



NATURE OF INTERNATIONAL MIGRATION AND HOME STATE INVESTMENT PATTERN: THE CASE OF NON-RESIDENT KERALITES

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ABSTRACT The paper seeks to analyse the home state investment pattern of emigrants from Kerala across the globe based on the nature of migration to the host country. Utilising primary data on investment behaviour drawn from individual Non-Resident Keralites (NRKs), the findings reveal that migrants with temporary residence status are found to exhibit a distinct home state bias when it comes to investing. Also, home state investment pattern in bank deposits and real estate differ significantly within the migrant population depending on their nature of residence in the host country.

KEYWORDS : Migration, remittances, investment behaviour, non-resident Keralites, temporary migrant

I. INTRODUCTION

Migrant remittances form a significant portion of the individual investments in India. Within India, Kerala traditionally holds the leading position among Indian States receiving remittances. Kerala's heavy dependency on migrant remittances is underlined by the fact that remittances as a share of GDP for Kerala is 36.3% (KMS, 2014). If placed in the global list of countries, Kerala will come in the second position, subsequent to Tajikistan.

Research evidence suggests that the home state investment pattern of migrant population is quite unique and different from non migrant population. Migrant population appears to be more responsive to economic cycles compared to the native worker (World Bank, 2012). These findings are further corroborated by the study (Rajan and Zachariah, 2009) done on the returning migrant population of Kerala which shows that during the global crisis both emigration and remittances were resilient. Even the factors that drive the investments are distinct for migrant population and native workers.

While studying the investment behaviour of the migrant population, it is important to note that the migrant population in itself is not homogeneous. The migrants in the Middle East work as 'guest workers', who are expected to return to the home country after the completion of their contracts, which typically last two to five years, but migrant workers in countries like the United States and Canada get the opportunity for family migration and unification and even for permanent residency and citizenship. Owing to the heterogeneity of the migrant population, the investment behaviour might vary within the migrant population itself depending on the status of residency in the country of employment. The paper is an attempt to analyse the variations in home state investment pattern of NRKs across the globe based on nature of migration to the host country.

The paper is organised under five sections. Previous literature is discussed under section II. Section III presents the objectives and hypotheses of the study. International migration from Kerala is discussed in Section IV. Section V presents the data analysis and results. Section VI concludes.

II. PREVIOUS LITERATURE

There is some empirical evidence which suggests that migrants who are temporary residents in the host country exhibit an investment behaviour different from that of migrants under permanent residence.

Dustmann (2001) studied temporary migrations and its' effect on immigrants' behaviour and concluded that the behaviour of temporary migrants varied from that of migrants with permanent migration intentions.

In a study on German immigrants, Dustmann & Mestres (2016) observed that savings and asset holding pattern of migrants in both home and host countries were affected by their return plans. The results of the study revealed that temporary migrants placed a high proportion of their savings in their home country. Also, the share of asset holdings in the home country were larger for temporary migrants.

Chab et al. (2016) analysed the relationship between return plans and immigrants' behaviour in the French context and found that when migration is temporary in nature, immigrants are more likely to invest in the home country.

In a study of investment preferences of expatriates from India, Dr. Krishnamurthy (1994) found that expatriates in the Middle East exhibited a distinct home country bias in investment as compared to migrants in other regions where permanent residence options are available. The findings indicated that locational preferences by size of investment correlated well with the return plans of expatriates.

III. OBJECTIVES AND HYPOTHESES

The study is designed to attain the following objectives:

- To assess the home state bias in investment of NRKs depending on their nature of residence in the host country
- To analyse the home state investment pattern of NRKs based on the nature of migration

Given the objectives, the following hypotheses are set for the study:

- There is significant difference in the home state bias in investment of NRKs based on the nature of residence in the host country
- The home state investment pattern is significantly different between NRKs with respect to the nature of residence

