

REMITTANCES FROM ABROAD BY THE MIGRANTS FROM KERALA AND THE PERFORMANCE OF BANKS IN KERALA: A RE-LOOK

Reni Sebastian

Ph.D Research Scholar, Department of Applied Economics, Cochin University of Science and Technology (CUSAT), Kochi, Kerala.

Abstract

Huge remittances from the Non-Resident Keralites (NRKs) numbering over 23 lakhs have got tremendous influence on the performance of Kerala-based banks, particularly the private sector banks. Remittances from NRKs contribute nearly one-third of Kerala's gross state domestic product (GSDP). From the time immemorial Kerala has got an enviable history of private banking. Today, in this 21st century too, 4 out of the total 13 old private sector banks in the whole of India are of Kerala-origin. An earlier study using data till 2013 revealed that NRK remittances have highly benefitted the banks in Kerala. This study makes a re-look into the impact of NRK remittances on the banks in Kerala using more recent data from State Level Bankers Committee.

Key Words: *Non-Resident Indians, Non-Resident Keralites (NRKs), Private Banking.*

Introduction

Kerala has an enviable history of private banking in the whole of India. Even in the nineteenth century there existed one Kerala-based bank (viz. the Nedungadi Bank established in 1899 by Appu Nedungadi at Kozhoikode). In fact, Nedungadi Bank was one among the five banking establishments existing in India during those days; the other four banks being Allahabad Bank (1965), Oudh Commercial Bank (1881), Ayodhya bank (1884), and Punjab National Bank (1894). This is because of the fact that right from historical times Kerala had a climate that is conducive for banking [Manoj P K, 2010(a)] [9]. Kerala was one of the most over-banked state in India during the pre-independence era, and there were many instances of failure of such banks too. Though the number of Kerala based banks have been on the decline because of consolidations (like, take-overs, acquisitions, mergers etc. owing to bank failures), even as of 2015 there are as high as 4 old private sector banks in India out of 13 in the whole of India. The vast network of private banks in Kerala contributed tremendously towards the growth of banking system in the state [Manoj P K, 2010 (a) [9] & Manoj P K 2010 (b)] [10]. Of late, because of the vast population of Keralaites in other states, often called Non-Residents Keralaites (NRKs) who constitute a large segment of the total NRIs (Non Resident Indians), the huge remittances of NRKs have been a boon to the banking system of the state. The peculiar characteristic of Kerala state is that service sector dominates its economy. The state leads most of the other states in India in terms of per capita GDP which is estimated to be Rs. 74,620 and Human Development Index (HDI) of Kerala is the best in the country. The high per-capita GDP of the state, higher development indices etc. emanate substantially from the huge foreign remittances from NRKs to the state. The low productivity figures for the state juxtaposed with higher development figures than in most Indian states is often dubbed the 'Kerala Phenomenon' or the 'Kerala Model' of development by economists, political scientists, and sociologists. This paper makes a re-look into the impact of NRK remittances on banks in Kerala using the more recent data (upto 2015).

Earlier Studies and Research Gap

As already noted, there are studies on the banking system in Kerala and the vital role played by the private banks in the growth and expansion of the banking system in the state [Manoj P K, 2010 (a) [9] & 2010 (b)] [10]. There are many studies on inter-state migration in India and its impact, like, the study by Dr. Manoj P K and Neeraja James (2014) [11] entitled 'Unorganised Labour in Housing Construction Sector in Kerala: An Empirical Investigation of Human Rights Issues and other Problems' which focuses on the unorganized migrant housing construction workers in Ernakulam (Kerala) and their human rights issues. A very recent study report, India Migration Report, by Irudaya Rajan (2015) [6], inter alia, deals in detail the implications of migration from India (Kerala as well as other parts of India), the linkage between migration and gender, etc. In a recent study by Manoj

P K (2016) [12], 'Foreign Remittances of the Non-Resident Keralites: A Study of Its Impact on Kerala Based Private Banks' has analysed the role of the remittances of the Non-Resident Keralites (NRKs) on the performance of Kerala-based banks. In spite of a number of studies involving migration from Kerala as well as elsewhere in India to foreign countries, studies focusing on the migrants from Kerala (NRKs), particularly on their remittances to Kerala and implications of the same on banks in Kerala are very scarce; the only exception being the study by Manoj P K (2016) [12] on the foreign remittances by the NRKs which covers data upto 2013 ONLY. In this context, this study makes a re-look into the situation using the more recent data (those of 2014 and 2015, now available) sourced from the State Level Bankers Committee (SLBC) Kerala; with a view to arrive at more meaningful research findings that can lead to pragmatic policy decisions relating to investments by NRKs in Kerala state.

Remittances of NRKs and the Performance of Banks in Kerala – An Overview

A constant and steady rise in the immigration of the nationals from Kerala to the foreign countries like the gulf countries, the UK, the US etc. has been there since the mid-1900s and this trend continues even now. This trend is more prominent during the ongoing era of globalization, particularly in the post-2000 regime. Other immigrants have come as asylum seekers, seeking protection as refugees under the United Nations 1951 Refugee Convention, or from member states of the European Union, exercising one of the European Union's Four Freedoms. About 23.65 lakhs Keralites are working abroad, mainly in Persian Gulf; to where migration started with the Gulf Boom. The Kerala Economy is therefore largely dependent on remittances.

