.  $Y=C+I+G+X-M$ . An increase in income (Y) would lead to a consequent increase in Consumption expenditure (C), investment (I), government expenditure (G) and exports (X). An increase in aggregate consumption expenditure, C+G, can have the following consequences, in a demand constrained situation, it may lead to an increase in output, in a supply constrained situation, it may stimulate price rise, or it may spill over into imports to meet the increased demand which cannot be met through domestic production; the distribution of the consumer expenditure as

between non traded goods and traded goods would determine the relative importance of inflation and imports as a consequence.

The difference between the incurrence in income and increase in consumption attributable to remittances would be saved. The utilization of savings would influence not only the level but also the mix of investment. The consequent increase investment may lead to a further increase in output and income through the multiplier effect.

The most important impact of financial flows associated with international labour migration is found to be on the balance payments, for which X-M is a proxy in the national income accounting identity. There is a tendency to presume that remittances, or capital inflows that originate from migrants, constitute a net addition to foreign exchange receipts. The balance of payment impact is not included in this particular regional study so there is no further discussion on that that aspect of methodology.

Prakash (1998) used the analytical framework excluding the balance payment analysis, even though it has impact on the regional economy, It could not be quantified due to the lack of regional specific models. The economic impact of international labour migration depends on the magnitude of migration, the employment status of the migrants prior to migration, the skill composition of migrants, the type of migration, wages and net savings earned and the volume of remittances. For the analysis economic impact, the following areas were identified: labour market, consumption, savings, investment, poverty, distribution of income and regional domestic product. Under labour market, the major issues are: impact of migration on unemployment,

skill shortages, skill training, wage rate, substitution of labour, internal migration and output. As the remittance flows have effected substantial changes in poverty, distribution of income and patterns of consumption. Saving and investment of migrant households, the impact analysis should include these aspects. Finally the analysis should also examine the impact of migration on regional income.

The expenditure pattern of migrant households is central to any meaningful discussion on the development implications of labour migration and the design of policy measures to enhance the developmental impact of remittances. The following discussion elaborates micro and macro implications of the expenditure pattern of migrant households (ShivaniPuri, Tineka Ritzena).

### ***Micro-Implications***

For the most part, remittances are used for daily expenses such as food, clothing and health care -- basic subsistence needs -- and they make up a significant portion of the income of those households. Funds are also spent on building or improving housing, buying land or cattle, and buying durable consumer goods such as washing machines and televisions. Generally only a small percentage of remittances are used for savings and what is termed "productive investment" for e.g. income and employment-generating activities such as buying land or tools, starting a business and other activities with multiplier effects.

There is however an opposing view which sees remittances as a household strategy for improving recipients' standard of living, providing resources for food, housing improvements, education and small household appliances. These researchers feel that the criticism of consumption patterns ignores the personal circumstances as well as structural conditions in which migrants make their decisions as well as the inherently private nature of the transfers and the limited opportunities for small-scale investment in the community and the social and financial capital needed for a new business. Thus, given the circumstances in the various countries (poor infrastructure, lack of access to credit, etc) the migrants are making rational decisions about the use of their remittances.

### ***Macro-Implications***

While data limitations have made it difficult to undertake formal macro-modeling exercises for most of our sample countries, the results are still sufficient to give a broad quantitative analysis of the impact of remittances on the economy. A major advantage of this exercise is that it helps the economic planner - as a result of changes in the economy due to the downturn in the demand for labour - and the measures needed to counteract its adverse effects on the economy.

The literature describes two opposing perspectives on this issue, with studies supporting both. One school of thought states that at a macroeconomic level, remittances often provide a significant source of foreign currency, increase national income, finance imports and contribute to the balance of payments. Remittances also

have economic, social and political life and contributed to the expansion of wire transfer and courier companies as well as money exchanges.

Others, however, believe that remittances not only fail to help the economy but also decrease the likelihood of an improved economy. The inflow of funds can be deceptive if it creates dependence among the recipients, encourages the continued migration of the working age population and decreases the likelihood of investment by the government or foreign investors because of an unreliable workforce. Moreover, these researchers view remittances as unpredictable and as a cause of increasing inequality. Also remittances are frequently spent on imported consumer goods, rather than locally produced ones, decreasing the potential multiplier effect of the money and increasing import demand and inflation. The availability of foreign exchange, together with growing demand for consumer goods not available in the domestic market, has been linked with a rising demand for imported goods.

## **2.12 The Analytical Framework Used in the Present Study**

The analytical framework provided by various eminent researchers gives us a detailed picture of the methodology of analysis one should follow while attempting these kinds of studies. Our analysis also follows a methodology that is derived from the present discussion. Our study is a micro economic household level study .The data regarding migration aspects are taken by administering interview schedules to the respondents of the households. In order to study the impact of migration on the labour market, data about the labour supply, labour demand, shortage of labour due to migration, wage

changes and labour replacement are collected from the household for analysis. Data regarding costs of migration and remittances are taken in order to understand the different cost incurred on migration, the sources of income of the migrant families and the ways by which the remittances are optimally utilized. The data of consumption, savings and investment are taken with the objective of studying the impacts the migration has created in the region by influencing these variables. A comparative analysis of the possession of wealth by migrant and non-migrant households are taken in order to make an assessment of the relative economic status, which gives a preliminary picture of the distributional impacts of migration.

**ECONOMIC IMPACT OF MIGRATION TO  
THE MIDDLE-EAST: A STUDY OF  
MALAPPURAM DISTRICT**

*Thesis*

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the requirement for the award of the degree of*

**Doctor of Philosophy**

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**2006**

## Chapter III

### **Trends and Pattern of Indian Migration to Middle East**

The rise in oil price in 1973 brought out rapid investment in the Middle East countries. The increase in investment necessitated large demand for cheap labour. Migrants from other countries began to flow into these countries. The development of trade, commerce, business, health and education sectors also have been attracting migrant people from other countries on contract basis. From India also large-scale migration had begun from 1973 itself to these countries. The purpose of this chapter is to present a birds eye view of the trends and pattern of Indian migration to the middle east. As like every other these kinds of studies, inadequacy of data is an obstacle to the proper analysis and inference due to lack of timely recording of the data set by various agencies. However maximum care has been taken by the researcher in order to provide a clear picture as far as possible.

#### **3.1 The Expatriate Communities in Middle East Countries and India**

It is widely believed that job opportunities in the gulf countries have been declining due to increasing employment of there own people in vacancies as well as the introduction of capital-intensive techniques. An estimated number of migrants in gulf cooperation council countries show that though there are some fluctuations in the rate of growth, the actual numbers has been increasing since 1970's. Saudi Arabia accounts for the largest share in 2000's. (Table 3-1)

**Table 3-1: Estimated number international migrants in the members of GCC (in thousands)**

<i>Country</i>	<i>1970</i>	<i>1980</i>	<i>1990</i>	<i>2000</i>
Bahrain	38	103	173	204
Kuwait	468	964	1560	1108
Oman	40	180	450	682
Qatar	63	157	345	409
Saudi Arabia	303	1804	4220	5225
UAE	62	737	1556	1922
Total	974	3946	8305	9630

Source: U N, Trends in total migrant stock: The 2003 revision

**Table 3-2 Percentage of nationals and expatriates in the population of GCC countries 1995-2000)**

<i>Country</i>	<i>1975</i>	<i>1980</i>	<i>1985</i>	<i>1995</i>	<i>2000</i>	<i>2001-02</i>
<b>BAHRAIN</b>						
Nationals	77.1	69.3	63.5	61.8	60.0	60.0
Expatriates	22.9	30.7	36.5	38.2	40.0	40.0
Total ('000s)	261.6	336.7	434.7	586.1	651.8	690.0
<b>KUWAIT</b>						
Nationals	30.9	28.5	27.7	36.1	37.4c	37.0
Expatriates	69.1	71.5	72.3	63.9	62.6	63.0
Total ('000s)	994.9	971.3	1,697.3	1,958.8	2,363.3	2,360
<b>OMAN</b>						
Nationals	86.9	81.8	81.6	72.7	73.3	74.0
Expatriates	13.1	18.2	18.4	27.3	22.7	26.0
Total ('000s)	766.0	984.0	1,193.0	2,149.0	2,441.8	2,420
<b>QATAR</b>						
Nationals	43.1	40.9	47.7	29.6	26.3	28.0
Expatriates	56.9	59.1	52.3	70.4	73.7	72.0
Total ('000s)	147.7	206.6	241.0	547.0	580.3	585
<b>SAUDI ARABIA</b>						
Nationals	86.7	75.4	69.3	67.9	74.6	70.0
Expatriates	13.3	24.6	30.7	32.1	25.4	30.0
Total ('000s)	7,026.3	9,688.0	12,642.2	19,534.0	20,278.8	23,000
<b>UAE</b>						
Nationals	37.0	28.7	36.2	25.1	24.3	20.0
Expatriates	63.0	71.3	63.8	74.9	75.7	80.0
Total ('000s)	525.1	977.4	1,116.8	2,378.0	2,889.6	23,000
<b>All GCC countries</b>						
Nationals	77.4	67.1	63.5	61.4	65.1	61.5
Expatriates	22.6	32.9	36.5	38.6	34.9	38.5
Total ('000s)	9,721.6	13,550.7	17,325.0	27,152.9	29,321.7	32.5

Source: Tattolo, giovanna (2004)

**Table3-3Major expatriate communities in the GCC countries**

	Bahrain	Kuwait	Oman	Qatar	Saudi Arabia	UAE	Total
Indians	100	295	300	100	1,400	1,000	3,200
Pakistanis	50	100	70	70	1,000	450	1,740
Egyptians		275	15	35	1,000	130	1,455
Yemenis					1,000	35	1,035
Bangladeshis		160	110		450	100	820
Sri Lankans		160		35	350	160	705
Filipinos		60		50	500	120	730
Jordanians/ Palestinians		50		50	270	110	480
Syrians		95			170		265
Iranians	45	80		20		40	145
Indonesians					250		250
Sudanese					250		250
Kuwaitis					120		
Turks					100		
<i>Bidoons</i>		70					70
<b>Total</b>	<b>280</b>	<b>1,475</b>	<b>630</b>	<b>420</b>	<b>7,000</b>	<b>2,488</b>	

*Note: Estimates for 2002, in thousands*

Source: Tattolo, giovanna (2004)

Indians are the largest single expatriate community in all the GCC countries (*Table3-3*). The share of Indians in total expatriate communities are 35.7% in Baharain, 20%in Kuwait, 47.62% in Oman .23.81% in Qatar, 20%in Saudi Arabia and 40.14%in UAE.

It is found that in some countries like Kuwait, Qatar and UAE the expatriates outnumber the nationals with a wide difference (Table 3-2). This indicates the large-scale influence the contract migrant labour forces have on the economy of these countries. The progress and development of these oil-producing countries purely depend on these migrant labour forces. A specific on the sight analysis is needed to find out the causes of the presence of such a large number of expatriate labour and their contribution to the respective countries economy. Among the various expatriate communities in these economies Indian outnumber all others. This shows contribution of the Indian community to the development of the gulf countries as well as the will power of Indians to live even by working in alien regions where the situations are very different from their home country. The Indian migrants have been contributing not only in the economic and developmental field but also in social and cultural domains.

### **3.2 Overseas Indian Community**

The Government of India has provided a data regarding overseas Indian community. An analysis shows that more than 20.78% of overseas Indian community is in gulf countries (Table3-5). The Middle East countries as a single group has more share compared to other countries individually. But the problem is that while in other countries most of the migrants are permanent settlers, the almost all of the gulf migrants are contract migrants where return is an inevitability. From this data we cannot distinguish contract or permanent migration and it do not provide any further scope for analysis.

**Table3-5: Distribution of overseas Indian community among selected countries**

<i>Country</i>	<i>Overseas Indian community (including persons of Indian origin and Indian citizens)</i>	<i>Percentages</i>
Australia	190000	1.23
Canada	851000	5.53
Fiji	336829	2.19
Guyana	395350	2.57
Kuwait	295000	1.92
Malaysia	1665000	10.81
Mauritius	715756	4.65
Myanmar	2902000	18.85
Netherlands	217000	1.41
Oman	312000	2.02
Qatar	131000	0.85
Saudi Arabia	1500000	9.74
Singapore	307000	1.99
South Africa	1000000	6.49
Suriname	150456	0.98
Trinidad & Tobago	500600	3.25
UAE	950000	6.17
UK	1200000	7.79
USA	1678765	10.9
Yemen	100900	0.66
Total	15398656	100

Source: Government of India 2002: The report of the high level committee on the Indian Diaspora

### **3.3 Labour Migration from India –Yearly Trends**

The annual reports of ministry of labour in different years give us a year wise account of total labour migration from India. An earlier classification (Prakash1998) based on annual outflow of labor from India to the middle east shows four phases of migration

namely, the initial phase of steady growth between 1976 and 1979, The peak phase between 1980 and 1983, declining growth phase between 1984 and 1990 and revival phase between 1991 and 1995.

From 1966 -1999 we can see that the overall trend was declining and from 2000 onwards there has been an increasing trend (Table 3-6). The recent spurt of migration for want of professionals in different fields like medicine and computer science may have contributed for such a phenomenon. But category wise details are not published yet so that more such details are needed to arrive at such a conclusion.

**Table 3-6: Distribution of labour outflow from India**

<i>Year</i>	<i>Numbers in thousands</i>	<i>Year</i>	<i>Numbers in thousands</i>
1976	4.2	1991	192
1977	22.9	1992	416.8
1978	69	1993	438.3
1979	171.8	1994	425
1980	236.2	1995	415
1981	276	1996	414
1982	239.5	1997	416
1983	225	1998	355
1984	206	1999	199
1985	163	2000	243
1986	113.5	2001	279
1987	125.4	2002	368
1988	170.1	2003	466
1989	126.2	2004	475
1990	141.8		

Source: Ministry of Labour, Govt of India : Various annual reports

### 3.4 Destination of Migrants

Available data shows that majority of migrants from India are still consider gulf countries as their favorite destination. The gulf countries, ie UAE, Saudi Arabia, Kuwait, Oman, Bahrain, Qatar together constitute on an average 80% of the total migrants during the last five years (Table 3-7). The main destinations are UAE and Saudi Arabia. The composition of migrants on the basis of skill and qualification is not available country wise. But earlier studies shows that majority of the Middle East migrants are low skilled people having an education level of below degree. The importance of the development of modern techniques on the Middle East migrants' character and composition is a topic that needs to be well studied off using accurate data. However the available figures pointed out the importance, the gulf countries have in the minds of the typical unemployed Indian migrant.

**Table 3-7: Distribution of Annual Labour Outflows From India by Destination (2000-2004)**

<i>Sl.No.</i>	<i>Country</i>	<i>2000</i>	<i>2001</i>	<i>2002</i>	<i>2003</i>	<i>2004</i>
1.	U. A. E.	55099	53673	95034	143804	175262
2.	Saudi Arabia	58722	78048	99453	121431	123522
3.	Kuwait	31082	39751	4859	54434	52064
4.	Oman	15155	30985	41209	36816	33275
5.	Malaysia	4615	6131	10512	26898	31464
6.	Bahrain	15909	16382	20807	24778	22980
7.	Qatar	--	13829	12596	14251	16325
8.	Libya	1198	334	1339	2796	2303
9	Others	61402	39531	81854	41248	17765
	TOTAL	243182	278664	367663	466456	474960

Source: Ministry of labour: Annual report 2004-2005

State wise figures shows that in the year 2004 three states Tamilnadu, Andhra Pradesh and Kerala constituted about 52% of workers granted emigration clearance or endorsement (Table 3-8). The reason for this trend is not clear, while in Kerala the unemployment rate is regarded as high but with other states that case do not matter.