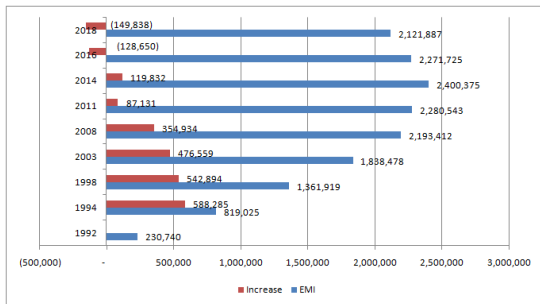
IV. INTERNATIONAL MIGRATION FROM KERALA

Migration of labour force has always been a significant factor in bringing about many positive changes in the economy of Kerala, both on the micro and macro level. The high density of population and the resulting inability of the state to generate enough jobs to meet the expectations of the educated Keralites motivated a good number of young people to migrate to other countries in search of their good fortunes.

The history of emigration from Kerala can be traced back to the early 20th century. However, the initial movements of migration were restricted to British colonies like Ceylon, Burma, Singapore, Malaysia and Malaya to work in plantations. When these destinations became inaccessible owing to the nationalist policies post their independence, prospective migrants from Kerala shifted their attention to African countries, where they were engaged mostly in teaching. Later in the 1960s, liberalisation of visa policies by North America and Europe to overcome shortage of labour encouraged a large number of professionals from Kerala to migrate to these destinations.

Large scale emigration from the state began only in the 1970s with the oil boom in the GCC countries. Since then, people from Kerala have steadily been moving towards Gulf region. Slowly, Gulf countries became the most preferred location of emigrants from Kerala, replacing all other destinations. According to the latest Kerala Migration Survey (KMS 2014), close to 2.5 million Keralites have emigrated to foreign countries for employment, out of which 90% is placed in the Middle East region,

FIGURE – 1 TREND IN EMIGRATION FROM KERALA (1992 - 2018)



Source: KMS 2018 Survey

The numbers indicate that the emigrant population of Kerala has been on an increasing mode since 1992. However, if we look at the rate of increase in emigration, it has been declining over the years until 2011, but took off significantly during the period 2011-14. From then on, emigration has been decreasing. During the five years from 2013 to 2018, the emigrant population dropped significantly.

Despite the recent decline in emigrant population,, the total remittances to the State showed a modest increase between 2013 and 2018 (Rajan & Zachariah, 2019). Remittances from the Diaspora community has been contributing immensely to the State's economy in the form of increased consumption and savings. The migrant population owns a considerable portion of the bank deposits in Kerala. However, commercial banks have not been able to direct these huge savings into investments for the larger benefit of the State. Understanding the unique investment behaviour of the heterogeneous migrant community, therefore, becomes vital for the State to modulate their investment behaviour and optimise their investments.

V. DATA ANALYSIS AND RESULTS

Individual NRKs who are employed abroad define the population of the study. The sample for the study was drawn from the list of migrant households as per the Kerala Migration Survey 2018 carried out by Centre for Development Studies (CDS), Thiruvananthapuram. Out of 2653 households with migrant population, 400 were selected by simple random sampling method and details of migrant members collected. The respondents were asked about their status of residence in the country of employment as well as the investment location.

TABLE – 1 DISTRIBUTION OF SAMPLE BY NATURE OF RESIDENCE IN THE HOST COUNTRY

Nature of residence	n	%
Temporary	311	77.75
Permanent	89	22.25
Total	400	100.00

Table-1 shows the division of sample population based on their status of residence in the host country. Of the total sample population, 311 respondents are temporary residents in the country of employment which implies that they are expected to return to the home country at some point of time. 89 respondents enjoy permanent residence status in the country of employment.

