



GULF MIGRATION AND ITS IMPACT ON INDIAN ECONOMY

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Abstract: *Migration is a complex phenomenon influenced by economic, social, political, geographical and environmental factors. Emigration from India to GCC countries are one of the major migration flows in the world migration flow, for different reasons people emigrate to GCC countries. This paper empirically analyses the flows and its influence on various factors. The paper found that GDP, Exchange rate, population of origin and destination countries, language, distance between origin and destination countries are the factors influencing the emigration flows India to GCC countries.*

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INTRODUCTION

International labour migration has become a vital feature of the Indian economy due to several factors. Firstly, India is the country which receives the largest amount of remittances in the world. In 2014, total workers' remittances were estimated at US\$71 billion, with nearly half of all remittances originating in GCC countries (World Bank, 2014). Second, international labour migration has strong development links at the macro (national and state) as well as micro (individual and household) levels. Although the economic impacts of labour migration, particularly in terms of its contribution to foreign exchange reserves, are well documented, recent evidence from certain states in India with a high migration rate, such as Kerala and Andhra Pradesh, indicate positive impacts of migration on health and educational attainments as well as gender relations, especially in low-to lower-middle-income households (Rajan, 2013; Timothy and Sasikumar, 2012). Third, international labour migration is important as a means of providing some respite, at least in the short to medium terms, to the situation of excess labour supply, by offering an outlet for the mounting level of youth unemployment in India.



Although the proportion of Indians to total migrants is the largest in Oman (at around 58 per cent), it is also significantly large in the United Arab Emirates, Bahrain, Qatar and Kuwait (at 36 per cent in each country). Saudi Arabia, which has the largest number of migrants, Indians account for around one fifth of all migrants (UNDESA, 2013). An assessment of the links between labour migration and skills will considerably enhance migration outcomes, particularly for low-skilled and medium skilled migrants. This type of analysis is also critical because of the increased complications in migration governance systems, with immigration policies becoming restrictive and even skill selective in many labour-receiving countries.

RESEARCH GAP

Migration is a complex phenomenon influenced by economic, social, political, geographical and environmental factors. Migration has been an important element of human history, where people have been moving from one place to another in search of livelihood. From centuries India has been a destination and source of migrants and the trend continues even today. India has the second largest Diaspora in the world accounting 25 million Indian's abroad. India has experienced increased out flow of highly skilled professionals to the western world mainly to Australia, USA, UK, New Zealand etc and the less skilled migrants to Gulf and other South Asian countries.

The forgoing review of literature helps in identifying some important research gaps or issues for examination in the present study. Many studies are done on migration from Kerala to GGC countries, (B. A. Prakash, 1998). Some studies are done on state wise migration from Indian states to GCC countries.(Neha Kohli,2010), most of the studies are done on trends and pattern of emigration from India to GCC countries. (Dr. Naresh Kumar,2014) few studies have analyses the emigration polices between India and GCC countries, but hardly no studies are done on the perspective of demand and supply of Indian labourers to gulf labour market, though this study empirically analyses the recent trends and factors influences emigration from India to GCC countries.

The main Objective of the paper is to analyse the impact of Gulf emigration on Indian economy.

HYPOTHESIS

H_0 = emigration is not significantly influenced by Population, Gross Domestic Product and Exchange Rate.



H_1 = emigration is significantly influenced by Population, Gross Domestic Product and Exchange Rate.

METHODOLOGY

The data collected from the world bank data bank, UNDESA, and other websites, India is considered as an origin country, GCC countries (Saudi Arabia, Kuwait, the United Arab Emirates, Qatar, Bahrain, and Oman) are considered as destination countries. STATA 11 has been used to run the regression of the selected variables, emigration considered as dependent variable, independent variables are GDP, Population and exchange rate of origin and destination countries, distance and religion of the destination countries.

$$EM_{ijt} = \beta_0 + \beta_1 S_{ijt} + \beta_2 N_{it} N_{jt} + \beta_3 dist_{ij} + \beta_4 Ex_{ijt} + \beta_5 rel_{ijt} + \beta_6 lang_j + \beta_7 block_{jt} + \epsilon_{ijt}$$