**Table 3-8: State-Wise Figures of Workers Granted Emigration Clearance/Ecnr Endorsement During the Years 2000-2004**

<i>State</i>	<i>2000</i>	<i>2001</i>	<i>2002</i>	<i>2003</i>	<i>2004</i>
Andhra Pradesh	29,999	37,331	38,417	65,971	72,580
Andaman & Nicobar	0	0	2	9	29
Arunachal Pradesh	0	0	0	61	73
Assam	0	1,575	2,666	2,298	2,695
Bihar	6,726	9,711	19,222	17,104	21,812
Chandigarh	2045	2435	2,813	2,374	2,405
Chhattisgarh	-	-	0	588	580
Delhi	3165	3183	4,018	6,513	6,052
Gujarat	5,722	10,294	11,925	17,012	22,218
Goa	1331	2255	3,545	3,494	7,053
Haryana	52	154	424	1,246	1,267
Himachal Pradesh	214	116	1,724	1,690	1,506
Jammu & Kashmir	35	1366	1,323	42	1,944
Jharkhand	-	-	0	1,779	919
Karnataka	10927	10095	14,061	22,641	19,237
Kerala	69630	61548	81,950	92,044	63,512
Madhya Pradesh	1706	5035	7,411	10,651	8,888
Maharashtra	13346	22713	25,477	29,350	28,670
Manipur	0	0	2	50	29
Meghalaya	0	0	0	1	0
Mizoram	0	0	0	81	38
Nagaland	0	0	1	54	46
Orissa	576	3014	1,742	5,370	6,999
Pondicherry	35	21	21	24	560
Punjab	10025	12422	19,638	24,963	25,302
Rajasthan	10170	14993	23,254	37,693	35,108
Sikkim	2	3	16	3	0
Tamil Nadu	63878	61649	79,165	89,464	1,08,964
Tripura	0	2	1,114	4	2
Uttar Pradesh	9157	13912	19,288	24,854	27,428
Uttaranchal	-	-	106	122	58
West Bengal	1940	4830	8,338	8,906	8,986
Others	2164	7	0	0	0
Total	212,846	278,664	3,67,663	4,66,456	4,74,960

Source: Ministry of labour :Annual report 2004-2005

### 3.5 Remittances

The remittances in return are the direct out come of this labour flow In a recent announcement by the World Bank India occupied the first position among the countries that had received foreign remittances (Table 3-9).

**Table 3-9: Distribution Remittances in Selected Countries**

<i>Country</i>	<i>Remittance us billion</i>
India	17.4
Mexico	14.6
Philippines	7.9
China	4.6
Pakistan	4.0
Morocco	3.6
Bangladesh	3.2

Source: [www.worldbank.org.in](http://www.worldbank.org.in). viewed on February 01 2006

The last five-year data shows that in the matter of private remittances to our country, except one year (2001-2002), there has been an increasing trend (Table 3-10). But due to lack of accurate division we are not in a position to categorize it as gulf or non-gulf.

**Table 3-10: Private Remittances**

<i>Year</i>	<i>In US \$ million</i>	<i>Rupees in Crores</i>
1999-2000	12290	53280
2000-2001	12873	58756
2001-2002	12125	57821
2002-2003	14807	71642
2003-2004	18885	86764
2004-2005*	11114	50489

Source: Ministry of labour :Annual report 2004-2005

The country wise trends discussed here indicates that the labour out flows from our country, its impacts, utilization of remittances and the problems of return migrants should get serious attention of administrators and policy makers. The Government of India has set up a ministry of overseas Indian affairs, which is now functioning under a cabinet minister. In order to analyze the trends in detail the govt agencies should have proper accounting system so that more specific destination wise as well as state wise data must be provided in order to facilitate analysis, otherwise estimates based on assumptions are only possible.

### **3.6 Migration to Middle East from Kerala**

In the migration studies, the state of Kerala is a typical specimen for analysis. it had a long history of migration earlier and since the gulf boom in 1970's there has been a large exodus of people to gulf countries. The migration and its remittances have been creating tremendous impacts in the economy of Kerala as stated in the introduction. Several researchers have attempted different studies to enumerate these impacts. In this part we discuss the trends in migration and remittances as far as the state of Kerala is concerned.

### **3.7 Trends of Migration from Kerala**

The trends of out migration from kerala have been increasing through the years. The return flow is also increasing. In spite of the growing size of the return outflow, Kerala still occupy the place of a net migration state as evident from the table (Table3-11).

**Table3-11: Migration Trend, Kerala 1982-2003**

<i>Year</i>	<i>Emigrants</i>	<i>Return emigrants</i>	<i>Non resident keralites</i>
1982	230740	39408	270148
1983	274804	51853	326657
1984	273342	67754	341096
1985	313980	85039	399019
1986	329083	99557	428640
1987	364909	120298	485207
1988	405513	151410	556923
1989	449611	163855	613466
1990	510214	197732	707946
1991	566668	219856	786524
1992	637103	253733	890836
1993	754544	287610	1042154
1994	819025	231166	1150191
1995	957388	379562	1336950
1996	1062376	433489	1495865
1997	1178589	486033	1664622
1998	1318489	553096	1871585
1999	1412649	620851	2033500
2000	1501917	684457	2186374
2001	1600465	739766	2340231
2002	1717695	794385	2512080
2003	1844023	893942	2737965

Source: Zacharia and Irudaya Rajan (2004)

### 3.8 Country of Destination

The country of destination of migrants' shows that the major chunk of migrants goes to gulf countries (Table 3-12). According to two-time period's data available, in 1999, 93.8% and in 2004, 88.89% of the migrants went to gulf countries. Among the gulf countries Saudi Arabia and UAE together accounted for 68.46% in 1999 and 63.1% in

2004. A noted point here is that there is a decrease of 4.91% in 2004 compared to 1999 in the case of gulf migrants. At the same time migration to USA and other countries has registered an increase in 2004 compared to 1999. It is immature to arrive at a conclusion from the two-year data only, however these findings give us a primary indicator to the growing exodus of highly qualified professionals and technicians to USA and other countries. The fact that gulf region still occupies the major chunk of migrants shows that the low skilled below degree qualified migrants from Kerala still consider the Middle East as heaven in order to full fill their dreams.

**Table 3-12: Country of Destination of Migrants**

<i>Country</i>	<i>2004</i>	<i>1999</i>
United Arab Emirates	670150 (36.45)	421758 (30.97)
Saudi Arabia	489988 (26.65)	510652 (37.49)
Oman	152865 (8.31)	132443 (9.72)
Kuwait	113967 (6.2)	68130 (5.00)
Bahrain	108507 (5.90)	74619 (5.48)
Qatar	98953 (5.38)	70001 (5.14)
United states of America	98271 (5.35)	29848 (2.19)
Other countries	105777 (5.75)	54504 (4.00)
Kerala	1838478 (100)	1361955 (100)

Source: Zacharia and Irudaya Rajan (2004)

### **3.9 District Wise Distribution of Migration Trends and Remittances**

Several studies have made on various dimension about the district wise distribution of migration trends and remittances. DES survey divides the total households of the whole districts of Kerala into ‘migrant and returnees’, migrants, returnees and others (Table 3-13). According to this data Malappuram tops among the group of migrant

character households. Thrissur district is in the second position and Idukki and Wayanad are in the lowest positions.

**Table 3-13: % Distribution of households according to household type**

<i>Sl no</i>	<i>District</i>	<i>Migrant and returnee</i>	<i>Migrant</i>	<i>Returnees</i>	<i>Others</i>	<i>Total</i>
1	Kasaragode	1.78	11.66	6.92	79.64	100
2	Kannur	2.84	14.68	4.49	77.99	100
3	Wayanad	0.3	3.41	1.82	94.47	100
4	Kozhikkode	2.07	14.28	6.62	77.03	100
5	Malappuram	3.33	23.14	10.84	62.69	100
6	Palakkad	0.9	7.94	3.5	87.66	100
7	Thrissur	2.08	13.98	6.08	77.86	100
8	Ernakulam	0.61	6.94	3.91	88.54	100
9	Idukki	0.19	2.55	1.1	96.16	100
10	Kottayam	0.6	7.23	2.95	89.22	100
11	Alappuzha	1.08	10.63	4.19	84.1	100
12	Pathanamthitta	1.08	14.5	5.96	78.2	100
13	Kollam	1.55	14.62	9.5	74.33	100
14	Thiruvananthapuram	1.62	11.54	9.37	77.47	100
Total		1.57	11.99	6.07	80.37	100

Source: DES 2000

Zacharia and others give us a two period comparison of emigrant distribution in various districts. They give us a detailed picture of emigrants, emigrants per 100 households and percentage distribution of emigrants by districts in these two time periods (Table3-14). According to this data Malappuram topped among the various districts in all these variables during the two time periods. Thrissur is in second positions and Idukki and Wayanad are in the *lowest* positions.

**Table3-14: Emigrants, emigrants per 100 households and percentage distribution by districts, 2004**

<i>Districts</i>	<i>Emigrants</i>		<i>Emi per 100 hhs</i>		<i>Percentage in total</i>	
	2004	1999	2004	1999	2004	1999
Thiruvananthapuram	168046	130705	21.5	19.9	9.1	9.6
Kollam	148457	102977	24.4	18.4	8.1	7.6
Pathanamthitta	133720	97505	44.3	33.1	7.3	7.2
Alappuzha	75036	62870	15.2	13.2	4.1	4.6
Kottayam	106569	35494	24.0	9.1	5.8	2.6
Idukki	7880	7390	2.9	2.9	0.4	0.5
Ernakulam	121237	103750	16.9	17.0	6.6	7.6
Thrissur	178867	161102	27.2	25.6	9.7	11.8
Palakkad	177876	116026	32.6	21.8	9.7	8.5
Malappuram	271787	296710	45.0	49.2	14.8	21.8
Kozhikkode	167436	116026	28.6	22.0	9.1	8.5
Wayanad	7704	4552	4.4	2.9	0.4	0.3
Kannur	202414	88065	43.2	19.0	11.0	6.5
Kasarcode	71449	38747	30.6	19.1	3.9	2.8
Kerala	1838478	1361955	26.7	21.4	100	100

Source: Zacharia and Irudaya Rajan (2004)

The same authors also give a two time period account of return migrants (Table 3-15). As like the other cases, Malappuram and Thrissur were in the 1st and 2<sup>nd</sup> positions in 1999. But in 2004 Kozhikkode came second by pushing back Thrissur to the third position. Idukki and Wayanad remains in the lowest position in this case also.

**Table 3-15:Return emigrants; return emigrants per 100 households and percentage distribution by districts 2004**

<i>Districts</i>	<i>Return emigrants</i>		<i>Rem per 100 households</i>		<i>Percentage to total</i>	
	2004	1999	2004	1999	2004	1999
Thiruvananthapuram	103059	118878	13.2	18.1	11.5	16.5
Kollam	69314	74106	11.4	13.2	7.8	10.0
Pathanamthitta	83502	54537	27.7	18.5	9.3	7.4
Alappuzha	43109	34572	8.07	7.2	4.8	4.7
Kottayam	28368	18164	6.4	4.6	3.2	2.5
Idukki	3766	5017	10.4	2.0	0.4	0.7
Ernakulam	74435	45028	10.4	7.4	8.3	6.1
Thrissur	86029	116788	13.1	18.6	9.6	15.8
Palakkad	55008	39238	10.1	7.4	6.2	5.3
Malappuram	141537	123750	23.5	20.5	15.8	16.7
Kozhikkode	109101	60910	18.6	11.5	12.2	8.2
Wynad	3852	3327	2.2	2.1	0.4	0.5
Kannur	45394	28263	9.7	6.1	5.1	3.8
Kasarcode	47468	16667	20.3	8.2	5.3	2.3
Kerala	893942	739245	13.0	11.6	100	100

Source: Zacharia and Irudaya Rajan (2004)

An inference we can draw from this is that except the agriculture sector dominated districts of Idukki and Wayanad, almost all districts have had impacts on migration and its effects on the economy. The most dominant influences can be seen in the districts of Malappuram, Thrissur and Kozhikkode where large pockets of migration have been identified by various researchers.

### 3.10 Impacts of Remittances to Districts Income

Zacharia and others has shown the district wise distribution of remittances during the two time periods (Table 3-16). The figure show that in 1999 Malappuram had the largest share of remittance (18.8%) and Thrissur came second with 14.0%. The trend reversed in 2004 with Thrissur had a share of 17.5% and Malappuram had 15.7%. Idukki and Wayanad for the specific reasons continued to be the lowest among in the case of receivers of remittances also.

**Table 3-16: Percentage distribution of remittances in various districts**

<i>Districts</i>	<i>Percentage to total</i>	
	2004	1999
Thiruvananthapuram	10.4	9.2
Kollam	9.8	7.7
Pathanamthitta	5.2	6.6
Alappuzha	7.3	6.3
Kottayam	3.1	3.4
Idukki	0.2	0.3
Ernakulam	8.2	11.9
Thrissur	17.5	14.0
Palakkad	6.2	8.7
Malappuram	15.7	18.8
Kozhikkode	7.3	6.1
Wynad	0.4	0.2
Kannur	5.3	5.2
Kasarcode	304	1.6
Kerala	100	100

Source: Zacharia and Irudaya Rajan (2004)

Remittances as percentage of district wise net domestic product (NDDP) shows that Thrissur has a share of 38.2% and Malappuram has a share of 45.8% of NDDP according to 2004 data (Table 3-17). The impact of remittances on the district level per capita income is the highest in Thrissur where remittances raised per capita income to RS 38525 or by RS10654. Six districts where the impact is more than state average are Thrissur, Malappuram, Pathanamthitta, Kollam, Alappuzha and Thiruvananthapuram.

**Table 3-17: Remittance, NSDP, per capita income, and modified per capita income by districts, 2004**

<i>Districts</i>	<i>1</i>	<i>2</i>	<i>3</i>	<i>4</i>	<i>5</i>	<i>6</i>
Thiruvananthapuram	1927	9153	21.1	27686	33514	5828
Kollam	1813	6737	26.9	25646	32548	6902
Pathanamthitta	954	3341	28.6	26901	34582	7681
Alappuzha	1339	5638	23.8	26459	32746	6287
Kottayam	580	5676	10.2	28622	31545	2923
Idukki	39	3617	1.1	31697	32041	344
Ernakulam	1515	10428	14.5	32918	37702	4784
Thrissur	3234	8459	38.2	27871	38525	10654
Palakkad	1148	5920	19.4	22132	26425	4293
Malappuram	2892	6316	45.8	16766	24443	7677
Kozhikkode	1357	7639	17.8	25964	30576	4612
Wynad	68	1994	3.4	24432	25260	828
Kannur	976	5973	16.3	24369	28350	3981
Kasarcode	623	2894	21.5	23414	28457	5043
Kerala	18465	83783	22.0	25764	31442	5678

Notes: The explanations given by Zacharia and Rajan for table 3-17 are given below.

(1) Total State Remittances of 18,465 crore is distributed among the districts on the basis of the percent distribution of total household remittances by districts. (2) District-wise Net Domestic Product (NDDP), Planning Board Economic Review, 2003, Table 3.7 (3) Remittances as percent NDDP = (1)/(2), (4) District-wise income per capita, Planning Board Economic Review, 2003, Table 3.8, (5) Adjusted NDDP: Estimated using data from (1), (2) and (4):  $5 = (1+2) * (4/2)$ , (6) Increase in NDDP due to remittances:  $(6) = (5) - (4)$

Source: Zacharia and Irudaya Rajan (2004)

### 3.11 Utilization of Remittance - A State Wise Analysis

The household surveys have shown the utilization of remittances by households (Table3-18). It is seen that about 50% of remittances was used for subsistence. The business expenses, which may be considered as a proxy for investment is only 0.1%. This figure proves that majority of the migrants are from poor family background and their main purpose of going abroad is to earn livelihood for the family. The use of remittance for day-to-day life encourages conspicuous consumption and it has created a multiplier effect in the regional economy. On the contrary, the use of remittances to the direct creation of output is very little and this aspect needs serious attention from the policy makers to channelise this extra source of income to productive purposes.

