

Indian Diaspora and Their Contributions to the Indian Economic Development

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Abstract

Migration from a country is associated with the huge loss for that country in one aspect although it is the brain drain phenomena. However, emigration also creates economic opportunities in their origin countries. The remittances enhance welfare by raising community consumption level. The origin countries get benefited when reverse brain drain takes place. When the unemployed in the origin countries migrate to the foreign countries and send back remittances for their families create multi socio-economic benefits in the origin countries. It reduces unemployment burden as well as increases the consumption level of the family members. The remittances also lead to capital formation and hence, consequently help in creating employment opportunities. Indian Diaspora is one of the biggest Diasporas in the world. They spread all over the world at the present time. Even though India is bearing opportunity costs for its Diaspora, it is also immensely benefited in different aspects. Based on the secondary data, this paper tries to look at the benefits contributed by its Diaspora with special reference to the remittances.

Keywords: Unemployment, Diaspora, Remittances and Welfare.

Introduction

The costs and benefits of Diaspora of a particular country are very difficult to measure in quantitative term although some of the parameters are subjective. It is a complex phenomenon, because, if emigrants create losses to home country in one aspect, they also contribute benefits to the home country in another aspect. However, this situation may not apply to all emigrants. For instance, an emigrant may not contribute to the home countries from the host countries. Indian Diaspora is one of the biggest Diasporas in the world. They do not confine only in one continent; rather, they live in all continents of the worlds. The relations of India with its Diasporas become more closeness, especially, in the economic sphere after the abolition of restrictive policy or the liberalisation of its national policies. Emigration from India, especially, highly qualified people are associated with huge economic loss in one aspect, because, migration of such people indirectly reduces the productivity of our country. The under-developed countries are spending millions of rupees on the training of the experts of their countries, but the developed countries are utilizing their services without spending on them (Raveesh, 2013). The Diaspora of a country is like the phenomena of a zero-sum-game. Using the productivity of emigrants by the host countries is associated with the loss of productivity of the origin countries. The home countries bear huge opportunity costs for the Diaspora. The origin countries should sacrifice productivity of the emigrants for receiving remittances from host countries. The contribution made by emigrants directly or indirectly can be termed as benefits. For instance, remittances from the emigrants positively impact on the Indian economy. "Remittances help families left-behind have food on the table, and children to stay in school and off of child labour" (Constant & Zimmermann, 2016). Indian Diaspora plays a vital role in improving its economy. According to the World Bank, about \$69 billion was sent by Indian migrants to family and friends in India in 2015, amounting to roughly 3% of the country's gross domestic product (Connor, 2017). Along with other benefits like reducing unemployment burden, the sending remittances by emigrants help in foreign exchange reserve. The Indian Government has realized the importance of its emigrants in the contribution to the foreign exchange reserve and investment in the country (Bhagat, Keshri & Ali, 2013). Remittances are a critical resource for many developing countries in terms of the balance of payments (Nurse, 2018). The development of Science and Technology helps in transferring knowledge even without physical contact. The

constructive contributions of Diasporas to development in their country of origin are the transfer of acquired knowledge (Singh, 2012).

The objective of the Study

- I. To analyze the costs and benefits in the Indian economy due to its Diaspora.
- II. To look at the role of remittances in the Indian Economic Development.

Conceptual Background

Migration of population is an international phenomenon. Now a day there is an increasing trend of migration of people from developing to developed countries resulting in brain drain. Usually, healthy, qualified and competent people migrate in search of jobs and for improving their career. In the international aspect, migration can be conceptualised in two aspects, that is, immigration and emigration. Both of the terms mean leaving their countries of origin. However, there is a little difference between them. "Emigration is the act of leaving a resident country or place of residence with the intent to settle elsewhere. Conversely, immigration describes the movement of people into one country from another" (Wikipedia, 2020).

Methodology

This study is purely based on secondary data. Along with articles of different journals the data have been taken from RBI data to meet the objectives. This study evaluates the costs and benefits of India due to its emigration. Moreover, it also evaluates the role of remittances in Indian economic development.

Diaspora and its Costs to the Indian Economy

The Indian emigrants are contributing socially, politically and economically in the host countries. The invention, innovation and other contribution in the economy have directly benefited by the host countries. The migration of highly qualified people, especially, from IITs, IIMs, NITs, AIIMS and who migrate to the foreign countries for higher studies and take their citizenship make losses for the home country. The brains draining from India directly reduces productivity in one aspect. If the contribution of the emigrants in host countries is higher than remittances and other benefits contributed to the home country then the cost to India due to emigration will be higher than the benefits it made.