Where, EM_{ijt} denotes migration from origin country i to destination country j at time t ; S_{ijt} shows GDP per capita of destination country in relative to origin country; N_i stands for population of the origin country i , N_j stands for population of the destination country. $dist_{ij}$ is the physical distance (in km) between origin and destination country; and ϵ_{ijt} is the normally distributed error term. Income is the main economic consideration for a migrant. His decision to migrate depends on the wage difference between origin and destination country for the same job and it is proved that propensity to emigrate is highly influenced by per capita income, higher the per capita income at destination higher will be the propensity to migrate. Under this consideration, β_1 should have a positive effect on emigration decision. Population is the measure of labour market size in a country. The larger the size of labour forces in the home/ origin country, the higher the rate of emigration. Geographic distance is one variable which influences immigration negatively as people prefer to move between countries with shorter distance than between countries which are far apart, this inverse relation makes β_3 negative.

The Parks-Kmenta method which is implemented in Stata's `xtgls` command with option `panels(correlated)` is typically inappropriate for use with medium- and large-scale micro econometric panels due to at least two reasons. First, this method is infeasible if the panel's time dimension T is smaller than its cross-sectional dimension N which is almost always the case for micro econometric panels. Second, Beck and Katz (1995) show that the Parks-Kmenta method tends to produce unacceptably small standard error estimates. Panel corrected standard errors (PCSE) technique has been used for corrected standard errors.



Beck and Katz (1995) convincingly demonstrate that their large T asymptotics based standard errors which correct for contemporaneous correlation between the subjects perform well in small panels. Nevertheless, it has to be expected that the finite sample properties of the PCSE estimator are rather poor when the panel's cross-sectional dimension N is large compared to the time dimension T. The reason for this is that Beck and Katz's (1995) PCSE method estimates the full $N \times N$ cross-sectional covariance matrix and this estimate will be rather imprecise if the ratio T/N is small.

Table 1: Proportion of South Asian migrants in Gulf Cooperation Council countries, 1990–2013

GCC countries	1990	2000	2010	2013
Bahrain	62.5	63.7	63.4	63.4
Kuwait	62.5	63.6	63.4	63.4
Oman	83	80.7	83.1	83.1
Qatar	62.5	63.6	63.4	63.4
Saudi Arabia	41.9	46.3	50.5	50.5
United Arab Emirates	62.7	64.2	64.1	64.1
Total number of migrants in GCC countries	8 856 887	10 549 781	20 758 167	22 357 811

Source: UNDESA, 2013.

South Asia continues to be the major source of labour migrants to GCC countries, with nearly two thirds of the migrant stock in the region of South Asian nationality. Among the South Asian countries, India continues to send the largest number of migrants to GCC countries.

Table 2: Stock of South Asian migrants in the Gulf Cooperation Council region, by country of origin, 1990–2013

Country of origin	GCC countries			
	1990	2000	2010	2013
Afghanistan	16 690	16 451	26 324	28 320
Bangladesh	832 299	1 147 461	2 922 335	3 147 251
Bhutan	-	-	-	-
India	2 395 693	3 152 719	6 334 374	6 828 957
Maldives	-	-	-	-
Nepal	17 712	17 459	27 939	30 057
Pakistan	1 087 910	1 388 615	2 707 694	2 915 556
Sri Lanka	244 090	196 127	302 826	326 088
Total number of South Asian migrants in GCC countries	459 4394	5 918 832	12 321 492	13 276 229
Total number of migrants in GCC countries	8 856 887	10 549 781	20 758 167	22 357 811

Note: “-” denotes data not available. For the case of Nepal, there are wide discrepancies between UNDESA statistics and the national administrative sources;

see, for example, Ministry of Labour and Employment: Labour migration for employment: A status report for Nepal 2013/14, www.ilo.org/kathmandu/whatwedo/publications/WCMS_312137/lang--en/index.htm.

Source: UNDESA, 2013.



