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A Study on Remittances and Development Outcomes Evidence from India

Bhupesh Gopal Chintamani



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Abstract

India has been occupying a prominent position in the global remittance atlas especially after the emergence of oil-backed economies in west Asia. It is getting benefited as its diaspora is spread across the world. Remittance has become an important external source of many developing countries. Many developing countries take measures to increase remittance flows as it's the second largest source after Foreign Direct Investment (FDI). Thus, it's raising income, more stable source of income during the boom and become less volatile by nature. This paper deals with conceptual and empirical outline which will examine the importance of remittance and their benefits in India. The conceptual importance will be done by evaluating research paper and for empirical outline deals with RBI data. Literature confirms that there is a positive connection between remittance and economic development in India; however, it is not necessary that economic growth is attributable to remittances; development will consequently lead to an increase in inflows and productive investment.

Keywords: Remittance outcomes, Maximizing development, NRI.

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Statement: All the views expressed in the paper are of the author(s).

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1. BACKGROUND OF THE STUDY

International migration plays a major role in the globalized and uncertain economic world with shrinking financial and social backing to the labour-exporting country. International remittances have increased since many a year to countries like India in the account of \$72.2 billion to India in 2015 and rank first in the world 1. International migrants send remittance to home country for many purposes for family maintenance expenses as well as investment purposes. According to the data available with the Reserve Bank of India (RBI), inward remittance for the year 2014-15 raised at 44.08 billion dollars which is double the annual budget size of some of the larger states and also increased 6% of remittance growth in last five years since 2010 to 2015 2.

Worldwide remittance flows have been estimated to have exceeded \$601 billion of which developing countries' share is projected to receive around \$441 billion, approximately three times the amount of Official Development Assistance (ODA). International migration caused enormous increment at rural as well as urban level in a recent year and participated in national development with international remittances at the household level. For the first time in the history of India, absolute number of poor has declined from 2004-05 to 2011-12 from 407 to 269 million. This is because of raising rural consumption expenditure and remarkably changes happen in the design of consumption basket, where international remittance plays a pivotal role in reducing poverty in rural India across states. The states of high poverty head count ration (HCR) shows large number of out-migration from a rural area in India and also imitate with positive relationship between poverty head count ration and rural out-migration from India (Pradhan et.al. 2015).

India is the country with largest remittance flow in the world, because large number of emigrant impact positively on remittance receiving household to reduce economic dependency, expected income, poverty and change in the marginal behaviour which is part of economic development with spending in education, health, saving and investment. The international remittance is one of the ways to identify countries rating and their international relation at global platform. Despite many studies focused on utilization of remittances, there are gaps in literature with foremost receiving international remittance country like India. This approach leads a gap of understanding at the national, regional and local level of a private transfer for the purpose of country development.

This study is uses a unique set of data set available at Reserve Bank of India (RBI) from survey of "Private remittance to India" for the year 2007-08 and 2008-09 in nine districts selected from four major receiving states to present role of remittance and determine the nature of their relation with development of India with utilization, source pattern of remittance. The survey covers 70 percent international remittance area. This paper explores the economic profile of the remittance household, source, mode, usage of remittance to the link between the role of remittances and use for development to determine the nature of this relation with Indian context. This paper attempts to explore the impact of remittance on consumption, saving, investment pattern to reduce poverty with literature.

2. REVIEW OF LITERATURE

The section is classified in two sub-sections as importance of remittance India and measures of development; where literature highlights a positive relation with multiple aspects of remittance and their effect on economic growth and development.

A. Remittance and reediness pertaining to India

Literature confirms that if international remittance is used properly by receiving country then a major source of foreign funds would boost economic growth, reduces poverty and financial deepening in the labor-sending country for their futuristic development. The current government has taken a major initiative to maintain relation with their diaspora's community across the border to increase their participation in counties investment like infrastructure, businesses and projects for promoting government schemes to tie-up for long-term and sustainable development and economic growth (Business Line 2016).

International remittance is noncyclical and extra source of stable money flow for a country like India and helpful at the time of crises and weak economic situations. Remittance to GDP ratio accounted 2.5 percent in 2000, 3.5 percent in 2005 and peak up to 4 percent in 2008 immediately before global financial crisis and again come down to 3.5 percent in 2015 but not fall down below 2.7 percent since it was grown to 2.4 percent from less than 1 percent in 1990 (RBI 2006-2015). International remittance has increased in India since liberalization and screening upward movement till date where World Bank predicted that weak economic condition at the world and cyclical low oil prices may lead negative effect neg-

ative growth of remittance for Indian in the year 2016-17 (Ratha, World Bank, 2016).