The 'Kerala Phenomenon' arises from Kerala's land reforms, social upliftment of the entire communities, huge remittances from abroad from Non-Resident Keralites (NRKs), and reforms introduced by the communist party. For a long period of time, Kerala's economic progress is above the national average, though relatively few major corporations and manufacturing plants are headquartered in Kerala. It is noted that Kerala has attained a Gross State Domestic Product (GSDP) that is higher than the GDP of India for the last four years (2012, 2013, 2014 and 2015). Besides, funds from the NRKs contribute substantially to Kerala's GSDP. As of 2011, as high as Rs.49,965 Crore accounting for 31.2 per cent of the GSDP of Kerala was the share of NORs. There were 3430889 NORs as of 2011 as against 33,50,538 in 2008. Further, it is noted that, as of 2011 NRK remittances accounted for as high as 1.6 times the revenue receipt (Rs. 31,181 Crore) of Kerala state and as high as 6.2 times the money that the state got from the Centre (Rs. 7,982 Crore) as revenue transfers and 2.2 times the entire government expenditure (Rs. 22,546 Crore). In 2011, Malappuram district of Kerala state topped in overall NRK remittance with Rs 9,040 Crore accounting for 18.2 per cent of the Kerala's total remittance. Malappuram district is followed by Ernakulam district in the second place with a share of 12.3 per cent. Third and fourth positions go to the districts of Kannur (10.4 per cent share) and Thiruvananthapuram (9.5 per cent share). [Manoj P K (2013)] [11].

At the global level itself, the performance of Kerala is commendable. As of 2013, NRK remittances account for not less than one-fifth (20 per cent) of the total NRI remittances to India. While India received a total foreign remittances of USD 71 Billion in 2013 which is higher by USD 2 Billion than the corresponding figure of 2012 (USD 69 Billion), one-fifth of the same is contributed by Kerala state – the small and southernmost state in India. [Manoj P K (2013)] [11]. The recent report by the World Bank (2014) [14] has pointed out that India would be the top destination for global remittances in 2014 pushing China to the second position.

Huge remittances from Non-Resident Keralites (NRKs), have got tremendous influence on the performance of Kerala-based banks, particularly the private sector banks. Remittances from NRKs contribute nearly one-third of Kerala's gross state domestic product (GSDP). From the time immemorial Kerala has got an enviable history of private banking. Today, in this 21st century too, 4 out of the total 13 old private sector banks in the whole of India are of Kerala-origin. In the above context, this paper makes a preliminary study of the impact of NRK remittances on the performance of Kerala-based private sector banks.

In 2012, the state was the highest receiver of overall remittances to India which stood at USD 66.13 Billion (Rs. 3,42,884.05 Crore), followed by Tamil Nadu, Punjab and Uttar Pradesh. S. Irudaya Rajan describes the situation as "Remittances from global capitalism are carrying the whole Kerala economy". Unemployment recently dropped from a large 19.1 per cent in 2003 to 9.4 per cent in 2007 and only 4.2 per cent in 2011. Underemployment, low employability of youths, and a 13.5 per cent female participation rate are chronic issues. One concern is that Kerala government is running some of the highest deficits in India. As of June 30 2015, the NRI deposits in the banks in Kerala has crossed Rs. 1 lakh Crore. As of FY 2015, as high as four out of the total 13 old (traditional) private banks (OPBs) in India are located in Kerala. Besides the four Kerala-based OPBs, one among the total 27 public sector banks (PSBs) (i.e. government-owned banks) viz. State Bank of Travancore (SBT) is also head-quartered in Kerala. The study by Manoj P K (2013) [11] on the foreign remittances by the NRKs using the data till 2013 has noted the high significance of the business from NRKs on the running of Kerala-based OPBs. Let us consider the latest position in this regard using the more recent data viz. 2014 and 2015.

Table I: NRK Remittances and the Performance of Banks in Kerala

Particulars	June 2013	June 2014	June 2015	Y-o-Y Change (2014 and 2015)	
				Change-Value	Percentage Change
No. of branches	5331	5755	6010	255	04.43 %
No. of ATMs	5111	7284	7951	667	09.16 %
Total Deposits	239214	283928	328763	44835	15.79 %
Deposits from NRKs (Percentage Share)	75883 (31.72 %)	94097 (33.15 %)	117349 (64.31 %)	23252	24.71 %
Domestic Deposits (Percentage Share)	163331 (68.28 %)	189831 (66.85 %)	211414 (35.69 %)	21583	11.37 %
CD Ratio	72.88	67.82	66.53	-1.29	-1.90 %

Source: State Level Bankers Committee (SLBC), Kerala, June 2015 Statistics

From Table I it is noted that as in the earlier findings of Manoj P K (2016) [12] in respect of the recent years viz. 2014 and 2015 also there is commendable improvement in NRK remittances as evident from the steady growth. But in credit dispensation there is room for further growth as there is poor (and rather declining) CD ratio, the latest CD ratio being negative. Policies aiming at reversal of this negative trend are vital at this juncture.

Suggestions and Concluding Remarks

In view of the appreciable growth in NRK remittances and the definitely positive impact of such remittances on the performance (deposits front) of banks in Kerala, such remittances should be encouraged further for the sustained growth of the banks in Kerala. At the same time, there should equal emphasis for enhanced lending activity as the CD ratio is generally poor and is worsening too, the latest growth rate (2015 over 2014) being negative. Government should take concerted efforts in the direction of improving the credit dispensation by the banks in the state, by encouraging them to provide more credit for those who want to make investments in the state itself. Thus, faster industrial development of the state can be facilitated and the remittances by the NRKs become instrumental in this regard. rapid In short, by focusing on advances portfolio better, banks in Kerala can excel over its peers elsewhere in India because of their undue advantage in the form of abundant NRK remittances.

Scope for Further Exploration

This study which is in the nature of an exploratory study can very well be explored further using the more recent data, ie. those pertaining to 2016 onwards and findings the latest trends in respect of the remittances by the NRKs, CD ratios of banks in Kerala and so on.



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