The number of Indian migrants increased dramatically from 1990 through 2013 in all GCC countries, with the growth the greatest in the United Arab Emirates. Along with growth in absolute numbers, the proportion of Indians among the migrant population stock also increased in all countries except Saudi Arabia, where a marginal decline occurred.

Women are becoming increasingly visible in the migratory movement from South Asia to the Gulf region. The total stock of female migrants in GCC countries has more than doubled in the past two decades, from 2.9 million in 1990 to 5.9 million in 2013 (UNDESA, 2013). Significantly, nearly half of the female migrants in GCC countries originated from South Asia. And among the South Asian countries, Sri Lanka has had the most “feminized” labour flows, although recent evidence indicates an increase in the share of migrant women workers from India and Nepal as well to work in low-skilled occupations, like housemaids and cleaners. Somewhat recent reports also suggest that an overwhelming majority of these workers are from low-income households and opted to migrate for economic benefit (IOM, 2010).

In terms of absolute numbers, the Indian women migrant population in GCC countries increased from 2 395 693 in 1990 to 6 828 957 in 2013, with growth becoming prominent among male and female migrants in all countries.

Table 3: Stock of Indian migrants in select Gulf Cooperation Council countries, by sex, 1990 and 2013

GCC countries	1990				2013			
	Male	Female	Total	Total migrant stock	Male	Female	Total	Total migrant stock
Bahrain	46 828 (77.4)	13665 (22.6)	60493 (34.9)	173 200	199767 (76.0)	63088 (24.0)	262855 (36.0)	729 357
Kuwait	380 458 (68.7)	173 123 (31.3)	553 581 (34.9)	1 585 280	541 143 (74.1)	189 415 (25.9)	730 558 (36.0)	2 028 053
Oman	180 878 (85.1)	31 678 (14.9)	212 556 (50.2)	423 572	551 885 (85.6)	92 819 (14.4)	644 704 (58.0)	1 112 032
Qatar	101 233 (78.4)	27 914 (21.6)	129 147 (34.9)	369 816	473 069 (82.0)	103 707 (18.0)	576 776 (36.1)	1 600 955
Saudi Arabia	652 957 (66.5)	328 665 (33.5)	981 622 (19.6)	4 998 445	1 223 522 (69.5)	538 335 (30.6)	1 761 857 (19.5)	9 060 433
United Arab Emirates	353 659 (77.2)	104 635 (22.8)	458 294 (35.1)	1 306 574	2 224 781 (78.0)	627 426 (22.0)	2 852 207 (36.4)	7 826 981

Note: (i) Figures in brackets in relation to the male and female columns indicate the proportion in total flow.

(ii) Figures in brackets in the total column indicate

the proportion of Indians in total migrant stock in the respective countries.

Source: UNDESA, 2013.



Emigration to GCC countries from Indian is significantly increased , female emigration also increased significantly but still male dominated in emigration flows from India. In certain states in India, however, the number of women engaged in international migration increased over the past decade. Andhra Pradesh, Kerala, Maharashtra and Tamil Nadu are the main states of origin for low-skilled women migrating for work in GCC countries. For instance, the proportion of women migrants from Kerala increased from 9.3 per cent in 1998 to 14.6 per cent in 2008 (Zachariah and Rajan, 2010). A large percentage of women migrants are domestic workers (Thimothy and Sasikumar, 2012). Another prominent stream of female migration to the Gulf region is that of health care workers, particularly from Kerala (Percot, 2006; Bindulakshmi, 2010). Studies on female labour migration from South Asia to the Gulf region indicate that their decision (particularly for nurses) is often guided by a desire to eventually migrate to a more attractive destination, such as a Western country (Percot, 2006), and use a Gulf country as a stepping stone.