**Table3-18: Utilization of remittances**

<i>Item</i>	<i>Percent</i>
Subsistence	50.0
Education	24.0
Debt repayment	8.0
Bank deposit	4.6
Buying/building house	4.4
Dowry payments	2.1
Purchase land	0.5
Land reclamation	0.3
Business	0.1
Other expenses	6.0
Total	100

Source: Zacharia and Irudaya Rajan (2004)

### 3.12 Importance of Gulf Migration to Kerala Economy- A Macro Economic Assessment

Several researches have studied the importance of Middle East migration to the economy of the state of Kerala. Here the researcher attempts to provide the views expressed by some of these studies about the significance of Middle East migration to the Kerala's economy and society. B A Prakash in early 1990's had shown the impact of worker's remittances to Kerala's economy (Prakash 1998). He proved that the total plan expenditure in Kerala was equivalent only 40% of the remittances received from gulf (Table 3-19).

**Table 3-19: Relation ship between remittances and plan expenditure**

<i>Year</i>	<i>Remittance</i>	<i>Plan expenditure</i>	<i>Plan expenditure as percentage of remittances</i>
1980-85	462610	180162	38.9
1985-90	603545	254691	42.2
1990-91	130980	66269	50.6
1991-92	233455	71952	30.8
Total	1430590	573074	40.0

Source: Prakash 1998

He also expressed the view that the remittances had also led to the generation of more savings in a backward economy like Kerala. There had been a steady growth in NRE (Non Resident External) deposits in banks. Of the total bank deposits, the share of NRE deposits also registered a steep increase. By 1994, the share of NRE deposits accounted for about 40% of the total deposits in Kerala (Table 3-20).

**Table 3-20: Distribution of NRE deposits as a percentage of total deposits**

<i>Ending march</i>	<i>Total deposits</i>	<i>Of which NRE deposits</i>	<i>Growth of NRE deposits</i>	<i>Share of NRE deposits</i>
1988	4811	1369	-	28.4
1989	5667	1584	15.7	27.9
1990	6620	2012	27.0	30.3
1991	7858	2304	14.5	29.3
1992	9671	3039	31.9	31.4
1993	12112	4499	48.0	37.1
1994	14941	6015	33.6	40.2
1995	17458	6886	14.4	39.4

Source: Prakash 1998

K C Zacharia and Irudaya Rajan give us a macro economic impact of remittances from a period of 1993-2003(Table 3-21). This shows that there is on average 19% increase of per capita income over the period when the remittances are included in net state domestic product. During the span of these five year period, remittances on an average 24% of net state domestic product. The ratio of remittances to various financial variables shows the importance the remittances as a macro economic aggregate to the states economy. The implication of this assessment is that the remittances as pointed out by various researchers, have contributed to the states growth considerably otherwise the region might have been in a state of deficiency for minimum required finance.

**Table 3-21: Macro economic impact of remittances, 1992-2003**

<i>Indicators</i>	<i>1999</i>	<i>2000</i>	<i>2001</i>	<i>2002</i>	<i>2003</i>
Remittances	13652	14438	15732	17362	18465
Net state domestic product	53552	62557	63715	73049	83783
Percapita income	16062	18262	19951	22668	25764
Modified nsdp	67204	76995	79447	90411	102248
Revenue receipt of government	7198	7942	8731	9056	10634
Transfer from central govt	1991	2218	2202	2590	2653
Government expenditure	5855	8263	8679	8528	10029
Value added in manufacturing	558175	612334	603075	682150	689145
State debt	15700	20178	23919	26950	31060
Receipt from cashew export	1317	1878	1153	965	1217
Receipt from marine product export	817	1142	1046	951	995
Modified percapita income	20157	22477	24887	28056	31442
Remittance as percent of nsdp	25.49	23.08	24.69	23.77	22.04
Remittances as ratio of revenue receipt	1.9	1.82	1.8	1.92	1.74
Remittance as ratio of transfer from central govt	6.86	6.51	7.14	6.7	6.96
Remittance as ratio of govt expenditure	2.33	1.75	1.81	2.04	1.84
Remittance as ratio of state debt	0.87	0.72	0.66	0.64	0.59
Remittance as ratio of receipts from cashew	10.37	7.69	13.64	17.99	15.17
Remittance as ratio of receipts from marine products	16.71	12.64	15.04	18.26	18.56

Source: Zacharia and Irudaya Rajan (2004)

**ECONOMIC IMPACT OF MIGRATION TO  
THE MIDDLE-EAST: A STUDY OF  
MALAPPURAM DISTRICT**

*Thesis*

*submitted to the University of Calicut in partial fulfillment of  
the requirement for the award of the degree of*

**Doctor of Philosophy**

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**2006**

## Chapter IV

### Migration to Middle East from Malappuram District

#### 4.1 Malappuram District –A Profile

##### *4.1a Geographical Location and Key Socio Economic Variables<sup>1</sup>*

Malappuram district literally means ‘the land atop the hills’ was formed on 16<sup>th</sup> June 1969. The district is bounded by the Nilgris of Tamilnadu in the east, Arabian sea in the west, Kozhikkode and Wayanad districts in the north and Palakkad and Thrissur districts in the south,. It has a geographical area 3350 sq.kms that is 9.13%of the total area of the state. Malappuram district has the rank of three in the state in terms of area. A summary picture of the key geographical and socio economic variables is presented in the table

Area in sq km	3550
Population	3625471
Sex ratio: females/1000 males	1066
Density of population/sq km	1021
Literacy rate	89.61%
Male literacy	93.25%
Female literacy	86.20%

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<sup>1</sup> The details are taken from [www.mlp.kerala.gov.in](http://www.mlp.kerala.gov.in), viewed on June 15,2005.

#### ***4.1b Religion, Child Marriage Rate, Crude Birth Rate, District Income***

The religious distribution of Malappuram district shows that Hindus constitute 29.17%, Muslims constitute 68.53%, Christians constitute 2.22% and other religions are 0.08%<sup>2</sup>. From this data we can see that Malappuram district is dominated by Muslim religion. The crude birth rate of Malappuram is 27.92% and the rate of child marriage is 35.7%<sup>3</sup>. The crude birth rate and child marriage rate are significantly very high.

A district wise distribution of net state domestic product at factor cost at current prices show that Malappuram has a share of 6786.24 crore<sup>4</sup>. The district wise distribution of per capita income at current prices show that Malappuram has a share of RS 16294<sup>5</sup>.which is the last position (14<sup>th</sup> position) among the various districts. District wise distribution of work participation rate shows that Malappuram has a work participation of 24.12% that constitute a male work participation of 42.7% and a female work participation of 6.63%, which is the lowest among the various districts<sup>6</sup>.

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<sup>2</sup> The details are taken from [www.censuskerala.org](http://www.censuskerala.org), viewed on June 27 2006.

<sup>3</sup> Ministry of Human Resources Development Govt of India (2004).

<sup>4</sup> Kerala Planning Board, Economic Review-2005.

<sup>5</sup> Kerala Planning Board, Economic Review-2005.

<sup>6</sup> The details are taken from [www.censuskerala.org](http://www.censuskerala.org), viewed on June 27 2006.

## 4.2 Profile of the Sample

### 4.2a Sector, Taluk and Religion

There are 758 households that were interviewed as sample households. A detailed socio economic status of the households was taken in the sample survey. The religion, caste, sector, occupational status and educational status of the members etc were taken in order to make a comprehensive account of the socio economic profile of the households. The sector wise classification shows that 675(89.1%) households belong to the rural sector and 83(10.9%) belong to the small municipal towns and they are by nature semi rural localities (Table4-1). A taluk level distribution shows that Nilambur taluk has the highest share (22.7%) and Ponnani taluk has the lowest share (8.7%). The shares of other taluks are Ernad 21%, Tirurangadi 17.8%, Perinthalmanna 15.6% and Thirur 14.2%( Table4-2).

**Table4-1: Sector wise classification of sample households**

<i>Sector</i>	<i>Frequency</i>	<i>Percent</i>
Rural	675	89.1
Urban	83	10.9
Total	758	100.0

Source: Primary survey

**Table4-2: Taluk wise classification of sample households**

<i>Taluk</i>	<i>Frequency</i>	<i>Percent</i>
Ernad	159	21.0
Nilambur	172	22.7
Perinthalmanna	118	15.6
Ponnani	66	8.7
Thirur	108	14.2
Tirurangady	135	17.8
Total	758	100.0

Source: Primary survey

The religious wise classification shows that 65.6% of the households belong to Muslim religion and 28% are Hindus and Christians constitute only 6.5% of the total households

**Table 4-3: Caste wise classification of sample households**

<i>Caste</i>	<i>Frequency</i>	<i>Percent</i>
SC/ST	58	7.7
Nair	25	3.3
Ezhava	91	12.0
Brahmins	2	.3
Other Hindus	36	4.7
Roman Catholic	37	4.9
Latin Catholic	1	.1
Yacobites	5	.7
Marthomas	1	.1
Other Christians	5	.7
Muslims	497	65.6
Total	758	100.0

Source: Primary survey

A caste wise mix of the household samples shows that Muslim community has a share of 65.52% and Ezhavas community has a share of 12% and 7.65% of the household belong to SC/ST community in caste status (Table 4-3). The share of other castes are very little or marginal. As the samples are taken at random, it is reasonable to infer that the district is mainly inhabited by people who belonged to the minority or backward communities and migration would have a definite impact on the socio economic character of the district.

#### **4.2b Migration Status**

A migration status data (Table 4-4) shows that 48 households (6.3%) are return migrant households, 158 (20.84%) are migrant households and 552(72.82%) are non migrant households (70.8%). 86.07% of migrant households are members of the Muslim religion, Christians 7.59% and Hindus constitute 6.32 %. But among the non-migrant households 58.33% are Muslim households, Hindus and Christians constitute 35.14% and 6.52% respectively.. The percentage of Hindu households are high in the case of non-migrant households compared to migrant households. In the case of return migrant households 16.67% are Hindus, 2.08% are Christians and 81.25% are Muslims.

**Table 4-4: Distribution of sample households in terms of migration status and religion**

<i>Migration status</i>	<i>Religion</i>			<i>Total</i>
	Hindu	Christians	Muslims	
Return Migrant	8 (16.67)	1(2.08)	39(81.25)	48(100)
Emigrant outside India	10(6.32)	12(7.59)	118(86.07)	158(100)
Non-migrant	194(35.14)	36(6.52)	322(58.33)	552(100)
Total	212(27.97)	49(6.46)	497(65.56)	758(100)

Note: The figures in brackets are percentages and horizontal summation approximated to 100%  
Source: Primary survey

#### **4.2c Land and Income and Average Family Size**

The family income details show that 56.7% of the households has a monthly income of below 5000 and those households we may categorize as low income or poor households. 33.4% of households belong to the income class 5000-15000 and we may categorize them as medium income households (Table 4-5). Only 6.9% of the households belong to the class 15000 and above and they may be considered as high-income households. Thus large majority of households in our sample belong to low or medium income households. The average monthly income of the households is calculated as RS 5980.2, which is a low figure considering the high average family size that also shows the financial backwardness of the households.

**Table 4-5: Distribution of monthly income of sample households**

<i>Monthly income</i>	<i>Frequency</i>	<i>Percent</i>
NR	23	3.0
Below 500	5	.7
500-1000	20	2.6
1000-2000	114	15.0
2000-3000	121	16.0
3000-5000	170	22.4
5000-10000	193	25.5
10000-15000	60	7.9
15000-20000	24	3.2
20000-30000	24	3.2
Above 30000	4	.5
Total	758	100.0

Source: Primary survey

The average land holdings of the households are calculated as 43.11 cents and the land distribution of the households shows that 80.5% of the households possess a land area of below 50 cents (Table4-6). From this we may make an inference that majority of the households do not engage in agriculture as the main occupation. In order to get an income for life sustenance, the people have to depend on other occupations or to get other sources of income. There comes the importance of migration.

**Table4-6: Distribution of land among the households**

	<i>Frequency</i>	<i>Percent</i>
No land	34	4.5
Below 5	96	12.7
5-10	176	23.2
10-15	92	12.1
15-20	70	9.2
20-30	91	12.0
30-50	84	11.1
50-100	45	5.9
100-200	33	4.4
200-500	30	4.0
Above 500	7	.9
Total	758	100.0

Source: Primary survey

The average family size is calculated as 6.08<sup>7</sup>, which is a high figure. Considering the predominantly low-income status and low land holdings of the households the high average family size creates concern.

#### **4.2d Number, Sex, Age and Education Status of the Sample Members**

The sample constitutes 4607 individuals (Table 4-7) who are the members of the sample households. The sample sex ratio is 1038 females per 1000 males. Actually there are 2261 males and 2346 females. The education status shows that 34.6% of the people have an education level upper primary up to the secondary and 21.9% are

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<sup>7</sup> A DES estimation shows that the average family size of Kerala as a whole is 4.79 and district wise figures show Malappuram has the highest position with 5.85 and Kannur comes next with 5.40(DES 2000).

primary passed and 20.7% of the people have only primary qualification. A point to be noted is that degree holders are only 4.4% of the sample household members. It is also reasonable to infer that 85.9% of the sample household members are literates excluding only children below 4 years and illiterates.

**Table 4-7: Educational status distribution of the members of the household.**

	<i>Frequency</i>	<i>Percent</i>
Children	372	8.1
Illiterate	273	5.9
Literate without school Education	33	.7
Primary but not completed	168	3.6
Primary	953	20.7
Upper Primary up to Secondary	1595	34.6
Secondary passed but have no Degree	1009	21.9
Degree holders	204	4.4
Total	4607	100.0

Source: Primary survey

An age wise distribution (Table4-87) shows that 67.04%(3088) of the people belong to the age group 16-65and so the rest of the members, 32.96%, may be considered as dependent people who may unable to contribute anything creditworthy to the economy at the first instance.

**Table 4-8: Age distribution of sample population**

<i>Age coded</i>	<i>Total</i>
0 - 4	372 (8.07)
5 - 15	912 (19.79)
16 - 20	513 (11.14)
21 - 55	2278 (49.45)
56 - 65	297 (6.45)
66-100	235 (5.10)
Total	4607 (100)

Note: The figures in brackets are percentages and vertical summation approximated to 100%  
Source: Primary survey

#### **4.2e Occupation Status**

An occupational distribution of the members (Table 4-9) of the household shows that 25.46% of the people reported unpaid family work as their occupation. The second largest segment is students, which constitute 25.42%. Coolies in non-agricultural sector are 15.09% and self-employment constitutes 9.57%. The share of center and state Govt employees are very low, only 1.40%. A notable inference from this analysis is that the occupational share of salaried class or regular income class is very less in the sample. A large section of the people are not at all income earning as evident from the high percentage share of unpaid family workers and students in the sample.

**Table 4-9: Occupational distribution of sample members**

	<i>Frequency</i>	<i>Percent</i>
Children	372	8.1
Employed in State /Central Govt.	35	.8
Employed in Semi Govt. Aided etc.	26	.6
Employed in Private sector	207	4.5
Self employment	441	9.6
Unpaid family work	1173	25.5
Agricultural labour	87	1.9
Coolies in non-agric. Sector	695	15.1
Job seekers	114	2.5
Students	1171	25.4
Household works	278	6.0
Retired	8	.2
Total	4607	100.0

Source: Primary survey

### 4.3 Profile of Migrants

Of the 4607 individual members of the sample, there are 198 migrants (4.28%). The number of migrants per 100 household is 26.12. Of the total migrants there are 182 (91.91%) males and 16 (8.08%) females (Table 4-10). The educational distribution of the migrants show that 48.98% of the migrants have qualifications upper primary up to secondary and 25.76% have secondary qualifications but no degree. So excluding children and illiterates, it is seen that 83.84% of the migrants have qualifications below degree (Table 4-10).