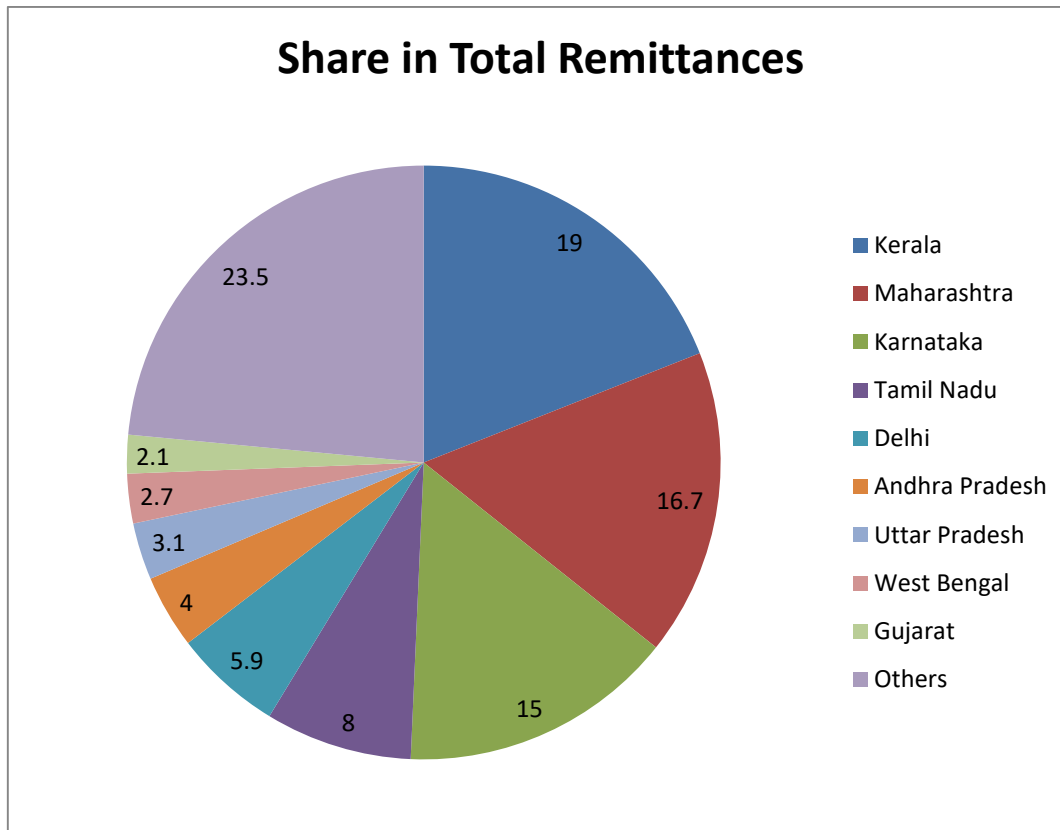
Benefits to the Indian Economy

The emigrants immensely contribute to the Indian economy. They help in increasing foreign currency reserve, international relationship (both economic and non-economic) with the host countries, sending remittances, the contribution for philanthropic works etc. Indian Diaspora brought a multi-layered gain to the IT industry in terms of enhanced skills; capital formation (human, social and financial); inward remittances; foreign direct investment(FDI) flows; creation of networks/markets and a boost for India's image (Pande,2013). India has huge productive age, but the non-utilisation or underutilisation of this productive group inside the country is, now, as the burden for the country. At present, it has seen that many productive groups of people are looking for foreign jobs because they could not get job opportunity in the home country. The educated unemployment found both in rural and urban areas. Therefore, emigration from India reduces the unemployment burden and the remittances sending by them raise aggregate demand and Gross National Product. Emigrants help in building human capital by transferring knowledge from the host countries.

Economic Benefits in Remittance's Aspect

India was the world's largest recipient of remittances in 2016, receiving US\$ 62.7 billion (Challagalla, 2018). As per 2016-17 RBI data, remittances to India were mostly routed through private sector banks (74.2 per cent), followed by public sector banks (17.3 per cent) and foreign banks (8.5 per cent). Most of the remittances come from United Arab Emirates (26.9 per cent) followed by United State (22.9 per cent), Saudi Arabia (11.6 per cent) Qatar (6.5 per cent), Kuwait (5.5 per cent) and Oman (3.0 per cent). The rest of the remittances come from the

rest of these states. The highest share of remittances is received by the state Kerala (19.0 Per cent) and followed by Maharashtra (16.7 per cent), Karnataka (15.0 per cent) and Tamil Nadu (8.0 per cent). The detail of the picture of the remittances is shown in the following figure.



Source: India's Inward Remittances Survey 2016-17, RBI.

According to this survey, 59.2 per cent remittances are for family maintenance or the consumption purpose. Therefore, the higher amount for consumption purpose helps in increasing aggregate demand in our country. Moreover, 8.3 per cent of remittances are used for investment in property, share and equity. Therefore, along with the consumption expenditure, the investment expenditure also helps in increasing our National Income through the investment multiplier effects.

Remittances prevent the depreciation of rupees in terms of foreign currencies, because, it increases the supply of foreign currency. It helps in capital formation and utilisation of resources in India. Remittances increase the community consumption level and hence, increase the welfare.

Conclusion

India is the second-most populous country in the world after China. It has a huge unemployment problem both in the rural and urban areas, because, it could not utilize its productive age group even after having its potentiality for increasing the production. As per the Annual Report on Periodic Labour Force Survey (2017-18), Government of India, the unemployment rate of educated rural males and females (age 15 years and above) in usual status (ps+ss) were 10.5 per cent and 17.3 per cent respectively. On the opposite, the unemployment rate of educated urban male and female were 9.2 per cent and 19.8 per cent. Hence, as per the situation, the potentialities are likely to turn into the burden for the economy. The people who migrate to foreign countries in such condition are creating some benefits in the country. Because they reduce unemployment burden and their remittances are raising the standard of living of the family. The remittances pushing up community consumption level and hence, raise welfare as a whole.

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