



A Review of Non-Resident Keralites Income and Investment in Kerala's Growth Story

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Abstract

This study thoroughly examined the growth story of Kerala state in India which is witnessing the Increasing income level, Consumption and positive contribution to Gross Domestic Product of the state based on reviews. It is proven that increase in Income level will lead to Investment and Socio-economic development The Indian diaspora accounts for 34.3 million people living in various parts of the world including the United States of America and the Gulf countries are the top most destinations. According to World Bank report, India received nearly \$135 billion in remittances with a remarkable annual growth rate of 14%. Kerala is home to a large number of Non-Resident Indians living in Gulf countries. Remittances are not only increasing the consumption pattern but also offsetting a significant portion of India's trade deficit. The narrative review methodology was adopted focusing on the contribution of foreign remittances to the socio-economic development in the Kerala state. Non-Resident Indians hailing from Kerala state are referred as Non-Resident Keralites. The reviews were collected between 2008 and 2025, relevant to foreign remittances in the Kerala state alone. Those studies strongly support the role of foreign remittances in increasing the living standard of the people, thereby improving the social conditions, which include quality education and healthcare.

Keywords: Non-Resident Indians, Non-Resident Keralites, Foreign remittances, Consumption pattern, Socio-economic development, Income level, Trade deficit

Introduction

The foreign remittances accounted for one-third of the Gross Domestic Product of Kerala state in 2008, which is influencing the economy at large. The Non-Resident Indians are

the largest diaspora of more than 3.35 million living in various parts of the world, substantially in Gulf countries. Many studies indicated that remittances and migration from the state were resilient even during the global economic crisis. It is estimated that out of India's total remittances of \$135 billion, Kerala state has received nearly \$24 billion. The foreign remittances are one of the major sources for boosting consumption, savings, and Investment. Investment, in turn leads to economic development in the state. However, the direct participation of people receiving direct and indirect remittances stagnates at 16-18 percent in the state since 1998. It is also noted that remittances are sufficient to wipe out the 70 percent states' debt, which shows a significant impact on macro-economics (Zachariah, K. C., & Irudaya Rajan, S, 2011).

Methodology

This study solely based on the reviews collected from various online sources in the field of foreign remittances, Non-Resident Indians, Non-Resident Keralites, Investments, and savings related to Kerala between the year 2008 and 2015. The Narrative review methodology was adopted to present the findings from ten different studies in Kerala region.

Research Gap

Even though remittances have been largely studied for their macroeconomic contributions, significant research gaps still prevailing in understanding their nuanced role in socio-economic development, particularly in regional contexts such as Kerala. Maharashtra, Karnataka and Tamil Nadu are also one the largest recipient of remittance shall also be considered making a research. Most of the existing literature emphasis on aggregate indicators like GDP growth, foreign exchange reserves, and household income, often overlooking the multidimensional impacts of remittances on long-term development outcomes such as employment generation, asset creation, and social mobility. A key limitation is the lack of disaggregated analysis that accounts for variations in migrant profiles, professions, and community-specific remittance behaviours.

Remittances and Investment

(Parambengal, A., & Kalam, S. P, 2023) The study showed a strong and positive correlation between the remittances of migrant nurses and investments in India. The average remittances received by the family was ₹6.20 lakhs per annum. Nearly 78 percent of NRK's family makes some form of investment. The NRKs are predominantly investing in land,

building and gold. The study also suggested policy measures to divert the unproductive investment to track in a more productive way for the betterment of the economy. (J. Abdul Khader. 2021) shown the significant association between the satisfaction of actual returns on Investments made by the Non-Resident Indians. The major portion of remittances in Kerala was spent on building luxurious houses (Wickramasekara, P, 2015).

Money Order Economy

The Non-Resident Keralites have a tremendous influence on the banking sector, accounting for nearly 34 percent of total deposits. The Federal Bank in the state is very successful in attracting Non-Resident deposits, followed by South Indian Bank, Catholic Syrian Bank, and Dhanalaxmi Bank. The study also pointed out the ineffective and underutilization of Non-Resident deposits. The banks play an important role in shaping the nation's economy driven by the deposits. The investments made in land, buildings and gold shall be turned to the banks for effective and optimum utilization. This led to the state designation as a "Money order economy" (Sebastian & Manoj P. K., 2014).

Excessive Consumption

Foreign remittances are playing a vital role in poverty reduction in states like Kerala, Goa, Punjab, and Gujarat for years. Moreover, India has been the highest recipient of remittances, supporting the direct flow of funds into poor households, healthcare, education, shelter, etc., However, the major portion of the funds is spent on family expenses, and the rest are deposited into bank. Kerala and Punjab are showing the results of excessive spending on unproductive investments, such as buildings and luxury houses. A coherent policy framework in India is essential for streamlining the funds into productive ways like stock markets, mutual funds, Insurance, etc., (Pande, A, 2018).