**Table4-10: Distribution of educational status and sex of migrants**

<i>Educational status at time of emigration</i>	<i>Sex</i>		<i>Total</i>
	Male	Female	
Children	2	4	6 (3.03)
Illiterate	2	0	2 (1.01)
Primary but not completed	2	0	2 (1.01)
Primary	15	1	16 (8.08)
Upper Primary up to Secondary	94	3	97 (48.99)
Secondary passed but have no Degree	47	4	51 (25.76)
Degree holders	20	4	24 (12.12)
Total	182	16	198 (100)

Source: Primary survey

#### 4.4 Occupational Status of Migrants

**Table4-11:Occupational distribution of migrants**

<i>Occupation at present</i>	<i>No of persons</i>	<i>Percentage</i>
Children	6	3.03
Employed in Govt sector.	3	1.52
Employed in Private sector	102	51.52
Self employment	27	13.64
Unpaid family work	2	1.01
Coolies in non-agric. Sector	58	29.29
Total	198	100

Source: Primary

The occupational status of migrants abroad shows that 51.52%(102) of the migrants are employed in private sector.29.3%(51) are employed as coolies in non agriculture sector which means working as attendees in shops, petrol pumps and other similar institutions on a daily wage basis (Table4-11).

## 4.5 Monthly Income Distribution of Migrants

**Table 4-12: Monthly income distribution of migrants**

	<i>Frequency</i>	<i>Percent</i>
NR	24	12.1
6000-10000	126	63.6
10000-15000	35	17.7
15000-20000	10	5.1
Above 20000	3	1.5
Total	198	100.0

Source: Primary survey

The monthly income distribution of migrants show that majority of the migrants (63.37%) are in the income class 6000-10000. Another 17.68% are in the class 10000-15000 (Table 4-12). The average monthly income of the migrants are calculated as RS 9744.25. Considering the low educational status of the migrants, most of them are qualified to get only unskilled jobs and they may not get the current level of income if they are working in the home country.

## 4.6 Country of Destination of Migrants

**Table 4-13: Distribution of migrants according to country of destination**

	<i>Frequency</i>	<i>Percent</i>
Bahrain	9	4.5
Brunei	1	.5
England	2	1.0
Kuwait	4	2.0
Mali deep	1	.5
Qatar	6	3.0
Saudi Arabia	131	66.2
UAE	41	20.7
USA	3	1.5
Total	198	100.0

Source: Primary survey

It is evident from the table that 66.2% of the migrants consider Saudi Arabia as their favorite country to work abroad and UAE is in the second position with 20.7% (Table 4-13). It is seen that 96.4% of migrants in our sample has gone to middle east .The rest went to USA, England and Brunei. These figures justifies the theme of our study as impact of migration to Middle East .It is known from the analysis that majority of the migrant households are Muslim households, the similarity of religion may have contributed to the migration of people to the gulf region along with large employment opportunities there.

## 4.7 Profile of Return Migrants

### 4.7a Country of return, reason for return and duration of stay abroad

**Table4-14: Distribution of return migrants according to country of return**

	Frequency	Percent
Burma	1	1.4
Kuwait	4	5.7
Qatar	1	1.4
Saudi Arabia	46	65.7
UAE	18	25.71
Total	70	100.0

Source: Primary survey

In total there are 70 individuals as return migrants in our sample. Countries of return shows that (Table4-14) largest share of returnees are from Saudi Arabia.65.7%. The distribution shows that 98.51 % of the return migrants are from Middle East countries. This indicates the impact of Middle East returnees on the domestic economy.

**Table4-15: Distribution of reason for return of return migrants**

	<i>Frequency</i>	<i>Percent</i>
Environment is not suitable	22	31.4
End of the visa period.	24	34.3
Sickness	11	15.7
Low salary	6	8.6
Retirement	2	2.9
No need of job	2	2.9
Accident at work place	3	4.3
Total	70	100.0

Source: Primary survey

The return migrants were asked the questions about the reason for return (Table4-15).65.7% of them reported the end of the visa period and the lack of suitable environment as the reason for return. So the return of most of the people is not voluntary, but some sort of a forced one like ending the period of visa and lack of proper working environment

**Table4-16: Duration of stay in abroad**

	<i>Frequency</i>	<i>Percent</i>
One year	16	22.9
2-5	25	35.7
5-10	11	15.7
10-15	10	14.3
Above 15	8	11.4
Total	70	100.0

Source: Primary survey

An analysis of the duration of the stay abroad shows that most of the return migrants had spent at least one year abroad. The average duration of stay is 6.7 years (Table4-16).

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## Chapter-V

### Migration to Middle East - Costs and Benefits

The phenomenon of migration involves the costs and benefits. The costs are the monetary and social costs involved in migration. The benefits are the remittances. The purpose of this chapter is to analyze the different costs of migration and the role of remittances in the economic behavior of sample households. The pattern of utilization of remittances is analyzed in this chapter.

#### 5.1 Costs of Migration

The cost of migration involves social cost as well as monetary cost. The social cost is the negative effect created by the absence of migrant to the family and to the society. The monetary cost is the one time expenditure to go abroad like visa fee, commission to agent, travel expenditure etc. The social costs and psychological costs are difficult to measure due to the absence of suitable units of measurement. Here in our study, the data regarding monetary cost is taken, at the same time an attempt is made to incorporate some elements of social cost also.

#### 5.2 The Monetary Costs of Migration

The various types of costs incurred while going abroad are travel expenditure, visa fee and commission to agents. According to the opinion taken from the travel agents and

migrant's relatives, approximately 50% of the expenditure go to visa fee. The visa fee ranges from RS 50000 to RS 100000. Travel expenditure constitutes 30% of the expenditure and commissions to agents come about 20% of the expenditure (Table 5.1).

**Table 5.1 Percentage distribution of different costs to go abroad**

Item	Percentages
Visa fee	50%
Travel expenditure	30%
Commission to agents	20%
Total	100%

Source: Primary survey

In the sample survey the researcher collected data about total expenditure from both migrants and return migrants .In total 268 people are included in this part of analysis. From the data collected it can be computed that a typical migrant incurs an average expenditure of RS 63227.6 for going abroad. This expenditure is considered as single period expenditure, which is incurred at the time of migration, unless the migrant returns and tries for another job abroad. Moreover, 60.07% of the total 268 persons has incurred an expenditure of RS 50000 and above for going abroad (Table 5-2). The figures presented here correspond with the general notion of expenditure for migrating to the gulf countries. In most cases the expenditure is a one-time expenditure, which must be met by the migrant himself with the support of others. Some other expenditure will also be incurred as ticket fee if the migrant visits the home country by getting leave in the course of his job abroad. We consider it as occasional expenditure and not included in the total expenditure calculation.

**Table 5-2: Distribution of one time monetary expenditure to go abroad**

Expenditure coded	No of persons	Percentages
Not reported	10	4.10
Below 10000	9	3.35
10000-30000	44	16.42
30000-50000	43	16.04
50000-80000	86	32.09
80000-100000	24	8.58
100000 & above	52	19.40
Total	268	100

Source: Primary survey

Regarding the sources of expenditure, every migrant has more than one source for meeting the expenditure. 51.49% used loans from relatives and 52.24% used gold sale or mortgage as sources of expenditure. Only 30.97% reported that they relied on own savings as one of the source. One important point to be noted here is that the initial remittances may be utilized for the repayment of different debts incurred for meeting the expenditure to go abroad.

**Table5-3: Distribution of the sources of expenditure to go abroad**

Source of expenditure	Percentages
Own savings	30.97
Loans from other family members	44.78
Loans from friends	51.49
Gold sale or mortgage	52.24
Land sale	19.03

Note: every individual has more than one source so the total do not add up to hundred  
Source: Primary survey

### 5.3 A Brief Overview of the Psychological Costs of Migration

Though it is difficult to measure the psychological costs of migration, an attempt is made to get some indicators from our sample. The marital status distribution of migrants shows that 54.54% of the migrants were married at the time of emigration (Table5-4). 95% of the married migrants have left their spouses and children in the home country itself. Major share of the unmarried people also left their relatives in the home country. These figures indicate the psychological agony the migrant's spouses and relatives have to face when they are in abroad.

**Table5-4: Marital status of migrants**

<i>Married</i>	<i>Unmarried</i>	<i>Children</i>	<i>Total</i>
108	84	6	198
(54.55)	(42.42)	(3.03)	(100)

Note: The figures in brackets are percentages and horizontal summation approximated to 100%.  
Source: Primary survey

Another type of psychological cost that arises is that even though the migrants go abroad on job guarantees like sponsorship their arise some lag for getting employment after reaching as evident from the table. It is clear that 67.68% of migrants had a lag of 3-6 months for getting employment (Table5-5). This also gives some amount of psychological pressure on the migrant.

**Table5-5: Time lag for getting employment after reaching abroad**

<i>Duration of time</i>	<i>Number of people</i>	<i>Percentages</i>
1-3months	50	25.25
3-6months	134	67.68
6-9months	10	5.05
9-12months	4	2.02
Total	198	100

Source: Primary survey

Further as evident from the sources of expenditure, migrants have taken loans from different sources (Table5-3). The psychological pressure as a result of being a debtor is another psychological cost of a migrant the social cost of being a debtor is evident from the continuing suicide spree in Kerala.

#### **5.4 The role of Remittance in the Sample Households**

The role of remittances in the sample households are analyzed by taking the variables like the various sources of income to the households, the annual remittances to the households and the way of utilization of remittances.

## 5.5 Main Source of Income to the Migrant Families

With the assumption that remittances are the major source of income to the migrant families, questions were asked in the schedule about the other major sources of income to the migrant families along with remittances.

**Table 5-6 Sources of income of the migrant families**

<i>Income source</i>	<i>Number of households</i>	<i>Percentages</i>
Remittances only	102	64.55
Remittances and agricultural income	20	13.51
Remittances and wage /salary of the other members of the household	18	12.16
Remittances and business /other sources	8	5.41
No remittances only other sources	10	6.76
Total	158	100

Source: Primary survey

It is seen that 93.24% of the migrant households consider remittances as a major source of income along with some other sources. 64.55% reported remittances are their only source of income. Another notable point is that 6.76% of the migrant households are not getting income in the form of remittances. The analysis shows the importance the remittances from abroad have in the case of migrant families.

## 5.6 Sources of income of the non-migrant families.

In order to get a more clear account of the impact of remittances, an analysis regarding the sources of income of the non-migrant families is also made. A distribution of the sources of income of the non-migrant families is present in the table.

**Table5-7 Sources of income of non-migrant families**

<i>Income source</i>	<i>Number of households</i>	<i>Percentages</i>
Remittances from migrants other than family members	15	2.72
Agricultural income	163	29.53
Wage/salary of the members	300	54.35
Business/other sources	74	13.41
Total	552	100

Source: Primary survey

An analysis of the sources of income of the non-migrant families shows that 54.35% of the households depend on the wage/ salary of the members of the households. The dependence on agriculture is only 29.53%. An interesting point that is to be noted here is that 15 households (2.72%) indicated that remittances from migrants other than family members is their main source of income. The wages and business in the economy to an extent depend on the spending of income by the migrant as noted by various researchers. Thus we can say that the gulf remittances in an indirect way influence the non-migrant families also.

## 5.7 Yearly Remittances – An Analysis

In the sample survey, every emigrant household was asked whether any remittances came to the household one year before the survey. Most of the respondents have given the yearly remittances to the household. Even though there is greater possibility of under estimation, we have no other way but to rely on the data given by the respondents for making the analysis.

**Table 5-8: Distribution of yearly remittances among migrant households**

<i>Remittance coded</i>	<i>Number of migrant households</i>	<i>Percentages</i>
Not reported	10	6.33
10000-25000	9	5.69
25000-50000	120	75.95
50000-75000	10	6.33
75000-100000	5	3.16
100000&above	4	2.53
Total	158	100

Source: Primary survey

It is inferred from this analysis that 65.67% of the households got an annual remittances of the range 25000-50000, very little households belong to the other ranges (Table 5-8) The average annual remittances is computed as only RS 41689. 189. From these facts it is seen that majority of the households got only low or medium sum as annual remittances and so use of remittance other than day-to-day living is very limited.

## 5.8 Ways of Utilization of Remittances

In order to find out the impact of spending of remittances on the economy, the way of utilization of remittances is discussed in this section. Every household has more than one way of utilization of remittances. The main ways of utilization are for day-to-day life (63.37%), education (40.59%), savings (33.54%) and the repayment of the debts (30.20%). The fact that each household has more than one-way utilization shows their optimality in the allocation of remittances to different uses.

**Table 5-9: Ways of utilization of remittances**

<i>Way of utilization</i>	<i>Percentage of respondents</i>
For day to day life	63.37
Education	40.59
To repay debts incurred	30.20
To purchase land	23.42
Dowry payment of relatives	3.47
To built/purchase/renovate house	20.25
Business	10.13
Deposit in banks	33.54

Note: Each household has more than one way of utilization and so the total do not add up to 100%  
Source: Primary survey

## **5.9 Impact of Remittances - A Final Assessment**

The available data shows that only medium income is received as remittances by the migrant households. 93.25% of the migrant households depend on the remittances from abroad as their main source of income. At the same time the majority of the non-migrant households have to depend on agriculture or salary/or wages of the members for their sources of income. If there would have been no remittances, the families have to depend on their little holdings of land as well as the limited income or wages earned by the family members for the income for life subsistence. Thus remittances have considerably enhanced the income capability of migrant families.

Another point to be noted is that 63.37% of the households utilize the remittances for day-to-day life, which means daily consumption. This consumption is remittances induced consumption and which creates multiplier impacts in the economy. If this spending is not associated with corresponding development in the production sectors it may result in inflation also. The investments done using remittances are unproductive in the first sense like land and buildings, but they also cause multiple spending activities if those who receive that spend out income from migrants utilize it for some productive purposes.

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## Chapter –VI

### **Gulf Migration and Impacts on Consumption, Savings and Investment**

Since the objective of contract type migration is to earn remittances and use it for the well being of the family, the impact of migration on consumption, savings and investments is a major area, which should be analyzed in these types of studies. The objective of this section is to analyze these impacts using the data collected on household sample survey.

#### **6-1 Impact on Consumption**

An analysis of monthly consumption expenditure on different household groups shows that migrant households have an average expenditure of RS 3120.25 and return migrant households have an average expenditure of RS 1020.83 and non-migrant households have an average expenditure of RS 831.52. A proportional analysis shows (Table 7-1) that 66.67% of the return migrant households and 73.91% of non-migrant households have a monthly expenditure of below RS 1000. While in the case of migrant families, 73.91% of the migrant households are in monthly expenditure slabs more than RS 2000. This show that consumption expenditure of migrants have a definite impact on the economy.

**Table 6-1 Distribution of monthly consumption expenditure among household groups.**

<i>Expenditure coded</i>	<i>Return migrant</i>	<i>Migrant</i>	<i>Non migrant</i>
Below 1000	32(66.67)	13(8.23)	408(73.91)
1000-2000	10(20.83)	33(20.87)	121(21.92)
2000-3000	5(10.42)	29(18.35)	10(1.81)
3000-4000	0	36(22.78)	10(1.81)
4000-5000	0	20(12.67)	3(00.54)
Above 5000	1(2.08)	27(17.09)	0
Total	48(100)	158(100)	552(100)

Note: The figures in brackets are percentages and vertical summation approximated to 100%  
Source: Primary survey

## **6-2 Major items of Monthly consumption Expenditure**

The major items of monthly consumption expenditure of households were asked in the survey. Every household has more than one way of expenditure. Cent percent of the three households groups reported food as one of the major item of monthly expenditure. 21% of migrant households, 15% of return migrant households and 9% of the non-migrant households have monthly expenditures for cloth. 12% of non-migrant households, 9% of return migrant households and 3% of migrant households have monthly spending for cosmetics. However the proportional share of households who have monthly expenditures for paid dinner in places outside own home and visiting tourist places is very high in the case of migrant households compared to other groups of households. (Table 6-2) Thus the inference is that migrants have affinity for higher level of consumption according to rural standards compared to other groups of households.