According to Economic Survey 2016-17 India faced negative investment in private and public sector where it causes a problem in huge infrastructure development project, business, and market. However, remittance acts as an important source to bridge the gap. India is ready to face the global currency war with \$350 million foreign reserves adequate to maintain the 10 months imports of India in coming days where FDI flows in Jan-2015 raised \$19.4 billion up to 30 percent from a year earlier and India being troubled by a drop in public and private investment and RBI hopes that strong foreign capital flows will help to rectify this weakness (Business Standards 2016).

It has series of effect at the macro level to maintain India balance of payment position, exchange rate and witnessing an instrument for financial help as compare to FDI and FII flows in the economy. Interest rate offers by Indian bank are more than that of developed countries which attract NRI to park more money in their home country than the host country. Hence, depreciation of rupee and interest rate for deposit are motivated. Diaspora bonds are not yet widely used as development financing instrument. Israel since 1951 and India since 1991 have been on the forefront in raising hard currency financing from their respective diaspora. Diaspora bond issued by government-owned State Bank of India (SBI) have raised over \$11 billion to date (Ketkar and Ratha: 2007). The government has recorded NRI through India Development Bonds (IDBs) in crises 1999 and also from India Millennium Development (IMD) in 2000 with \$ 5.5 billion. India benefited a lot with such bond where migrant seeks much interest to help the native country with such investment.

B. Measure of Development

Ratha Dilip (2004) mention remittance is a measured source for external development finance and a convenient angle of migration agenda. Actual remittances from formal and informal sources are higher and it is stable and even may be counter-cyclical in a time of economic need. The remittance has increased their share in personal consumption as it is seen after a natural disaster in Bangladesh, the Dominican Republic, Haiti, and Honduras. Also move upwards in case of hurricanes in Central America and government collapse in Somalia remittance played an acute role for persevering many families breathing with investment in construction and commerce area (Sharma et. al.2010).

Mark et.al. (2015) suggest such capital flow enables investment in the domestic economy. Remittances play a central role towards education, increase human capital formation, managed as daily expenses, saving and investment division attract foreign exchange where there is a need for infrastructure development in rural Sub-Saharan Africa. An important share of remittance because of wire transfer with legal source and reducing the cost of transfer, compare with the country like India, China, Philippines under major receiving country. But, due to several reasons they stabilize flows and participated in financial institution banks, micro-finance

institutions, and credit co-operative and essential to expand banking in isolated and rural areas where commercial bank not able to reach (Shikha, et.al. 2010). Botswana increased remittance in the area of drought to survive migrant households province, where migrant house estimated income replaced with 60% due to wealth related stocks exist in a sample of Philippines migrant in 2005 (World Bank, 2006; Yang and Choi, 2007).

Adam (2004) and Adams & Page (2005) measured the impact of remittance on poverty in respectively Guatemala and a panel of 74 low-income and middle-income countries. In both the instances, they found that international remittance brings a large impact in reducing the depth of poverty than the poverty headcount. Guiding to the migrant household for starting small enterprises, simplify remittance use for the productive purpose. World Bank (2006) document the area of less health promoting schemes countries remittance helpful for adequate treatment and aware healthcare facilities could be effective to sustain countries healthcare indicator. Orozco et.al (2006) reported that women are more committed to sending money over the longer term and more willing to remit more distant, as opposed to immediate family members their remittance may possibly be more counter-cyclical and more forthcoming after natural and man-made calamities.

NSSO 64th Round data shows that Kerala, Punjab, and Goa account for more than 40% on international remittance flow into the country. International remittance comes mainly for two purposes, first more than 60% for family maintenance and remaining for investment. In Uttar Pradesh, Rajasthan, Bihar international remittance flows directed more towards rural households where it is reverse in the relatively rich states of Gujarat, Maharashtra, and Goa which shift more towards urban households (Chinmay Tumble, 2011).

Ali and Bhagat (2016) and Day Sagrica (2015), using NSSO data show that remittance reduce poverty and increase investment. However, using PSM analysis shows it reduces poverty for selected states and region and less effective in urban area compared to rural area using treatment effect. Based on a survey of two districts, Milly Sil (2014) concluded that remittance diverges as per type of migrant (temporary or permanent) and remittances are helpful not only for consumption but also effective for saving and investment.

Kannan and Hari (2002) pointed out that Kerala is a result of economic reforms after 1991; Kerala economy gain due to the exchange rate. Kerala emigrants in total India emigrants are higher, which effect of changing per capita income, increase consumption of the people and per capita, consumer expenditure is higher in Kerala among India states since the 1980s. More than 20 percent remittances in India are received by Kerala and is one of the states from India whose economy strictly depends on remittances. Sasi-kumar and Hussain (2007), remittances are transitory income and majorities are spent on status-oriented consumption and also for entrepreneurship and business development.

