

# Migration, Remittances, and Kerala's Socio-Economic Development: An Analysis of Remittance Economy

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## Abstract

International migration has become one of the most important social and economic factors shaping Kerala's development. Migration, especially to Gulf countries, has changed the state's economy and social structure through remittances, job creation, better living standards, and investment in education and skills. Remittances have made a real difference in reducing poverty, improving housing, increasing consumer spending, and enhancing education and health. On a larger scale, remittances account for a significant share of Kerala's State Domestic Product and government income. This article examines how migration and remittances affect Kerala's economy and society, drawing on data from the Kerala Migration Surveys and related research. The paper examines the economic effects of remittances, migration, education, job mobility, housing conditions, ownership of goods, and the socio-economic profiles of families with members abroad. The results show that migration has greatly improved household welfare and living standards, though it has had a limited impact on productive investment. The study concludes that migration and remittances continue to play a key role in Kerala's development.

**Keywords:** Migration, Remittances, Kerala Economy, Gulf Migration, Human Development, Household Welfare.

## 1. Introduction

Migration has become a key part of globalization and economic change in developing countries. International migration, especially labor migration, offers opportunities to earn income, find jobs, and improve social status for individuals and families. In many developing areas, migration is a way for economically struggling communities to make a living. The movement of workers across borders leads to remittances that play a significant role in reducing poverty and promoting economic growth. Kerala is one of the most important migration routes in India, especially regarding migration to the Gulf countries. Since the 1970s, large-scale migration from Kerala to the Gulf has changed the state's economy and social structure. The money migrants send back has become a key source of household income and state funding. Migration has also changed consumption habits, housing, education, job mobility, and investment patterns. Diaspora communities build skills and wealth during migration, which helps development in both their home and host countries. Migrants create global connections that ease the sharing of skills, technology, investment, and business ventures. Those who return often start their own businesses and create job opportunities. Thus, migration brings about positive changes at both individual and broader levels. This article examines how migration and remittances have impacted Kerala's socio-economic development, drawing on data from the Kerala Migration Surveys and previous migration studies.

## 2. Migration, Remittances, and Development

Migration supports development through remittance transfers, human capital development, and investment activities. People commonly use remittances for consumption, education, healthcare, housing, debt repayment, and the purchase of consumer goods. Studies show that remittances improve living standards and lower poverty levels among migrant households. Better banking options, lower transfer costs, financial education, and improved access to formal financial institutions can boost the benefits of remittances. In Kerala, migration to the Gulf has significantly changed both rural and urban areas, improving housing and educational infrastructure and increasing purchasing power. The effects of migration are especially noticeable in household spending habits, transportation options, urban growth, and social mobility. The Kerala Migration Survey from 2011 found that the housing quality index for emigrants was much higher than for non-migrants. Similarly, electrification rates and household asset ownership were much higher among migrant households. Migration serves as a means for economic growth and social change.

## 3. Macro Economic Impact of Remittances in Kerala

Remittances are among the most important sources of income for Kerala's economy. Remittance inflows have increased substantially over the years, strengthening household incomes and contributing to state economic growth.

**Table 1. Macro Economic Impact of Remittances on Kerala Economy (2003–2014)**

Indicators	2003	2008	2011	2014
Remittances	18465	43288	49695	72680
NSDP	83552	143783	150889	196077
PCI	25764	41814	52084	63491
Modified NSDP	102248	184177	208839	268757
Revenue Receipts of Government	10634	24936	31181	58058
State Debt	31060	61653	78239	114121
Modified PCI	31442	54664	68375	89390
Remittances as % of NSDP	22	30.7	31.2	37.1
Remittances as ratio of revenue receipts	1.7	1.7	1.6	3.4
Remittances as ratio of state debt	0.6	0.7	0.6	0.5

Source: Kerala Migration Survey Report, 2014

The data reveal that remittances increased from ₹18,465 crore in 2003 to ₹72,680 crore in 2014. During the same period, remittances as a percentage of Net State Domestic Product increased from 22 percent to 37.1 percent. This indicates the growing dependence of Kerala's economy on remittance inflows. Per capita income in Kerala was substantially higher when remittances were included in income calculations. Remittances were larger than the state government's revenue receipts and constituted a significant proportion of public debt. Therefore, remittances emerged as an important source of development finance in Kerala.

The remittance economy also stimulated growth in construction, banking, retail trade, education, healthcare, and communication sectors. However, the productive investment of remittances in manufacturing and agriculture remained limited.

### **3.1. Migration and Education**

Education is an important area affected by remittance income. Migrant households often allocate a large share of remittances to their children's education. Better spending on education helps build skills and improves social mobility. However, studies show that the gap in educational achievement between migrant and non-migrant households is not very large. Research by Zachariah, Mathew, and Rajan (1999, 2000) found that non-migrant households typically had slightly more years of schooling than emigrant households. Meanwhile, return migrants had a higher number of individuals with secondary and higher education qualifications. This suggests that migration outcomes depend on both selectivity and the effects of migration. Migration can offer chances for better education, but migrants often come from families with lower initial educational levels. Despite these challenges, migration has played a significant role in the growth of educational institutions, professional colleges, and vocational training centers in Kerala.