**Table 6-2 Percentages of household groups who undertake monthly consumption expenditures for various items**

<i>Items of expenditure</i>	<i>Return migrants</i>	<i>Migrants</i>	<i>Non migrants</i>
Food	100%	100%	100%
Cloths	15%	21%	9%
Cosmetics	9%	3%	12%
Paid dinner in places outside own home	20%	55%	12%
Visiting tourist places	12%	61%	22%

Source: Primary survey

### **6-3 Impacts on Investment**

In the analysis of the way of utilization of remittances by the households, it is seen that 23.42% (37 households) have utilized the remittances for land purchase and 20.25%(32 households) have utilized the remittances for building/purchasing/or renovating houses and only 10.13% of migrant households (16) utilize the remittances for some type of business investment.

The distribution of land purchased (Table 6-3) using remittances show that the average land purchased by migrants is 15.27cents .A proportional distribution shows that 64.86% of the purchased land is below 15 cents and 100% of the land purchased is below 50 cents. This shows that most of the land purchased may be utilized for house plots and purchase of land for large-scale agricultural purpose is very low.

**Table 6-3 Distribution of land purchased using remittances by the migrant households**

<i>Land coded</i>	<i>No of households</i>	<i>Percentages</i>
5-10	15	40.54
10-15	9	24.31
15-20	4	10.81
20-30	6	16.21
30-50	3	8.11
Total	37	100

Source: Primary survey

Distribution of the amount of remittances utilized for house construction /renovation /purchase activities (Table 6-4) shows that there is an average use of RS 125312.5. The proportional distribution shows that 81.24% of the total 32 emigrants spend out expenditure below RS 200000. This shows that housing activities of the migrants are a slow process and that remittance which set apart after meeting the essential needs is utilized for house construction. It can also be inferred that it takes years to complete the housing activities of the migrants, perhaps the whole term of the migrant in abroad is needed to get or construct a house.

**Table 6-4 Amount utilized for house construction /renovation/purchase out of remittances by the migrant households**

<i>Amount coded</i>	<i>No households</i>	<i>Percentages</i>
10000-50000	7	21.86
50000-100000	10	31.25
100000-200000	9	28.13
200000-300000	4	12.5
300000-400000	2	6.25
Total	32	100

Source: Primary survey

Only 16 (10.12%)migrant households reported that they have utilized the remittances for some type of business investment. Of these 10 households invest in taxi/truck business and 4 invest in small hotel business and 2 invested in furniture shops.

#### **6-4 Impact of savings**

**Table 6-5 Distribution of savings by the households out of remittances**

<i>Type of savings</i>	<i>Percentages</i>
Deposit in banks	72%
Insurance/chit funds	45%
Bonds/shares/mutual funds	5%
Other types	10%

Note: Every household has more than one method of saving and the total do not add to 100.

Source: Primary survey

53 migrant households (33.54%) households reported that they have some type of savings out of remittances (table 6-5). Every household has more than one method of savings. The various methods used in savings are bank deposits (72%). insurance /chit

funds (45%), bonds, shares and mutual funds (5%) and other types which means some type of local banks (10%). An inference here is the share of newly born saving cum investment schemes are very small here (only 5%). Another point is that major part of the savings is in approved institutions so that the savings investment principle of banking theory can be applied here.

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## Chapter VII

### Labour Market Impacts of Migration

According to different theories that explain migration, the phenomenon can be described as a labour market adjustment mechanism by which the surplus labour is migrated to regions where there is scarcity. The Middle East migration, which is termed, as contract migration definitely has its impact on the labour markets of home and host countries. The return outflow has also its multidimensional impacts. While the impact on host countries cannot be assessed in the study due to the lack of accessibility of that countries data, the home country level impact can be analyzed using the data taken by the sample survey. The purpose of this analysis is to find out the impact of migration on the key variables of the labour market like labour supply, labour demand, shortage of labour due to migration, wage changes and labour replacement.

#### 7.1 Character of Labour Force in the Sample

An age distribution of the sample members shows that 3088 individuals (67.03%) are included in the productive age group of the range 16-65 (Table 7-1). It is also computed that the average age of the sample population is 31.07. This indicates that the productive potential of the labor force is very high. The dominance of females over males may affect the economic contribution of labour force as the district of Malappuram is characterized by predominance of Muslim population where some kind of kind social stigma prevents the women folk from engaging out of home job.

**Table 7-1: Age and sex distribution of sample population**

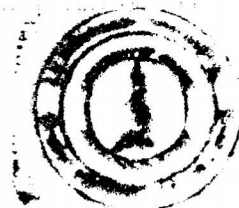
<i>Age coded</i>	<i>Sex</i>		<i>Total</i>
	Male	Female	
0 - 4	175	197	372 (8.07)
5 - 15	459	453	912 (19.79)
16 - 20	225	288	513 (11.14)
21 - 55	1139	1139	2278 (49.45)
56 - 65	149	148	297 (6.45)
66-100	114	121	235 (5.10)
Total	2261	2346	4607 (100)

NB 4995  
331.544 TH  
SHI/E

Note: The figures in brackets are percentages and vertical summation approximated to 100%  
Source: Primary survey

The educational distribution of the sample shows that 2887 (93.49%) members of the total productive labour force of the sample have qualifications below degree and this implies that the quality of labour force in the sample is low (Table 7-2).

The inference from this analysis is that the supply of labour in the sample is very high and they are of most vibrant age as evident from the average age of the sample. But due to the low education status and noticeable absence of any particular skill in the labour force, in the matter of quality, the labour force do not have too much esteem to command.



**Table 7-2: Distribution of age and educational status of individuals belonging age group 16-65**

	<i>Age coded</i>			<i>Total</i>
	16 - 20	21 - 55	56 - 65	
Children	0	0	0	0
Illiterate	0	101	87	188 (6.09)
Literate without school Education	0	19	6	25 (0.81)
Primary but not completed	3	93	43	139 (4.50)
Primary	10	325	69	404 (13.08)
Upper Primary up to Secondary	194	862	72	1128 (36.53)
Secondary passed but have no Degree	288	699	16	1003 (32.48)
Degree and above	18	179	4	201 (6.51)
Total	513	2278	297	3088 (100)

Note: The figures in brackets are percentages and vertical summation approximated to 100%

Source: Primary survey

## 7.2 Character of Migrant Labour Force

A migrant age distribution shows that 96.97% (192 persons) of the migrants belong to the productive age group of 16-65 (Table 7-3). The average ages of migrants are calculated as 37.06. This shows that out of 3088 individuals of the productive age group only 6.22% went abroad in search employment

**Table 7-3: Age distribution of migrants**

<i>Age</i>	<i>No of persons</i>	<i>Percentages</i>
0-4	6	3.03
16-20	3	1.52
21-55	185	93.43
56-65	4	2.02
Total	198	100

Source: Primary survey

**Table 7-4: Distribution of educational status and sex of migrants**

<i>Educational status at time of emigration</i>	<i>Sex</i>		<i>Total</i>
	Male	Female	
Children	2	4	6 (3.03)
Illiterate	2	0	2 (1.01)
Primary but not completed	2	0	2 (1.01)
Primary	15	1	16 (8.08)
Upper Primary up to Secondary	94	3	97 (48.99)
Secondary passed but have no Degree	47	4	51 (25.76)
Degree holders	20	4	24 (12.12)
Total	182	16	198 (100)

Source: Primary survey

Note: The figures in brackets are percentages and vertical summation approximated to 100%

The educational distribution of migrants shows that excluding 6 children, 84.85% of the migrants have qualifications below degree (Table 7-4). The general notion of low skilled, low educated labour to the Middle East is true in this sample also

### **7.3 Estimation of Excess Supply of Labour and Analysis of Employment Status**

In order to estimate the excess supply of labour in labour market given by the sample we make an analysis of the employment status of the labour market. Out of the total 4607 people, 2942 persons (63.86%) are reported to have claimed that they are engaging in some kind of work. This figure excludes category of individuals like children 372 no (8.1%), job seekers (2.5%), students (25.4%) and retired people (.2%). A point to be noted is that 1173 persons (25.5%) of the people reported unpaid family work as their occupation. Out of these 1057 persons (90.11%) are women (Table 7-5). It is inferred with very much accuracy that these people have virtually no income earning occupation and they simply waste their time doing only some minimal household job in the family itself. But we could not include them as unemployed people because they claimed themselves are in a job status and not seeking for any employment opportunities.

**Table 7-5: Distribution of occupational status and sex in the sample**

<i>Occupational Status</i>	<i>Sex</i>		<i>Total</i>	<i>Percent</i>
	Male	Female		
Children	175	197	372	8.1
Employed in State /Central Govt.	26	9	35	.8
Employed in Semi Govt. Aided etc.	11	15	26	.6
Employed in Private sector	180	27	207	4.5
Self employment	396	45	441	9.6
Unpaid family work	116	1057	1173	25.5
Agricultural labour	58	29	87	1.9
Coolies in non-agric. Sector	619	76	695	15.1
Job seekers	55	59	114	2.5
Students	597	574	1171	25.4
Household works	21	257	278	6.0
Retired	7	1	8	.2
Total	2261	2346	4607	100

Source: Primary survey

In order to calculate the rate of unemployment the group of people we have taken is the job seekers (114 persons). We can estimate that the rate of unemployment or the rate of excess supply of labour in the sample population is 3.69%<sup>1</sup>. The groups that are not included here are children, students, and retired people who in their status do not consider as eligible for work and earning income. When we exclude the 1173 persons (25.5%) who have been categorized as unpaid family workers, we get the share of sample household members who engage in any meaningful or gainful employment. The groups of people who are included in such a classification are employed in state/

<sup>1</sup> The rate unemployment is calculated by dividing the number job seekers (114 persons) with total productive labour force (3088 persons). 1173 persons, 25.5% of the people reported unpaid family work as their occupation, that means they are not getting any reasonable income, but due to their claim that they are engaging in some kind of work we do not include them as unemployed people

central govt. (.8%), employed in semi govt and aided (.6%), employed in private sector (4.5%), self employment (9.6%), agricultural labour (1.9%), coolies in non agricultural sector (15.1%) and household works (6%) (Table 7-5). In total 38.5 % (1769) of the people engage in any type of meaningful or gainful occupation. The sex wise distribution shows out of the 1769 people who engage in any kind of meaningful or gainful occupation, 74.10% are men and only 25.89% are females. Another point is that 1057 females (45%) are included in the category of unpaid family work, which means that they have no income earning activity at all.

#### **7.4 Implications of Migration on Labour Market**

In order to find out the implications of migration on labour market, we must study each labour market segment and estimate the demand and supply of labour. However in a broad framework we can see that the rate of unemployment in the sample is 3.69%.

The occupational status at the time of migration shows that 160 migrants (80.81%) were engaged in some kind of job at the time of migration (Table 7-6). The question of withdrawal of these persons cause any reduction in output is studied only at specific product process level and that is not included in our study due to constraints of time and human effort. Another point is that before migration there were 32 jobless people (24 job seekers and 8 students) and all of them get some type of job abroad. If the 32 jobless people stayed home without employment the number of job seekers would have increased to 146 and the rate of unemployment would have increased to 4.72%

instead of 3.69%. So the migration phenomenon has a clear influence on the reduction of unemployment in the region

### **7.5 Migration and Skill Shortages.**

The occupational status at the time of migration shows that the largest occupational group was coolies in the non-agricultural sector, which constitute 39.39% of the share. Employed in private sector comes second with 20.20% of the share and self-employed people who constitute 16.67% come third (Table 7-6). There was no one among the migrants who had professional qualification. The skill composition of migrants was asked as an open-ended question and 20 reported as drivers, 12 reported as electricians, and 13 reported as plumbers. The rest of the migrants did not have any particular skill at the time of migration. In order to find out the skill shortages created by migration, the study should be at industry specific and product specific levels, which is beyond the scope of our analysis.

**Table 7-6: Occupational status at the time of emigration**

<i>Occupational status at the time of emigration</i>	<i>No of persons</i>
Children	6 (3.03)
Employed in Private sector	42 (21.21)
Self employment	33 (16.67)
Unpaid family work	5 (2.53)
Agricultural labour	2 (1.01)
Coolies in non-agric. Sector	78 (39.39)
Job seekers	24 (12.12)
Students	8 (4.04)
Total	198 (100)

Note: The figures in brackets are percentages and vertical summation approximated to 100%  
Source: Primary survey

## **7.6 Return Migration and its Implications on Labour Market**

The return migrants were asked to give their status in the labour market. About 45.7% of the return migrants reported that self-employment as their present day occupation. Another 32.9% reported their occupation as coolies in non-agriculture sector which means some type of daily wage basis jobs in industrial, construction or trade sectors (Table 7-8). An important point to be noted is that when it was asked about their job

abroad, only 7.1% of return migrants reported self employment as their occupation (Table 7-7). But after return in the home country, 45.7% reported self-employment as their present day occupation. This means that a noticeable section of the return migrants may have got the necessary skills to under take a self-employment venture from their exposure in gulf countries.

**Table 7-7: Employment abroad**

	<i>Frequency</i>	<i>Percent</i>
Employed in State /Central Govt.	3	4.3
Employed in Private sector	29	41.4
Self employment	5	7.1
Coolies in non-agric. Sector	32	45.7
Household works	1	1.4
Total	70	100.0

Source: Primary survey

**Table 7-8: Present occupation**

	<i>Frequency</i>	<i>Percent</i>
Employed in Private sector	10	14.3
Self employment	32	45.7
Agricultural labour	1	1.4
Coolies in non-agric. Sector	23	32.9
Household works	3	4.3
Retired	1	1.4
Total	70	100.0

Source: Primary survey

## 7.7 Wage Rise, Labour Demand and Labour Replacement

In order to find out the impacts of these variables, some relevant questions were asked to the sample households. With regard to wage rise, a question was asked about whether the respondents experienced a wage rise during the last ten years. 90.6% of the people answered 'yes' and 9.4% of the people answered "do not know" (Table 7-9). Whether this wage rise is due to migration or some other reason is a subject for another research problem. However several pointed out a correlation between rate of wage rise and rate of migration in their analysis.

**Table 7-9: Wage rise**

	<i>Frequency</i>	<i>Percent</i>
Yes	687	90.6
Don't know	71	9.4
Total	758	100.0

Source: Primary survey

The respondents were asked if they experienced any shortage of laborers like carpenter/mason/ plumber/electrician and common laborers. 54.6% of them answered that they did not have any such experience. But 29.55% of the people experienced the shortage of common laborer, 19.39% experienced the shortage of electricians, 17.54 %experienced the shortage of plumber and 10.68% experienced the shortage of mason and 12.4% experienced the shortage of carpenters (Table 7-10). The majority opinion is that there has been no shortage, but it may be due to lack awareness of the respondents, especially women. From the above analysis we can infer that that there is

shortage of skilled as well unskilled labour. We can attribute this phenomenon to the gulf migration and the consequent demand of skilled workers for construction activities by migrant families. The shortage of common labourer may be reasoned as due to the outflow of low skilled labour force to Middle East from Malappuram district.

**Table 7-10:Opinion of sample households about the labour shortage**

<i>Category of laborers</i>	<i>Frequency</i>	<i>Percent</i>
No shortage	414	54.6
Carpenter	94	12.40
Mason	81	10.68
Common Labour	224	29.55
Plumber	133	17.54
Electrician	147	19.39

Source: Primary survey

In order to assess whether there is any labour replacement after migration, question was asked about the inflow of Tamil migrants. 53.6% of the respondents reported yes as the answer and 46.4% reported no (Table 7-11). The reason for inflow also has been asked and it was an open-ended question and no one answered large exodus of gulf was the reason for the inflow of Tamil migrants. A point to be noted is that the large inflow of other states people to menial jobs is a general situation seen in every part of the state not only in gulf pockets. One reason for this is high wage rate in our state compared to their native place and gulf migration has contributed to the growth of wage rate (Table 7-12).