The above literature confirm that international remittance is playing a major role in poverty reduction at receiving country; there is

a positive relation between remittance and degree of development of receiving country. It received more when economic conditions are unwell in the country as it is countercyclical respect to India. The major country benefited where ODA not reached to the exact poor family but remittance reached directly to such selected household and effective to satisfy their expected income from an extra source of income. The exact type of investment for a country like India is missing as lack with states data on utilization after 2007-08. For example considering the case of Bangladesh there spending is more on entrepreneur activity where it considers to be a major exporter of handicraft which cause development with incremental export as compare to India. The relation of remittance growth is not related to economics growth in Bangladesh but causality has found in the relation of remittance and economic growth in Sri Lank (Siddique et.al. 2012)

III. DATA DISCUSSION

The data have been taken from Reserve Bank of India (RBI) from survey of “Private remittance to India” for the year 2007-08 and 2008-09 with the objective to find the remittance profile and utilization etc. The sample size of the RBI survey is 2947 household respondents belonging to nine districts from four states. These four states consist 80 percent of inward remittance.

Authentic data useful for the researcher as states wise data are not available for remittances in India. So, the author is trying to explore as much as possible the data set explain the relation of remittance with household development. Most of the respondents were mandated to operate account (NRRRA) both in the rural and urban block. Many respondents refused to give information about the financial account, so researcher not focusing much for the time being. Paper is based only on overseas migrant where data comprise all kinds of migrant including domestic migrant.

Table 1: Descriptive Statistics

Variable	Mean	Std. Dev	Minimum	Maximum
Household Size	2.7	1.2	1	12
Age of respondent	45.8	15.2	12	90
Education of respondent	5.4	1.5	1	10
Total Income	601667.7	620527.9	36000	14000000
Remittance share in total Income	77.1	27.1	0	100
Bank Account	0.8	1.4	0	10
Education of Migrant	6.7	1.6	1	10
Duration of Migrant	9.3	6.4	0	46
Age of Migrant	27.732	6.820	15	70

Marital Status of Migrant	1.875	0.358	1	5
Total Remit in a year	409343.672	395075.840	0	9000000
Direct deposited to NRRRA	232900.747	267883.675	0	6000000

Source: Author’s calculation using RBI’s survey (RBI 2012).

Table 1 shows that 46.5 percent and 53.5 percent of the household are from a rural and urban area where Gujarat, Kerala, Maharashtra and Punjab accounted 51.8 percent, 44 percent, 34.7 and 50 percent rural and 48.2 percent, 56 percent, 63.5 percent and 50 percent urban household respondent. It has also been seen that participation of Gujarat, Kerala, Maharashtra and Punjab states are 34.3 percent, 46.4 percent, 9.1 percent and 10.2 percent subsequently in the total household (N= 2947).

IV. DATA RESULT AND ANALYSIS

The result and analysis from the RBI data has been classified under the three sections with sub sections as follows.

A. Demographic Profile of the Migrant

Following tables gives a demographic profile of the migrants from the states of Gujarat, Kerala, Maharashtra, and Punjab where it consists gender, age, education distribution of the migrant and also a present place of the migrant, occupation and their remittance distribution participation percentage. The majority of migrant has schooling and higher education together with degrees of graduate and degree of professional as high-skill.

Result drawn from table 2-5

I. In the both rural and urban more than 90 percent of migrants are male; and mostly married, area as well as in total as per Table 2 and 3.

II. Woman participation have been lower with absolute number in total but vary with states, may be because of sample focus only to the NRRRA family and not covering all remittance household where this picture may change (Table 2)

III. Younger age group of the population has a more demographic advantage with a large number in the age group of 20-35 (rural and urban) and in the total India. The majority percentage of migrant are young working population, as demography have been spread systematically for quality sources of external income (Table 4).

IV. More than one-half of the emigrants are in the age of 25-35 years, followed by age of 35-39 (Table 4). Majority migrant at least high school degree (Table 5).

V. Similarly, 65 plus percent total emigrant was concentrated in the occupation of software professional, self-professional and entre-

preneur / partnership occupation (RBI 2012).

VI. In terms of educational qualifications, Table 5 shows as follows :

1. Migrants in the education up to a graduate degree in general, comprise 30 percent in total migrant who are classified as skilled professionals
2. Professional migrants including of B.E., M.B.B.S and B. Tech degree holders, comprise 17 percent, who come under high skilled professional.
3. Low skilled migrants with secondary to higher secondary education, comprise 26 percent; and finally
4. Some higher studies but not graduate includes semi-skilled migrants, comprise 11 percent.

