Redirecting money from the Gulf

What is the issue?

- There was a social media advisory sent out by a Gulf-based organisation recently targeting the families of non-resident Keralite workers based in the Gulf countries.
- It was against the backdrop of the creeping economic slowdown in India.

What was the advisory?

- The highlights of advisory - Drop the plan to buy a new car. Avoid eating out. Only buy things you absolutely need. Make do with public transport. Go to government hospitals.
- Another advice on the list was that those who were employed in the Gulf should never give up their jobs, even if they didn't get paid on time.
- This advice was given stating that there are not many jobs to go around back home because of the economic slowdown.
- The advisory was interesting for two reasons:
    1. A fact that the diaspora community had sensed, ahead of most people in India, that a slowdown in the Indian economy was imminent.
    2. The delayed realisation that non-resident Keralite families must curb certain consumerist habits that were a result of the massive amounts of remittance money they were receiving.

How Kerala is a Consumerist economy?

- Roughly a tenth of Kerala's population works abroad — a huge majority of them in the Gulf countries.
- For decades, Kerala's economy is a consumerist one that has been propped up by the massive remittances from non-resident Keralites.
- An estimate says that non-resident Keralites pump close to ₹200 crore daily into the State.
- Kerala gets roughly a fifth of all NRI remittances to India.

What is the impact of remittance money?

- For all its natural resources, impressive literacy and highly evolved State welfare system, Kerala produces very little of its daily needs.
- Manufacturing and Agriculture contributes less than 10% and a little above

10% to the State's GDP.

- The unemployment rate is very high.
- Yet, Kerala's per capita income is above the national average.
- Modern mansions can be seen dotting both sides of the road across many parts of Kerala.
- High-end cars and boutique jewellers' shops are also common. These are because of remittance money.
- Ever since the labour migration to the Gulf started in the 1960s, enormous sums of money have flowed into Kerala.
- **Estimate** - Since the beginning of the 21st century, some ₹10 trillion has arrived in the State, including from the UAE, Saudi Arabia, Kuwait, Qatar, and Oman.
- But almost all this money has gone into consumption and unproductive investments in land, real estate and gold.
- There are many reasons for this, including systemic rigidities, trade union overkill, lack of imaginative investment avenues, and the absence of a visionary policy framework.

Is the advisory right?

- The social media advisory might have appeared counterintuitive.
- Macroeconomists say that curtailing consumption will accelerate the slowdown.
- However, Kerala has enough mansions, cars and jewellery to last another generation.
- It lacks jobs for residents of the State who are unemployed and for non-resident ones who cyclically lose their Gulf jobs and are forced to return home.
- The non-resident Keralites should put their hard-earned money into productive ventures.
- If they had invested 1% of the massive amount they pumped into Kerala over the past two decades in job-generating ventures, the next generation would have been spared the need to hunt for jobs in the Gulf.

Source: The Hindu

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