**Table 7-11: opinion about the inflow of Tamil migrants**

	<i>Frequency</i>	<i>Percent</i>
Yes	406	53.6
No	352	46.4
Total	758	100.0

Source: Primary survey

**Table 7-12: The reason for Tamil migration**

	<i>Frequency</i>	<i>Percent</i>
Scarcity of home labour	67	8.8
Low wage	83	10.9
Lack of interest of home labour	85	11.2
High wage compared to their native place	58	7.7
Don't know	113	14.9
Not answered	352	46.4
Total	758	100.0

Source: Primary survey

**ECONOMIC IMPACT OF MIGRATION TO  
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MALAPPURAM DISTRICT**

*Thesis*

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## Chapter VIII

### **Impact of Migration on Migrant and Non-migrant Households:**

#### **A Comparative Analysis**

The purpose of this chapter is to compare the impacts of migration on migrant and non-migrant families and to make inferences in this regard. The methodology used here is to compare the income, wealth and living status of migrant, non-migrant and return migrant households. The variables used here are the household's monthly income, land holdings and possession of consumer durables. This analysis gives us ideas about the distributional impacts of migration.

#### **8.1 Monthly Income Distribution of Households**

The average monthly income of a non migrant household is calculated as RS 4129.98 and that of a return migrant household is RS 5432.29. Migrant households have average monthly income of RS 12610.76. The average monthly income of migrant households is 305.35% higher than that of non migrants. This figure clearly shows that the migrant households have high-income status compared to other groups of households and the non-migrant households are very far below to migrant households.

**Table 8-1: Distribution of monthly income among household groups**

<i>Income code</i>	<i>Migration Status</i>		
	Return Migrant	Emigrant outside India	Non-migrant
NR	1 (2.08)	0	22 (3.99)
Below 500	0	0	5 (0.9)
500-1000	0	0	20 (3.62)
1000-2000	9 (18.75)	1 (0.6)	104 (18.84)
2000-3000	9 (18.75)	3 (1.9)	109 (19.75)
3000-5000	13 (27.08)	9 (5.7)	148 (26.81)
5000-10000	10 (20.83)	62 (39.24)	121 (21.92)
10000-15000	5 (10.42)	36 (22.78)	19 (3.44)
15000-20000	0	23 (14.56)	1 (0.18)
20000-30000	0	21 (13.29)	3 (0.54)
30000&above	1 (2.08)	3 (1.9)	0
Total	48 (100)	158 (100)	552 (100)

Note: The figures in brackets are percentages and vertical summation approximated to 100%

Source: Primary survey

A proportional analysis of the three group of house holds show that only 26.07% of non-migrant families are at monthly income levels RS 5000 and above (Table 8-1.)

This proportion is 91.77% in emigrant families and 33.33% in return migrant families.

#### ANOVA

<i>Source of Variation</i>	<i>SS</i>	<i>df</i>	<i>MS</i>	<i>F</i>	<i>P-value</i>	<i>F crit</i>
Between Groups	12768.24	2	6384.121	5.174814	0.011728	3.315833
Within Groups	37010.73	30	1233.691			
Total	49778.97	32				

An analysis of variance (ONE WAY ANOVA) has been made and this shows that the calculated F value is greater than the table value. This analysis rejects the null hypothesis that there is no difference in sample means. Thus we can conclude that

migration status is significant in the distribution of monthly income of the three groups of households.

**Table 8-2: Distribution land assets among household groups**

<i>Land cod</i>	<i>Migration status</i>		
	Return Migrant	Emigrant outside India	Non – migrant
No land	3 (6.25)	7 (4.43)	24 (4.35)
Below 5	6 (12.5)	8 (5.06)	82 (14.86)
5-10	11 (22.92)	27 (17.08)	138 (25)
10-15	2 (4.170)	15 (9.49)	75 (13.59)
15-20	4 (8.33)	20 (12.65)	46 (8.33)
20-30	4 (8.33)	24 (15.18)	63 (11.41)
30-50	7 (14.58)	20 (12.65)	57 (10.33)
50-100	3 (6.25)	14 (8.86)	28 (5.07)
100-200	4 (8.33)	8 (5.06)	21 (3.80)
200-500	3 (6.25)	13 (8.23)	14 (2.53)
Above 500	1 (2.08)	2 (1.27)	4 (.7)
Total	48 (100)	158 (100)	552 (100)

Note: The figures in brackets are percentages and vertical summation approximated to 100  
Source: Primary survey

## 8.2 Distribution of Land Holdings

The average land holdings of different group of households show that non migrant families have an average holdings of 34.85 cents, return migrants have an average holdings of 42.93 cents and migrant families have an average holdings of 63.78 cents .So the distribution of land holdings is favorable to migrant families and unfavorable to non migrant families.

A proportional analysis show that that 83.51% of non migrant households, 72.45% of emigrant households and 70.83% of return migrant households possess less than 50 cents of land (Table 8-2). It is to be inferred here that the main purpose of acquiring land is for residential rather than any farming purpose. However, the percentage of households who have no land or below five cents of land is 18.75% in return migrant households, 9.49% in migrant households and 19.20% in non migrant households. So the proportion of households who possess no land is high in the case of non-migrant households.

### ANOVA

<i>Source of Variation</i>	<i>SS</i>	<i>df</i>	<i>MS</i>	<i>F</i>	<i>P-value</i>	<i>F crit</i>
Between Groups	12768.24	2	6384.121	12.18132	0.000134	3.315833
Within Groups	15722.73	30	524.0909			
Total	28490.97	32				

An analysis of variance (ONE WAY ANOVA) has been made and this shows that the calculated F value is greater than the table value. This analysis rejects the null hypothesis that there is no difference in sample means. Thus we can conclude that migration status is significant in the distribution of land holdings of the three groups of households.

### 8.3 Type of Households and Electrification

**Table 8-3: Distribution of household electrification among household groups**

<i>Migration status</i>	<i>Electrified/not electrified</i>		<i>Total</i>
	Yes	No	
Return Migrant	45(93.75)	3(6.25)	48(100)
Emigrant outside India	154(97.47)	4(2.53)	158(100)
Non-migrant	416(75.36)	136(24.46)	552(100)
Total	615	143	758

Note: The figures in brackets are percentages and horizontal summation approximated to 100%  
Source: Primary survey

**Table 8-4: distribution of the type of households<sup>1</sup>**

<i>Type of house which the household is now occupying</i>	<i>Migration status</i>		
	Return Migrant	Emigrant outside India	Non-migrant
Luxurious	1 (2.08)	5 (3.16)	8 (1.45)
Very Good	13 (27.08)	79 (50)	307 (55.62)
Good	21 (43.75)	52 (32.91)	124 (22.46)
Poor	13 (27.08)	21 (13.29)	95 (17.21)
Kutchha	0	1 (.63)	18 (3.26)
Total	48 (100)	158 (100)	552 (100)

Note: The figures in brackets are percentages and vertical summation approximated to 100%

Source: Primary survey

The distribution of the type of households shows that 86.07% of emigrant households, 72.92% of return migrant households and 79.52% of non-migrant households have houses, which are categorized as good/very good/luxurious (Table 8-4). The status of non-migrant households is low compared to the others in terms of household quality. But the relative position between them is not so much significant.

<sup>1</sup> The various types of houses are categorized according to the following way

1. Luxurious
2. Very Good (2 bed rooms with attached bathrooms, concrete roof, Mosaic floor)
3. Good (1 bed room, brick and cement walls, concrete or tile roof)
4. Poor (Brick walls, cement floor, tin or asbestos roof)
5. Kutchha (Mud walls, Mud floor & Thatched roof)

The electrification of households shows that 92.47% of emigrant households and 93.75% of return migrant households and 75.36% of non-migrant households have been electrified (Table 8-3). The status of non-migrant households as a group is low compare to the other group of households. The overall development of the region also could have contributed to the general electrification of the households as a whole. Another noted point is that 2.53% of emigrant households still lacks electricity connection.

#### 8.4 Possession of Consumer Durables

In order to arrive at a relative economic position of the different groups households, some selected consumer durables are taken and find out the percentage of households possessed by these durables within each group. Consumer durables taken for analysis are motor car/ taxi, truck, lorry, motorcycle, scooter, telephone, mobile phone, television, VCD, VCP and VCR

**Table 8-5: Possession Motor Car**

<i>Migration status</i>	<i>Motor car</i>		<i>Total</i>
	Yes	No	
Return Migrant	0	48(100)	48(100)
Emigrant outside India	8(5.06)	150(94.94)	158(100)
Non-migrant	25(4.53)	527(95.47)	552(100)
Total	33	725	758

Note: The figures in brackets are percentages and horizontal summation approximated to 100%  
Source: Primary survey

The analysis shows that 5.06% of emigrants and 4.53% of non-migrants possess motorcar. As inferred from the household income distribution, some non-migrants are in a position to buy motorcar due to their higher wealth status. The emigration and consequent increase in income may motivate the emigrants to occupy motorcar.

**Table 8-6: Possession of Taxi / Truck / Lorry**

<i>Migration status</i>	<i>Taxi / Truck / Lorry</i>		<i>Total</i>
	Yes	No	
Return Migrant	3(6.25)	45(93.75)	48(100)
Emigrant outside India	10(6.33)	148(93.67)	158(100)
Non-migrant	19(3.44)	533(96.56)	552(100)
Total	32	726	758

Note: The figures in brackets are percentages and horizontal summation approximated to 100%  
Source: Primary survey

Regarding heavy vehicles and taxi, it is seen that 6.25% of return migrants and 6.33% of emigrants and 3.44% of non-migrant families possess these types of vehicles. A very marginal investment is done by migrant communities in these items. The percentage possession of non-migrant households is low compared to the percentage possession of other group of households.

**Table 8-7: Possession of Motor Cycle /Scooter**

<i>Migration status</i>	<i>Motor Cycle /Scooter</i>		<i>Total</i>
	Yes	No	
Return Migrant	11(22.92)	37(77.08)	48(100)
Emigrant outside India	19(12.03)	139(87.97)	158(100)
Non-migrant	63(11.41)	489(88.59)	552(100)
Total	93	665	758

Note: The figures in brackets are percentages and horizontal summation approximated to 100%  
Source: Primary survey

22.92% of return migrant households, 12.03% of emigrant households and 11.41% of non-migrant households possess motor cycle/scooter (Table 8-7). This shows that migrant community households; particularly return migrants have higher possession compared to non-migrants in the possession of these items. Even though the proportion of households who possess motor cycle/scooter is very low compared to non –possessors, the inference is that a gulf returnee should have at least a motor car/scooter in order to show off the gulf tradition.

**Table 8-8: Possession of Telephone**

<i>Migration status</i>	<i>Telephone</i>		<i>Total</i>
	Yes	No	
Return Migrant	31(64.58)	17(35.42)	48(100)
Emigrant outside India	119(75.32)	39(24.68)	158(100)
Non-migrant	207(37.5)	345(62.5)	552(100)
Total	357	401	758

Note: The figures in brackets are percentages and horizontal summation approximated to 100%  
Source: Primary survey

With regard to the possession of telephone, emigrants (64.58%) and return migrants (75.32%) have high proportional share compared to non-migrants proportional share (Table 8-8). The reason may be that the necessity of a telephone is there in order to communicate with the dear ones who work in a far away region.

**Table 8-9: Possession of Television**

<i>Migration status</i>	<i>Television</i>		<i>Total</i>
	Yes	No	
Return Migrant	25(52.08)	23(47.92)	48(100)
Emigrant outside India	97(61.39)	61(38.61)	158(100)
Non-migrant	216(39.13)	336(60.87)	552(100)
Total	338	420	758

Note: The figures in brackets are percentages and horizontal summation approximated to 100%  
Source: Primary survey

With regard to the possession of television sets, large proportion of return migrants (52.08), emigrants (61.39%) and relatively small proportion of non-migrant families (39.13%) possess television sets (Table 8-9). The migrant communities have clear advantage over non-migrants in the possession of these items. This also shows that gulf families should at least possess household durables like television sets in order to keep their position in the social set up.

**Table 8-10: Possession of refrigerator**

<i>Migration status</i>	<i>Refrigerator</i>		<i>Total</i>
	Yes	No	
Return Migrant	11(22.92)	37(77.08)	48(100)
Emigrant outside India	64(40.51)	94(54.49)	158(100)
Non-migrant	99(17.93)	453(82.07)	552(100)
Total	174	584	758

Note: The figures in brackets are percentages and horizontal summation approximated to 100%  
Source: Primary survey

**Table 8-11: Possession of Mobile Phone**

<i>Migration status</i>	<i>Mobile Phone</i>		<i>Total</i>
	Yes	No	
Return Migrant	15(31.25)	33(60.75)	48(100)
Emigrant outside India	58(36.71)	100(63.29)	158(100)
Non-migrant	113(20.47)	439(79.53)	552(100)
Total	186	572	758

Note: The figures in brackets are percentages and horizontal summation approximated to 100%  
Source: Primary survey

**Table 8-12: Possession of VCD/ VCR/VCP**

<i>Migration status</i>	<i>VCD/VCR/VCP</i>		<i>Total</i>
	Yes	No	
Return Migrant	14(29.17)	34(70.83)	48(100)
Emigrant outside India	59(37.34)	99(62.66)	158(100)
Non-migrant	80(14.49)	472(85.51)	552(100)
Total	153	605	758

Note: The figures in brackets are percentages and horizontal summation approximated to 100%  
Source: Primary survey

Distribution of the possession of mobile phones show that 31.25% of return migrants, 36.71% of emigrants and 20.47% of non-migrants have mobile phones (Table 8-10). 29.17% of return migrants, 37.34% of emigrants and 14.49% of non-migrants possess VCR/VCD/ VCP (Table 8-11). 22.92% of return migrants, 40.51% of emigrants and 17.93% of non-migrant households possess refrigerators (Table 8-12). The proportional share of households possess the durables is low compared to those who do not possess

the durables in all the groups of households. However, the position of non-migrant households is low compared to others in the possession of these items.

The inference from the analysis is that households belong to migrant community, which means migrant and return migrant households, have clear edge over non-migrants in terms of possession of consumer durables. A notable point is that with regard to the possession of higher amenities like four wheelers, both in the case of migrant community as well as non-migrants, the proportion is less than 10%. The inference is that even though the migrant community has a higher position compared to non-migrants in terms of the possession of ordinary household durables, the economic status has not attained a not worthy position from that of non-migrants.

**Table 8-13: Distribution of standard of living index among household group**

<i>Migration status</i>	<i>SLI_code</i>			<i>Total</i>
	Low SLI	Medium SLI	High SLI	
Return Migrant	21(43.75)	21(43.75)	6(12.5)	48(100)
Emigrant outside India	37(23.41)	93(58.86)	28(17.72)	158(100)
Non-migrant	319(57.79)	179(32.43)	54(9.78)	552(100)

Note: The figures in brackets are percentages and horizontal summation approximated to 100%

Source: Primary survey

## 8.5 Comparison of Standard of Living Indices

A standard of living index<sup>2</sup> has been constructed by taking arbitrary scores for different consumer durables (Table 8-13). The index shows that 43.75% of return migrant households, 23.41% of migrant households and 57.79% of non-migrant households are on low SLI. Similarly 43.75% of return migrants households, 58.86% of migrant households and 32.43% of non migrant house holds are on medium SLI. Moreover, 12.5% of return migrant households and 17.72% of emigrant households and 9.78% of non migrants are on high SLI. These figure shows that 76.59% of the

<sup>2</sup> The Standard of Living Index of each household has been computed using the following arbitrary scores taken for various features of the households.