Policy Framework and Mainstreaming

The absence of inclusive policy frameworks in the field of foreign remittances not only hindered optimal utilization but also led to a negative impact on the Indian economy. The government intervention in the field of foreign remittances is viable and necessary for tracking and directing for the proper utilization of funds towards rural economy. If the remittances properly utilized, it may also lead the economy for sustainable development (Pande, A, 2018). Kerala Perspective Plan 2030 indicates the Diaspora and Migration policy strategy on resource utilization of return emigrants and in-emigrants. This strategy could effectively integrate the

resources into economy for state's development. The purpose of establishing the Department of Non-Resident Keralites Affairs (NORKA) in 1996 was to integrate the Non-Resident Keralites with the state government policies. In 2011, the estimated number of return emigrants in the state was 1.15 million, which is very huge and subtle to provide alternative jobs (Wickramasekara, P, 2015).

Human Capital Formation

The Monthly Per Capita Expenditure (MPCE) unveils the significant differences between remittance-receiving and non-receiving, with former spending 1.25 times higher than the latter. The rise in remittances has also contributed to increased access of quality education and healthcare. Furthermore, the decrease in engagement of low skilled labour jobs underscores the transformation. The significant connection between remittance receipts and human capital formation was driven by changing pattern of emigrant from low-skilled to skilled employments. The policies framed by the state government has maintained remittances inflow and supported the entire process of socio-economic development through human capital formations (Sunny, J., Parida, J. K., & Azurudeen, M, 2020).

Return migration and its consequences

The government can develop the domestic health sector by utilizing especially the nurses return migration and can initiate a social security scheme for the return migrants (Parambengal, A., & Kalam, S. P, 2023). During Covid 19, the kerala state has faced the challenge of large-scale return migration, subsequently drop in remittances from the gulf countries. Between May 2020 and January 2021, the return migrants who lost their jobs in gulf countries and other parts of the world were approximately estimated to 5.52 Lakhs. The return migration has caused severe economic distress in the districts home to thick migrant populations. The return migrants resulted in an unprecedented loss of Gross State Domestic Product and employment across all sectors in Kerala. A vibrant domestic economy is the need of the hour for Kerala state for sustainable development, and focussing on agriculture and industry (Mishra, A. K, 2018).

Sustainability Concerns

The heavy dependence on foreign remittances questions the sustainability and social development of Kerala as gulf remittances are volatile and uncertain. The remittances has also driven the bank deposits to new highs and able to achieve the human resources. Gulf countries

are the largest source of remittances for the state. However, the ongoing unrest in the middle-east region poses a persistent threat to Kerala's economy stability (Pillai N, V, 2008). The government shall initiate coordination with gulf countries to protect the rights of Kerala labour force with minimum wages ceilings getting assistance from United Nations bodies such as ILO and WTO. The governments should also provide cost effective health and education support to Non-Resident Keralites (Parambengal, A., & Kalam, S. P, 2023).