Table no 4: Panel data analysis for emigration to gulf countries

Dependent variable Emigration						
Emigration	Coef.	Std. Err.	z	P> z	[95% Conf. Interval]	
GDP of destination countries	.7025264	.28992	2.42	0.015**	.1342936	1.270759
GDP of India	1.553927	.3164049	4.91	0.000*	.9337847	2.174069
Exg rate of destination countries	-.0796356	.1106206	- 0.72	0.472	-.2964479	.1371767
Exchange rate of India	2.56195	.6450646	3.97	0.000*	1.297646	3.826253
population of destination countries	.9149955	.0613748	14.91	0.000*	.794703	1.035288
Population of India	-15.36988	4.281671	3.59	0.000*	-23.7618	-6.977963
Distance	-1.444463	.6044142	-2.39	0.017**	-2.629093	-.2598325
religion of destination countries	-.2638568	.1798499	-1.47	0.142	-.6163561	.0886425
_cons	204.4114	49.19185	4.16	0.000*	107.9971	300.8256
No of observations: 24, cross sections: 6, periods: 4						
Wald chi square = 146000.00Probability =0.0000						

Source: UN department of economic and social affairs.

Notes:*, indicate significance at 1 % level.

In the above table results shows that, Emigration to has been considered as a dependent variable. Independent variable GDP of destination countries is significant at 5 % level of significance and positively impact on emigration to gulf countries. Important motive behind the emigration is earning higher income in the destination countries than origin countries the results also shows that GDP of destination countries are positively induces the emigration from Indian. GDP of origin country also significant at 1% level of significance and positively induces the emigration to GCC countries. Lower employment rate, lower



slandered of living , unequal income distribution, lower GDP rate and percapita income are the factors behind the emigration.

Exchange rate of destination countries are insignificant and negatively impact on the emigration to GCC countries. The variable Exchange rate of origin countries is significant at 1% level and positively impact on emigration from India.

Population of origin and destination countries are statistically significant at 1% level and positively induces the emigration between India to GCC Countries. Population of destinations are very less , native population is fail to meet the labour demand of that countries and they depend on the migrant labourers to meet the labour market demand . The proportion of Indians to total migrants is the largest in Oman (at around 58 per cent), it is also significantly large in the United Arab Emirates, Bahrain, Qatar and Kuwait (at 36 per cent in each country). Even in Saudi Arabia, which has the largest number of migrants, Indians account for around one fifth of all migrants (UNDESA, 2013). In the case origin country, India is the second highest populas country and density of the population is also high , creation of employment is also lower rate compare to population growth due some of the other reasons Indian laboureres are ready to migration where they get employment and higher payment for their work.

Distance between Indian to GCC countries are the statistically significant at 5% level and negatively impact on the emigration from Indian to GCC countries. Distance increases between origin and destination increases the transport cost to emigrate, it may negatively impact on the migrants.

Religion of the destination countries is statically insignificant and negatively impact on the emigration decision, GCC countries are the Muslim countries it may negatively impact on other religion people emigrate to GCC countries .

GDP of origin country, exchange rate of origin country, population of origin and destination countries are significantly influenced by 1% level of significance and positively impact on the emigration decision. GDP of destination countries and distance are statistically significant at 5 % level. GDP of destination countries positively impact on emigration and distance negatively impact on emigration. Religion of destination countries and Exchange rate of destination countries are statically insignificant and negatively impact on emigration from India to GCC countries.



CONCLUSION

The increasing significance of GCC countries as a destination for migrant workers is illustrated by the change in total migrant stock in those countries, It is increasing from decade to decade. India, which sends the largest number of migrants to GCC countries, accounted for more than one fourth of the region's total migrant population in 2013. The current annual recorded flow of low-skilled labour migrants from India to GCC countries is a tiny proportion of the total labour force in India .But in comparison with the annual addition to the labour force in the past two decades the labour outflow figures are quite heavy; foreign employment destinations have acted as a crucial safety valve for the Indian labour market. This is particularly important, given that the country's employment growth in recent years has been

much lower than the rates recorded during the two previous decades. Relatively higher unemployment rates among educated youth make the situation even more problematic. This suggests that the persistence of wage inequalities and low growth in formal employment spur workers to consider international migration as an option for improving their economic well-being. Although the generation of quality employment within a country is the surest means to provide sustainable livelihoods to the vast majority of the low-income and low-skilled population, it is important for policy responses to consider the role of overseas migration in reducing the pressure on domestic employment.

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