<i>Item</i>	<i>Scores</i>
<b>1.Type of house</b>	
Luxurious/very good	4
Good/poor	2
Kutchra	0
<b>2.Electricity</b>	
Yes	2
No	1
<b>3.Land</b>	
No land	0
1-15 cents	1
15-50 cents	2
50-500 cents	3
500 and above	4
<b>4.Ownership of durables</b>	
Car	4
Taxi/truck/lorry	4
Motor cycle	3
Telephone	3
Mobile	3
TV	3
Fridge	3
VCD/VCR/VCP	3

The ranges of SLI taken according to total score are given below.

Below score 10	low SLI
Score 10-20	medium SLI
20 and above	high SLI

The researcher followed the method adopted by National Family Health Survey India (NHFS-2) in 1998-99 by International Institute of Population Sciences (Mumbai)

migrant households are in medium or high standard of living index, 56.25% of the return migrants are on the same index and only 42.21% of the non migrants are in medium or high standard of living index. Here also the relative status of non-migrants is low compared to other group of households. Another point to be noted in this regard is that 43.75% of return migrant households and 23.41% of migrant households are still at a low SLI. The inference taken from this fact is that the main way of spending of remittance is for day to day living and the average family size of the sample is very high. We can conclude that migration infact improved the economic condition of a major section of migrant community households otherwise they would have been also in low SLI.

## **8.6 The Impact of Migration on Non-Migrant Households**

In this analysis we have done here it is seen that non migrant households wealth and asset status are in a lower position compared to the migrant and return migrant households. The difference is very much evident in the case of income and landed property. The distribution of income and land is not in favour of non-migrant households in our sample. In the case of other indicators also the non-migrants are in a relatively lower status. There is some sort of economic division in the society between gulf people and others. But one point to be considered is that the higher income and wealth status bring about higher levels of spending and this creates multiplier effects in the economy. As a result, trade, commerce and infrastructure will get the necessary push to develop.

## **8.7 Opinions of Sample Respondents about Changes in Economic Indicators**

In the sample survey some questions were asked in order to find out the respondents opinion about selected economic indicators. They were asked to answer their last ten years experience about wage rise, land price rise, essential commodity price rise, commercial establishment rise, increase of technical/vocational institutions and increase of educational institutions in the locality.

About the 90.6% of the respondents answered that there is wage rise in the locality (Table 6-14). They also indicated that the rise in the wage rate is about 75-100%. About 88.8% of respondents has answered an increase in the land price vary between 80 to 85% (Table6-15). About 60% of the respondents observed an increase in the essential commodity price (Table 6-16), 45.1% of the people observed an increase in commercial establishments (Table 6-17) and 42.5% of the respondents answered an increase in technical and vocational institutions (Table 6-18) in the locality for last ten years. About 43.7% of the respondents answered a rise in educational institutions in the locality (Table 6-19). No respondents answered on the negative about these questions but some of them did not know the details.

**Table 814:opinon about wage rise**

	<i>Frequency</i>	<i>Percent</i>
Yes	687	90.6
Don't know	71	9.4
Total	758	100.0

Source: Primary survey

**Table8-15: opinion about land price rise**

	<i>Frequency</i>	<i>Percent</i>
Yes	673	88.8
Don't know	85	11.2
Total	758	100.0

Source: primary survey

**Table 8-16:opinion about essential commodity price rise**

	<i>Frequency</i>	<i>Percent</i>
Yes	455	60.0
Don't know	303	40.0
Total	758	100.0

Source: Primary survey

**Table 8-17:opinion about commercial establishments rise**

	<i>Frequency</i>	<i>Percent</i>
Yes	342	45.1
Don't know	416	54.9
Total	758	100.0

Source: Primary survey

**Table 8-18:opinion about technical/vocational institutions increases**

	<i>Frequency</i>	<i>Percent</i>
Yes	322	42.5
Don't know	436	57.5
Total	758	100.0

Source: Primary survey

**Table 8-19:opinion about educational institutions increases**

	<i>Frequency</i>	<i>Percent</i>
Yes	331	43.7
Don't know	427	56.3
Total	758	100.0

Source: Primary survey

The respondents were asked if they experienced any shortage of laborers like (ref. Sect.6-7) carpenter/mason/ plumber/electrician and common laborers. 54.6% of them answered that they did not have any such experience. But 29.55% of the people experienced the shortage of common laborer, 19.39% experienced the shortage of electricians, 17.54 %experienced the shortage of plumber and 10.68% experienced the shortage of mason and 12.4% experienced the shortage of carpenters. The majority opinion is that there has been no shortage, but it may be due to lack awareness of the respondents, especially women. By taking like that we can see that there is shortage of skilled as well unskilled labour. We can attribute this phenomenon to the gulf migration and the consequent demand of skilled workers for construction activities by migrant families. The shortage of common labourer may be reasoned as due to the outflow of low skilled labour force to Middle East from Malappuram district.

In order to assess whether there is any labour replacement after migration, question was asked about the inflow of Tamil migrants. 53.6% of the respondents reported yes as the answer and 46.4% reported 'no'. The reason for inflow also has been asked and it was an open-ended question and no one answered large exodus of gulf was the reason for the inflow of Tamil migrants. A point to be noted is that the large inflow of other states people to menial jobs is a general situation seen in every part of the state not only in gulf pockets. One reason for this is high wage rate in our state compared to their native place and gulf migration has contributed to the growth wage rate.

**ECONOMIC IMPACT OF MIGRATION TO  
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*Thesis*

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## **Chapter IX**

### **Summary, Findings and Verification of Hypothesis**

#### **9.1 Introduction**

The spatial movement of people, which is termed as migration and its causes and consequences have been attracting the attention of administrators, researchers and policy makers in the world over ever since the ancient period itself. Since the oil price increase of 1973, the Middle East has become a magnet for Asians who want to improve their economic lot. The migration to Middle East is a contract type migration where labour was recruited for work on limited contract terms and was expected to return home at the end of the contract period. The massive inflow of remittances has created tremendous economic and social impacts in the sending economies.

The Kerala emigrants were estimated as 35.75% of the total Indian emigrants in the Gulf countries during the year 2000. The share of remittances to Kerala during the nineties was estimated on the average as 21% of the state domestic product for a period of 1991 to 1999-2000.

With regard to Middle East migration, the district of Malappuram has its own prominent position. It has sent out the largest number of emigrants and received the second largest amount as remittances. The remittances formed about 46% of the districts domestic income.

The researcher put these points in order to take Malappuram as an area of study where no comprehensive economic impact study based on migration to Middle East has been undertaken so far. The present study is an attempt to fill that gap.

## **9.2 Objectives of the Study**

In order to study the economic impact of migration to the Middle East the following specific objectives are framed to analyze in detail

- 1 To examine the cost of migration and the role of remittances in the sample households
- 2 To assess the impact of migration on consumption, saving and investment
- 3 To examine the impact of migration on labour market.
- 4 To compare the impact of migration on migrant and non-migrant households

## **9.3 Hypothesis of the Study**

Migration to Middle East is one of the dominant phenomenon that has been affecting the state of Kerala for about 40 years ever since the mid 1970's .Its impact can be seen in Malappuram district where in terms of number of emigrants it has the foremost position. Based on the objectives framed in the present study, the researcher put forward the following hypothesis.

1. The remittance and the source of income of the migrant households are significantly correlated.

2. The incidence of consumption, savings and investment brings about induced growth in the region.
3. The positive impacts in the labour market are more prominent than the negative impacts.
4. The remittances and the possession of wealth of the migrant households are significantly and positively related, relative to non-migrant households.

#### **9.4 Sample Framework**

The sampling methodology adopted is a multistage random sampling. Of the total 100 Panchayaths and 5 municipalities of Malappuram district 18 Panchayaths and 2 municipalities were selected at random. From each Panchayath/Municipality one ward was selected at random and in total there were 18 Panchayath and 2 Municipal wards or localities. From each ward/locality 40 households were selected at random from the Panchayath/municipal voters list of the concerned ward. There were 800 households are included in the sample but only 758 were located. Schedules according to our objectives were prepared and interviewed each household by personal visit. So the present sample consists of the 758 households, which were taken from the selected 20 localities of the Malappuram district.

#### **9.5 Statistical Methodology of Analysis**

758 household samples were taken for analysis as described in the sample framework..

Averages, proportions, percentages, rate and index are used to analyze the data

collected. Analysis of variance(ONE WAY ANOVA) is used to find out the significant difference between different household groups. Tables are used to make an easy understanding of the analysis made.

## **9.6 Sources of Data**

The major source of data is the household sample survey conducted in 758 households of 20 localities in Malappuram district. Secondary data are taken from the research papers of individual researchers, publications of Department of Economics and Statistics, Govt of Kerala, Planning Board, Ministry of Labour , Govt of India and Center for Development Studies. The websites of various academic and research organizations, World Bank, various state and central Govt agencies are also used for getting data.

## **9.7 Theoretical Framework**

### **9.7a Definition of the Concept**

The international labour organization (ILO, 1989) has classified international migration for employment into two major categories, viz. settlement migration and contract migration. Settlement migration is a traditional type of migration in which people migrate one country to another to secure jobs and settle there. People from under developed economies having higher skills and professional qualifications used

to migrate to developed countries to secure better jobs, opportunities, and living conditions and to settle there.

International contract migration occurs when a worker is officially granted permission to enter another country and take up employment in a given job and where a contract is entered into on his behalf or between him and employer or enterprise for which he is to work. Here in the case of contract migration return is an inevitability.

On these lines we may define migration to Middle East as a contract type migration. Labour is recruited for work on strict limited contract terms and is expected to return home at the end of the contract period.

### **9.7b Theoretical Issues of Migration**

Several theories have been made time to time in order to give explanations to the migration phenomenon according to the parameters of various disciplines. E G Ravenstien one of the pioneers of this field gave the laws of migration. World Bank has given five major approaches to migration theory namely neoclassical macro theory, neoclassical micro theory, the new economics of migration, dual labour theory and world systems theory.

A general comprehensive viewpoint about migration is summarized in terms of push and pull factors. Push factors are the factors that drive people to leave home and pull

factors are factors that attract migrants. These factors come into the domain of sociology, economics, political science as well as anthropology.

### **9.7c Framework of Analysis**

The framework used in the analysis is derived from the analytical methodology used by various scholars while attempting migration studies. Our study is a micro economic household level study. The data regarding migration aspects are taken by administering interview schedules to the respondents of the households. In order to study the impact of migration on the labour market, data about the labour supply, labour demand, shortage of labour due to migration, wage changes and labour replacement are collected from the household for analysis. Data regarding costs of migration and remittances are taken in order to understand the different cost incurred on migration, the sources of income of the migrant families and the ways by which the remittances are optimally utilized. The data of consumption, savings and investment are taken with the objective of studying the impacts the migration has created in the region by influencing these variables. A comparative analysis of the possession of wealth by migrant and non-migrant households are taken in order to make an assessment of the relative economic status, which gives a preliminary picture of the distributional impacts of migration.

## **9.8 A Summary of Trends and Patterns of Indian Migration to Middle East**

Trends and patterns of Indian migration to Middle East shows that Indians constitute the single largest expatriate community in Gulf Co operation Council Countries. The Middle East countries as a single group have the largest share of overseas Indian community. The annual labour migration from India is growing continuously. The gulf countries i.e. Kuwait, Oman, Bahrain, Qatar constitute on an average 80% of the total migrants during a time span of last five years, The main destinations of migrants are UAE and Saudi Arabia. State wise figures shows that in the year 2004 three states i.e. Tamil Nadu, Andhra Pradesh and Kerala constitute about 52% of workers granted emigration clearance or endorsement. India occupies the first position among countries that receive foreign remittances.

## **9.9 The Case of Kerala**

The state of Kerala has a long history of migration. A 22-year time series data shows that the trends of out migration and return migration have been increasing through the years. In spite of the large inflow of return migrants, the state still occupy the place as a net migration state. The countries of destination shows that in the year 2004, 88.89% of the migrants went to the gulf countries. Saudi Arabia is the favorite destination of large share of migrants. (63.1%in 2004).

The districts of Malappuram and Thrissur topped among other district in terms of migrant character households, no of emigrants, no of return migrants and the volume

of remittances. Idukki and Wayanad have got the lowest position in terms of these parameters. Impact of remittances to district income shows that in 2004, Thrissur district got 17.5% of the remittances and Malappuram got 15.7% of remittances. The percentage share of remittances to net domestic product of Malappuram is 45.58 and that of Thrissur district is 38.2%. When the remittances are added to the net domestic product, the per capita income has a very large increase. Without these remittances the standard of living of the people would have been low.

The utilization of remittances by households show that 50% of remittances go to subsistence and another 24% is used for education. It is seen that the use of remittances for any type of investment is rather very low or nil.

#### **9.10 A Summary Profile of the Sample Collected**

There are 758 households that were interviewed as sample households. A detailed socio economic status of the households was taken in the sample survey. The religion, caste, sector, occupational status and educational status of the members etc were taken in order to make a comprehensive account of the socio economic profile of the households. The sector wise classification shows that 675(89.1%) households belong to the rural sector and 83(10.9%) belong to the small municipal towns and they are by nature semi rural localities. A taluk level distribution shows that Nilambur taluk has the highest share (22.7%) and Ponnani taluk has the lowest share (8.7%). The shares of other taluks are Ernad 21%, Tirurangadi 17.8%, Perinthalmanna 15.6% and Thirur 14.2%.

The religious wise classification of total sample households shows that 65.6% of the households belong to Muslim religion and 28% are Hindus and Christians constitute only 6.5% of the total households

A caste wise mix of the household samples shows that Muslim community has a share of 65.52% and Ezhavas have a share of 12% and 7.65% of the household belong to SC/ST community in caste status. The share of other castes are very little or marginal. As the samples are taken at random, it is reasonable to infer that the district is mainly inhabited by people who belonged to the minority or backward communities and migration would have a definite impact on the socio economic character of the district

A migration status data shows that 48 households (6.3%) are return migrant households, 158(18.1%) are migrant households and 552 are non migrant households (70.8%). 86.07% of migrant households are members of the Muslim religion, Christians 7.59% and Hindus constitute 7.25%. But among the non-migrant households 58.33% are Muslim households and 35.14%and 6.52% are Hindus and Christians respectively. The percentage of Hindu house holds are high in the case of non-migrant house holds compared to migrant households. In the case of return migrant households 16.67% are Hindus, 2.08% are Christians and 81.25% are Muslims.

The sample constitutes 4607 individuals who are the members of the sample households. The sample sex ratio is 1038 females per 1000 males. Actually there are

2261 males and 2346 females. The education status shows that 34.6% of the people have an education level upper primary up to the secondary and 21.9% are primary passed and 20.7% of the people have only primary qualification. A point to be noted is that degree holders are only 4.4% of the sample household members. It is also reasonable to infer that 85.9% of the sample household members are literates excluding only children below 4 years and illiterates.

### **9.11 Major Findings of the Study**

As the sampler are taken at random, which include different categories of people not only migrants, there are some findings related to the character of total sample population and total households. The analysis of the study starts from the chapter four and each chapter conveys specific ideas regarding the theme of the study based on the objectives. There fore chapter wise presentation of the findings are done here

#### **Migration to Middle East from Malappuram District**

1. A migration status data of the households show that 48(6.3%) households are return migrant households, 158(20.84%) are migrant households, and 552(72.82%) are non-migrant households.
2. The migrant households are characterized by the dominance of Muslim religion as 86.07% of the migrant households are members of the Muslim religion, 7.59% are Christian households and 7.25% are Hindu households.