Remittances and Social Development

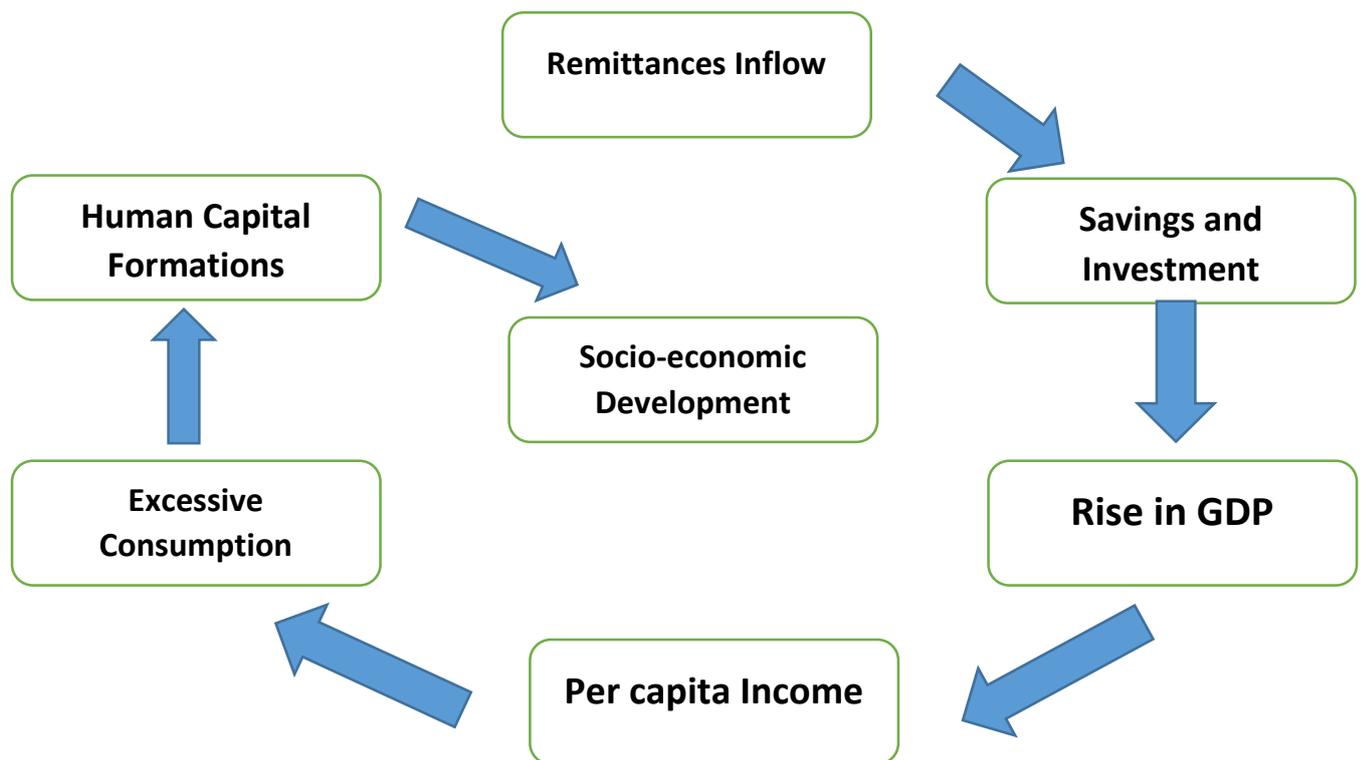


Fig 1: The cycle of remittances inflow

The above graphical diagram demonstrates the flow of remittances inflow resulting socio-economic development. Remittances rises the savings and investment, which results in increase in Gross Domestic Product through boosting production with investments. The rise in GDP improves the per capita income of the people leads to more consumption, which in turn assist the Human capital formation in the way of accessing quality education and health care. This Human capital formation, enhances the Human Development Index, which is called the socio-economic development.

Results and Discussions

Foreign Remittances play a crucial role in Kerala's economy, sharing nearly one-third of the state's Gross Domestic Product (GDP). Nearly 16 to 18 percent of the population depends directly or indirectly on these financial inflows, underscoring their significance in household sustenance and regional development. Kerala's leading as a migration hub is closely tied to the broader Indian diaspora, which constitutes the largest emigrant population globally. Within this context, Kerala stands out as one of the states with the thickest emigrant populations in India.

A major portion of remittances—estimated at around 34 percent—flows into the state's banking system, combining a significant share of total bank deposits. This influx of deposits has shifted the financial landscape, enhancing liquidity and consumer spending. However, the nature of expenditure driven by remittances often leans toward non-productive and conspicuous consumption. Investments in luxurious housing and imported goods are the common concern rather than asset creation.

In Kerala, nursing has emerged as a prioritised profession, particularly among migrants from Christian community. This tendency reflects both global demand for healthcare professionals and Kerala's strong educational infrastructure in nursing and allied health sciences. The migration of nurses has not only contributed to remittance inflows but also shaped gendered patterns of migration and professional mobility at large.

Even though economic benefits, Kerala's heavy dependence on remittances introduces vulnerabilities. Geopolitical tensions, especially in the Middle East—where a large segment of Kerala's migrant population is employed—pose significant risks. Fluctuations in oil prices, changes in labor laws, and regional conflicts can disrupt employment and remittance flows, affecting household revenues and state revenues.

The Kerala state government has begun many initiatives aimed at integrating Non-Resident Keralites (NRKs) into the development process. These programs include welfare schemes, investment facilitation platforms, and diaspora engagement policies designed to harness the potential of NRKs for sustainable growth. The government's proactive stance reflects an understanding of the strategic importance of the diaspora in shaping Kerala's socio-economic trajectory.

But, the tendency of return migration presents a growing concern. As migrants come back—often due to job loss, retirement, or geopolitical instability—the state faces mounting pressure to absorb them into the domestic labour market. This influx exacerbates existing unemployment challenges and calls for targeted policies to support reintegration, skill development, and promote entrepreneurship among returnees.

In conclusion, while remittances have undeniably bolstered Kerala's economy and improved living standards, their long-term impact depends on strategic planning and policy innovation. Balancing remittance-driven growth with productive investment, employment generation, and diaspora engagement is essential to ensure resilience and inclusive development in the face of evolving global dynamics.

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