### **3.2. Migration and Occupational Mobility**

Occupational mobility is a key reason people migrate. Migration opens doors to better jobs, higher pay, and improved economic conditions. Studies show that many migrants experience significant career advancement. About 62 percent of international migrants and 55 percent of internal migrants changed their jobs after moving, usually taking on better positions. The number of migrants without regular jobs dropped significantly after they migrated. At the same time, more migrants found themselves in high-status jobs, both among international and internal migrants. However, many return migrants struggled to maintain the same job status when they returned to Kerala. The benefits they gained abroad often did not carry over into the local job market. Occupational mobility also differed among communities. Syrian Christians and Nairs saw more upward mobility than other social groups. In summary, migration is an important way for people to advance in the labor market and improve their incomes.

### **3.3. Migration and Housing Conditions**

Housing is one of the most visible signs of how migration affects Kerala. Migrants often use remittances to build and upgrade their homes. In rural areas, large and well-built houses reflect the impact of Gulf migration. The Kerala Migration Survey (2011) found that housing quality improved significantly with the number of Non-Resident Keralites (NRKs) in a household. Only about 6 percent of households without NRKs owned luxurious homes, while the percentage was much higher among households with multiple NRKs. Likewise, the rate of “very good” houses rose sharply among migrant households. Migrants who left earlier typically had better housing quality than those who left more recently. This shows the long-term effects of migration and savings. As a result, improving housing has become one of the main ways migrants spend their remittances. Migration status significantly affects housing quality across regions and communities.

### 3.4. Possession of Consumer Durables

Migration has significantly influenced how people consume and own durable goods. Migrants returning from Gulf countries often bring new consumption habits and modern lifestyles to their local communities. The ownership of consumer durables was much higher among emigrants and return migrants than among non-migrant households. Migrant households owned more televisions, refrigerators, vehicles, mobile phones, and household appliances. The increased purchasing power from remittance income allowed migrant households to buy durable goods more easily than non-migrant households. This led to the growth of retail markets and consumer-focused economic growth in Kerala. While increased consumption has raised living standards, some critics argue that remittance spending has focused more on consumption and housing than on productive investments.

### 4. Socio-Economic Profile of Emigrant Households

The Kerala Migration Survey (2016) provides important insights into the socio-economic characteristics of emigrant households.

**Table 2. Socio-economic Profile of the Emigrant Households, 2016**

Religion	Per cent	Land Owned (in cents)	Per cent
Hindu	40.9	< 10 Cents	20.0
Christian	17.2	10-20	39.4
Muslim	41.2	20-50	24.7
<b>Ration Card</b>		50-100	8.7
Yes	99.4	100+	7.2
APL	81.6	<b>Household Assets</b>	
BPL	18.4	Motor car	24.3
<b>Fuel Used for Cooking</b>		Taxi / Truck / Lorry	5.0
Wood	30.3	Motor Cycle /Scooter	47.9
Electricity	0.4	Telephone	45.9
Kerosene	0.5	Mobile Phone	94.6
L.P. Gas	68.7	Television	92.9
<b>Type of house</b>		MP3/DVD/VCD	42.7
Luxurious or Very Good	59.0	Refrigerator	78.1
Good	35.8	Computer / Laptops	27.6
Poor or Kutcha	5.2	Microwave Oven	12.6
		Internet connection	16.4

Source: Compiled from Kerala Migration Survey, 2016

The survey shows that Muslims made up the largest group of emigrants, with Hindus following closely behind. Most emigrant households fell into the Above Poverty Line (APL) categories, but a notable number of migrant households still lived below the poverty line. Most migrant households had better housing and modern appliances. Many owned vehicles, mobile phones, refrigerators, and televisions. The use of LPG for cooking also indicated improved living standards. Migration played a big role in social mobility and material progress for emigrant households.

### 5. Challenges and Limitations of Remittance-Led Development

Despite the benefits of remittances, several challenges still come with migration-led development. A large share of remittances goes towards consumption, housing construction, buying gold, and marriage expenses, rather than being invested productively. The reliance on migration to the Gulf makes Kerala

vulnerable to economic and political shifts in those countries. Economic crises, labor market changes, and falling oil revenues in Gulf states can negatively affect migration opportunities and remittance flows. Another issue is the social cost of migration. This includes family separation, emotional stress, and shifts in demographic structures. Long-term migration can also lead to labor shortages in some sectors within Kerala. For sustainable development, the economy needs to diversify, and remittances should be effectively directed to productive sectors.

## 6. Conclusion

Migration and remittances have played a key role in Kerala's socio-economic development over the past four decades. Remittances have greatly improved household income, housing quality, consumer spending, access to education, and job opportunities. On a larger scale, remittances account for a significant share of Kerala's economy and help boost the state's income and development. Kerala's migration story shows how international labor migration can help reduce poverty and improve social mobility. However, the long-term success of remittance-driven growth relies on productive investment, economic diversity, and supportive policies. While migration has raised living standards and boosted the service sector, its impact on the productive sectors remains small. Future development plans should focus on directing remittances toward entrepreneurship, industrial investment, and skill development to support sustainable economic growth.

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