3. Majority of the total households are lower or medium income households. This finding is taken from the fact that 56.7% of the households are below a monthly income level of Rs 5000. The average monthly income of the households are calculated as Rs 5980.2
4. The average land holdings of the households are calculated as 43.11 cents and 80.5% of the households possess a land area below 50 cents. From this we can make an inference that majority of the households do not engage in agriculture as the main occupation
5. The average family size is calculated as 6.08, which is a high figure as the average family size of the state as a whole is only 4.19.
6. The share of salaried class or regular income class is very less as the share of state and center govt employees are only 1.4% and private sector employees are only 13.9% in occupational status.
7. Of the total 4607 individuals members, there are 198 (4.28%) migrants .The number of migrants per household is 26.12
8. Of the total migrants, 182(91.91%) are males and 16 (8.08%) are females. So migration is a male dominated phenomenon.
9. The educational status of the migrants is low as 83.84 % of the migrants have qualifications below degree.
10. Private sector occupation is the occupational status of majority of the migrants abroad.
11. The average monthly income of the migrant individuals is calculated as Rs 9744.25. Considering the low educational status of the migrants, most of them

are qualified only to get unskilled jobs and they may not have been in the current level of income if they were working in the home country.

12. It is evident from the analysis that 96.4% of the migrants has gone to Middle East countries. The major destinations are Saudi Arabia (66.2%) and UAE (20.7%). These figures justify the theme of our study as the economic impact of migration to the Middle East, even though the sample is a random sample.

13. 65.7% of the return migrants reported the end of visa period or lack of suitable environment as the reason for return. We can infer that the return of the most of the migrants is not voluntary, but some sorts of a forced one like the ending of visa period and lack of suitable environment.

### **Migration - Costs and Benefits**

1. Two types of costs are identified in the study. The monetary cost and social or psychological cost.
2. The monetary cost is the one time cost; a typical migrant incurs an average expenditure of Rs 63227.6 for going abroad. Approximately 50% of the expenditure goes to visa fee.
3. Every migrant has more than one source for meeting expenditure to go abroad. A major portion of the migrants takes loans to meet the expenditure. So the initial remittance may be utilized for the repayment of debts incurred for going abroad.
4. The psychological pressures as a result of migration are the major social costs of migration. 54.54% of the migrants were married at the time of migration.

96.29% of the married migrants have left their spouses in the home country itself. The time lag for getting employment after reaching abroad and the psychological agony because of the need to repay the loans taken for migration are the other psychological pressures identified in our study.

5. 93.24 % of the migrant households consider remittances as a major source of income of the households. This shows the importance remittances from abroad have in the case of migrant families.
6. A notable point is that 6.76% of the migrant households are not getting income in the form of remittances.
7. 54.35% of the non-migrant families depend on the wage/salary of the members of the households. The wages and business in the economy to an extent depend on the spending of income by the migrants as noted by various researchers. Thus we can say that gulf remittances in an indirect way influence the non-migrant families also.
8. The average annual remittances to migrant families is computed as Rs 41689.189. From this fact it is seen that majority of the households get only low or medium income as annual remittances and the use of remittance other than day to day living is limited.
9. Majority of the migrant households reported that spending for day-to-day life as one of the way of utilization of remittances. The fact that each household has more than one way of utilization of remittances shows their optimality in the allocation of remittances to different uses.

## **Gulf Migration and Impact of Migration on Consumption, Savings and Investment.**

1. The migrant households have an average monthly consumption expenditure of Rs 3120.25 and return migrant household have an average monthly consumption expenditure of Rs 1020.83 and non-migrant households have an average monthly consumption expenditure of Rs 831.52. This shows that consumption expenditure of migrants have a definite impact on the economy. An analysis of the pattern of monthly expenditure by households shows that migrants have high affinity for higher level of consumption according to rural standards compared to other group of households.

2. 23.42% (37 households) utilize the remittances for land purchase and 20.25% (32 households) utilize the remittances for building /purchasing/ renovating houses and 10.33% of migrant households utilize the remittances for some type of business investment. Most of the investments done using remittances are unproductive in the first sense like land and buildings, but they also cause multiple spending activities if those who receive that spend out income from migrants utilize it for some productive purposes.

3. The average land purchase by migrants is 15.27 cents and this shows that most of the land purchased may be used as house plots and use of land for agricultural purpose is very low.

4. The bank deposits are the main method of savings followed by migrant households (72%). Savings in new generation schemes are very low (only 5%) Major part of the savings are in institutionalized financial institutions so that the saving investment principle can be applied here.

### **Labour Market Impacts of Migration**

1. 67.03% of the total labour force are included in the productive age group of the range 16-65. The average age group of the sample population is 31.07. This indicates the productive potential of labour force is very high
2. 93.49% of total productive labour force has qualifications below degree and so the quality of labour force is low
3. 96.97% of the migrants belong to the productive age group 16-65. The average age of migrants are calculated as 37.06
4. The rate of unemployment in the total labour force is calculated as 3.69%.
5. If the migrants who were jobless at the time of migration in the home place were added to the total unemployed people, the rate of unemployment would increase to 4.72%. So the migration contributed to the reduction in unemployment.
6. There is no one among the migrants who had a professional qualification at the time of migration. The skill composition of migrants show that there are 20 drivers, 17 electricians and 13 plumbers and the rest has no particular skills. Whether the migration contributed any skill shortages in the economy studied

only by specific product process levels and which beyond the scope of our analysis.

7. A notable portion of the return migrants (45.7%) reported self-employment as their present day occupation in the home place. The reason for this fact may be that a section of the return migrants got the necessary skills to undertake a self employment venture from their exposure in the outside world.
8. Wage rise, shortage of labour and labour replacement have been experienced by the economy as evident from the opinion of households.

### **Impact of Migration Migrant and Non-migrant Households –A Comparative Analysis**

1. The average monthly income of a migrant household is calculated as Rs 12610.76 and the average monthly income of a non migrant household is calculated as Rs 4129.98. The average monthly income of migrant households is 305.35% higher than that of non migrants .So there is an economic division in the society between migrants and non migrants in terms of income distribution.

2. The migrant families have average holdings of 63.78 cents and non-migrants have average holdings of 34.85 cents. So the distribution of land holdings is favorable to migrant families and unfavorable to non-migrant families.

3. The migrants are in better position over non-migrants in terms of household amenities and the possession of household durables.

4. 90.6%, 88.8% and 60.0% of the household's observed that there is wage rise, land price rise, and essential commodity rise respectively over a period of last ten years.

5. 45.1%, 42.5% and 43.7% of the total households observed that there is commercial establishment rise, technical/ vocational institutions rise and educational institutions rise respectively in the region over a period of last ten years.

### **9.12 Verification of Hypothesis**

The researcher put forward for hypothesis based on the objectives of the study. Here an attempt is made to verify the validity of the hypothesis based on the findings of the study.

It is seen from the analysis that 93.24% of the migrant households consider remittances are the major sources of income. At the same time 97.28% of the non-migrant households do not consider remittances as a source of income. The way of utilization of remittances show that migrant households depend on the remittances for their immediate needs. Most of the migrant households utilize the remittances for needs like subsistence, education and for the repayment of various debts. This proved the hypothesis that remittances and sources of income of the migrant households are significantly correlated.

The migrant households have an average monthly consumption expenditure of Rs 3120.25, which is high compared to other group of households. More over they have

high levels consumption like visiting tourist place and paid dinner outside their home. The major part of the savings of the migrants are in approved institutions and so that the saving investment principle of banking can be applied here. With regard to investment, the major investments are in land and buildings, which is unproductive in the first sense, but there is the possibility of utilize this also for productive purpose as those who receive this spend out income from migrants may utilize it for productive purpose. So money is circulated in the economy and it creates multiplier effects. From these we can prove that consumption, savings and investment out of migration income brings about induced growth in the region.

The main labour market impact is the reduction in unemployment. Skill formation on a not too specific terms is also seen in the analysis, as a notable portion of the return migrants got the necessary exposure from foreign countries to run a self employment venture in the home country. The seemingly negative impacts are wage rise and labour shortages. But the general rise in the wages is the sign of growth in the economy as noted by many macro economic thinkers. The labour shortages is replaced by Tamil laborers, which some times cheaper than local laborers. There fore the hypothesis that the positive impacts in the labour market is more prominent than the negative impacts stands validated here.

From the analysis it seen that there is difference in the economic status between migrants and non migrants in terms of variables like income distribution, land distribution, possession of household amenities and durables. Hypothesis testing using ONE-WAY ANOVA also proved this. The hypothesis that the remittances and the

possession of wealth of the migrant households are significantly and positively related, relative to non migrant households stands validated here.

The economic impact of migration to Middle East has both negative as well as positive impacts .the positive impacts are on various dimensions. The inflow of remittances and its impact on migrant households can be seen in the analysis. The income capability of migrants increased as result of remittances. The consumption, savings and investment out of remittances have created induced growth in the economy. The reduction in unemployment, creation of skills and relatives higher position in living standards is the other positive impacts in the economy.

The negative impacts are also many. The observed increase in land prices, wages and rise in the prices of essential commodities are some of the negative impacts. Most of the investments are in unproductive sectors like land and buildings. The economic division of the society between migrants and non-migrants as evident from the distribution of land, income, and assets among these groups of people is a major important negative impact of migration. However in spite of these negative impacts, the spending of remittances and the consequent increase in economic activity bring out beneficial multiplier effects in the economy which lead to growth and development of the society as a whole. The increase in prices and wages are indicators of the growth of the economy as suggested by various macro economic thinkers.

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**ECONOMIC IMPACT OF MIGRATION TO  
THE MIDDLE-EAST: A STUDY OF  
MALAPPURAM DISTRICT**

*Thesis*

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**Doctor of Philosophy**

*By*

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**2006**

# ECONOMIC IMPACT OF MIGRATION TO THE MIDDLE EAST

## A STUDY OF MALAPPURAM DISTRICT

*For research purpose only*

**Schedule No:**

### BLOCK I IDENTIFICATION PARTICULARS

Taluk \_\_\_\_\_ Panchayat \_\_\_\_\_ Ward No. \_\_\_\_\_

Address \_\_\_\_\_

Name of the respondent \_\_\_\_\_

#### Migration status of the household

1. Return migrant household
2. Emigrant household
3. Non migrant household

a) What is your religion and caste?

(Hindu – 1, Christians – 2, Muslims – 3, Others – 4)

b) On which category of religion and caste do you belong to

- |                          |                      |
|--------------------------|----------------------|
| 1. Scheduled caste/tribe | 8. Yacobites         |
| 2. Nair                  | 9. Marthomites       |
| 3. Ezhava                | 10. C.S.I.           |
| 4. Brahmins              | 11. Other Christians |
| 5. Other Hindus          | 12. Muslims          |
| 6. Roman Catholic        | 13. Others           |
| 7. Latin Catholic        |                      |

c) 1. Rural      2. Urban

## BLOCK II HOUSE HOLD DETAILS

1	2	3	4	5	6	7	8	9	10
SL No.	Name of members of House hold	Relation with the Head (Code)	Sex Male - 1 Female - 2	Date of Birth Month and Year	Educational Status (Code)	If 16years or more		Monthly Salary	Daily Wage
						Occupational Status (Code)	Marital Status (Code)		
1									
2									
3									
4									
5									
6									
7									
8									
9									
10									

### codes

Column -03

Head of the HH	1
Husband /wife	2
Unmarried children	3
Married children	4
Son in law/daughter in law	5
Grand child .	6
Father/mother/mother in law	7
Brother/sister	8

column-06

illiterate	1
literate without school education	2
primary but not completed	3
primary	4
upper primary up to secondary	5
secondary passed but have no degree	6
degree holders	7

column-07

employed in state/central govt	1
employed in semi govt /aided	2
employed in private sector	3
self employment	4
unpaid family work	5
agricultural labour	6
coolies in non-agricultural sector	7
job seekers	8
Student	9
Retired	10

column-08

unmarried	1
married	2
widow/widower	3
divorced	4
separated	5





**31. In what way did you use the money?**

- (1) For day-to-day life
- (2) Education
- (3) To repay the debts incurred
- (4) To purchase land
- (5) Dowry payment of relatives
- (6) To built / purchase new house / renovation of old house
- (7) Business/investment
- (8) Maintain agricultural land
- (9) Deposited into bank
- (10) Others (Specify)

**32. Did anyone in your family residing abroad brought money to build house / to purchase land during the whole tenure of the person till this year**

1. Yes
2. No

**33. If Yes, how much Rs. ....**

**1, To Purchase / renovation of land RS.....**

**2, To Purchase / renovation of house RS.....**

**34. The area of land purchased or renovated using remittances from abroad in cents .....**

**35. Did anyone in your family brought money for any purpose, which is not included above**

**1, To buy Car/Scooter/Taxi. ....**

**2, To start small scale enterprise(Specify). ....**

**3, Others (Specify). ....**

**(For eg: Dowry, education, medical expenses, repayment of debts etc)**

**36 If the household is a migrant household, what is the main source of income?**

1, remittances only. 2, remittances and agricultural income. 3, remittances and wage/salary of the members of the household. 4, remittances and business. 5, no remittances only from other sources.

**37 If the household is a –non-migrant/return migrant household, what is their major source of income?**

1, Remittances from migrants other than members of the household. 2, agricultural income. 3, wage /salary of the members of the household. 4, business /other sources.

**38 Monthly consumption expenditure of the household Rs.....**

**39 Items of consumption expenditure**

- 1,food
- 2,cloths
- 3,cosmetics
- 4,dining out
- 5,visiting tourist places

**40 Methods savings adopted by migrant households**

- 1,Deposits in Banks
- 2,Insurance/chit funds
- 3, Bonds/Shares/Mutual funds
- 4,Other types

**41. Total land assets of the family? (in cents).....**

**BLOCK VI HOUSEHOLDS INCOME AND ASEETS**

**42. Is your house electrified?**

- 1. Yes
- 2. No

**43 What type of fuel is used for cooking?**

- 1. Wood
- 2. Electricity
- 3. Kerosene
- 4. L.P.Gas
- 5. Others

**44. Type of house, which the household is now occupying**

- 1. Luxurious
- 2. Very Good (2 bed rooms with attached bathrooms, concrete roof, Mosaic floor)
- 3. Good (1 bed room, brick and cement walls, concrete or tile roof)
- 4. Poor (Brick walls, cement floor, tin or asbestos roof)
- 5. Kutchra (Mud walls, Mud floor & Thatched roof)

**45 Does the family own any of the following**

- |                         |        |       |
|-------------------------|--------|-------|
| 1. Motorcar             | 1. Yes | 2. No |
| 2. Taxi / Truck / Lorry | 1. Yes | 2. No |
| 3. Motor Cycle /Scooter | 1. Yes | 2. No |
| 4. Telephone            | 1. Yes | 2. No |
| 5. Mobile Phone         | 1. Yes | 2. No |
| 6. Television           | 1. Yes | 2. No |
| 7. VCR/VCP /VCD         | 1. Yes | 2. No |
| 8. Fridge               | 1. Yes | 2. No |

**BLOCK VII: INFORMATION ABOUT RETURN MIGRANTS**

46	Return from abroad			
	1	2	3	4
SI No according to block II				
Name according to block 2				
Reason for return				
Employment abroad				
Monthly wage/ salary when the person was working				
Present occupation				
Present Monthly wage/ salary				
Year of migration				
Year of return				

**BLOCK VIII: GENERAL INFORMATION ABOUT THE LOCALITY**

47 Do you experience the following changes in your locality as a result of migration?

Changes	Explain
1. Wage rise	
2. Land price rise	
3. Essential commodity price rise	
4. Commercial establishments rise	
5. Technical/vocational institutions increases	
6. Educational institutions increases	
7. Other changes (explain)	

48. Do you experience the shortage of the following types of labour in your locality?

1. Carpenter 2. Mason 3. Common Labour 4. Electrician 5. Plumber

49 Give the changes in land prices in the last ten years period?

Amount (Rs.) \_\_\_\_\_ Rate (Rs.) \_\_\_\_\_

50 Give the changes in the wage rate of common labour in the last ten-year period?

Amount (Rs.) \_\_\_\_\_ Rate (Rs.) \_\_\_\_\_

51 Is there large-scale inflow of Tamil migrants in your locality? 1 Yes 2 No

52. If yes, the reason.....

NB 4995