TABLE – 2 CHI-SQUARE TEST FOR SIGNIFICANT DIFFERENCES BETWEEN NRKs WITH RESPECT TO PLACE OF INVESTMENT

Place of investment*	Temporary		Permanent	
	n	%	n	%
Kerala	278	89.39	49	55.06
Country of employment	75	24.12	65	73.03
Indian states other than Kerala	60	19.29	22	24.72
Chi-square	128.707			
Sig.	0			

*Multiple Response

From the results of the Chi-square test presented in table-2, it can be seen that the p value is less than 0.05, which indicates that the choice of place of investment vary significantly between NRKs based on their nature of residence in the host country. The percentage analysis also makes it clear that NRKs who are temporary residents in the host

country exhibit a strong home state bias with close to 90% of them choosing Kerala as the place of investment. About 24% of this category of NRKs reported having investments in foreign countries and 19.2% in Indian states other than Kerala. As against this, only about 55% of NRKs with permanent residence status reported having investments in Kerala, Majority of this category (around 73%) reported having investment in foreign countries and about 25% in other Indian states. The distinct home state bias in investing by temporary residents is quite understandable as a vast majority of NRKs are working in the Middle East as contract workers who are expected to return on the expiry of their contracts.

Of the total sample population, the 327 respondents who reported having investments in the home state were further queried about their current investment portfolio in Kerala.

TABLE – 3 MEAN AND STANDARD DEVIATION OF PERCENTAGE MIX OF NRKs' CURRENT INVESTMENT PORTFOLIO IN KERALA

Investment vehicles	Mean	SD
Bank Deposits	42.65	25.81
Real Estate	37.99	23.1
Gold/Ornaments	16.02	13.3
National Pension Scheme (NPS)	4.36	6.24
Insurance	13.45	11.9
Direct Equity	7.35	9.89
Mutual Funds	8.77	9.01
Bonds/Government Securities	2.35	4.11
Post Office Savings	9.11	8.85
Public Provident Funds	2.79	5.52
Chit Funds	12.55	17.6
Own Business	7.12	14.96

Based on the mean of percentages of NRKs' investment portfolio in Kerala, as shown in table-3, it can be seen that bank deposits constitute a major proportion (42.6%) of NRKs investment mix, followed by real estate (37.99%), gold/ornaments (16.02%), insurance (13.45%), chit funds (12.55%) and so on.

TABLE – 4 t-TEST FOR SIGNIFICANT DIFFERENCES BETWEEN NRKs WITH RESPECT TO PERCENTAGE MIX OF INVESTMENT PORTFOLIO IN KERALA

Investment vehicles	Nature of Residency		t	Sig.
	Temp	Perm		
Bank Deposits	42.4	31.02	2.775	0.006
Real Estate	24.25	43.06	-4.825	0
Gold/Ornaments	10.22	9.39	0.41	0.682
National Pension Scheme (NPS)	0.78	0.82	-0.074	0.941
Insurance	8.1	6.47	0.934	0.351
Direct Equity	1.57	0.41	1.453	0.147
Mutual Funds	2.63	3.88	-1.233	0.218
Bonds/Government Securities	0.24	0.92	-2.478	0.014
Post Office Savings	3.51	1.63	1.784	0.075
Public Provident Funds	0.42	0.37	0.139	0.89
Chit Funds	3.6	1.06	1.576	0.116
Own Business	1.23	0.27	0.986	0.325
	1.04	0.71	0.353	0.732

From the results of the t-test presented in table-4, it can be seen that p value is less than 0.05 for bank deposits, real estate and bonds/government securities. This indicates that there are significant differences between NRKs based on their nature of residency with respect to the proportion of bank deposits, real estate and bonds/government securities in their investment portfolio in Kerala. Based on the mean percentages, NRKs with temporary residence status have relatively higher proportion of bank deposits in their investment mix. In the case of NRKs who are permanent residents in the host country, the relative proportion of real estate in their

investment portfolio is higher.

VI. CONCLUSION

The paper attempts to identify the differences in investment pattern of NRKs based on their nature of residency in the host country. The study finds some evidence that migrants who are temporary residents in the host country exhibit a distinct home state bias in investment. Further, the analysis indicate that the investment pattern in the home state with respect to bank deposits and real estate is significantly differs between NRKs , depending on the nature of migration. Overall, the results suggest that migrants who are temporary residents in the host country display an investment behaviour different from that of migrants with permanent residence status.

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