Table 2: Distribution of Migrants by Gender and Rural/ Urban (Total Count)

States	Male	Female	Grand Total
Gujarat	890	121	1011
Kerala	1278	88	1366
Maharashtra	244	24	268
Punjab	299	3	302
Rural	1294	75	1369
Urban	1417	161	1578
Total (N)	2711	236	2947
Percentage	92	8	100

Source: Author's calculation using RBI's survey (RBI 2012).

Table 3: Marital Status of Migrants (Total Count)

Marital Status & States						Total
	Married	Unmarried	Divorced	Separated	Widow/Widower	
Gujarat	839	162	2	2	6	1011
Kerala	1172	192	0	1	1	1366
Maharashtra	244	22	1	1	0	268
Punjab	291	11	0	0	0	302
Rural	1163	200	0	1	5	1369
Urban	1383	187	3	3	2	1578
Total	2546	387	3	4	7	2947
Percent	86.39	13.13	0.1	0.14	0.24	100

Source: Author's calculation using RBI's survey (RBI 2012).

Table 4: Percentage Distribution by Age of Migrants

Age Group	Rural	Urban	Total Count	Total
15-19	0.07	0.00	1	0.03
20-24	3.80	2.53	92	3.12
25-29	17.60	16.67	504	17.10
30-34	24.32	26.74	755	25.62
35-39	18.99	21.74	603	20.46
40-44	11.98	12.61	363	12.32
45-49	10.74	9.70	300	10.18
50-54	4.82	5.70	156	5.29
55-60	4.67	3.17	114	3.87
61-65	1.39	0.63	29	0.98
66-71	1.02	0.19	17	0.58
72 +	0.58	0.32	13	0.44
Grand Total	100	100	2947	100

Source: Author's calculation using RBI's survey (RBI 2012).

Table 5: Education Status of the Migrant (Total Count)

Education Profile of the Migrant	Rural	Urban	Count	Percent
No formal Education	0.00	0.13	2	0.07
Literate but no formal education	0.15	0.25	6	0.2
School – up to 4th Standard	0.58	0.06	9	0.31
School – 5th to 9th Standard	3.58	4.12	114	3.87
S S C - H S C (10th -12th)	29.95	22.62	767	26.03
Some College (in dip) but no graduate	11.91	11.09	338	11.47
Graduate – General (BA, B.Sc., B.Com)	31.04	28.39	873	29.62
Graduate Professional (B.E.,M.B.B.S, B. Tech)	14.39	18.5	489	16.59
Post Graduate – General (MA, M.Sc., M.Com, and M.Phil., Ph.D.)	3.73	5.96	145	4.92

Post Graduate Professional (M.E, M. Tech, MBA, etc.)	4.67	8.87	204	6.92
Total	100	100	2947	100

Source: Author's calculation using RBI's survey (RBI 2012)

B. Destination, Duration, Frequency and Mode of Remittance Receipt

The survey reveals that the USA, the UK, and Dubai are the major and most preferred destinations, followed by Middle Eastern countries such as Kuwait, Qatar, UAE and Abu Dhabi. State-wise distribution shows migrants from Gujarat prefer the USA and the UK; migrants from Kerala largely prefer Gulf region and partly to newer destinations such as USA, UK, and Canada; migrants from Maharashtra prefer USA, UK, and Dubai. 3

Following are some insight analysis drawn for section B

I. Figure 1 reveals certain interesting things as top seven countries of migrants prefer USA (32), UK (19), Dubai (18), UAE (11), Qatar (8), Abu Dhabi (7), and Kuwait (6) percent.

II. Table 6 gives a snapshot of percentage of remittance coming from USA, UK, and Dubai has a top destination and also carries more number of older migrant (Table 2 in Annexure).

III. In terms of state-wise distribution of receipt of remittances, Kerala accounts (52) for the largest, followed by Gujarat (23), Punjab (13), and Maharashtra (11) percentage as shown in Figure 2. One can say that Maharashtra becoming upcoming states in top receiving remittances (Business Standard, 2014). Maharashtra gets more NRI remittances may be because of the Gujarati population concentrated in Mumbai is higher.

IV. USA, UK and Dubai are those destinations where the migrants stay for a longer duration compared to Gulf and other region (Table 2 in Annexure).

V. Migrants tend to prefer a traditional destination where a possible reason could be that it is easy to migrant through social network and receive the flawless amount. (Sasikumar et.al. 2007; Guha 2013),

VI. Education classification match with preferred destination which we have classified in (Section A) above; indeed track with the Table 3 in the annexure.

VII. Duration of migrants plays an important aspect towards much aspect to remittance household where the amount of remittance is significantly high in the initial period of after migration and going down with the increase in duration of stay (Table 4 in Annexure).

VIII. Out of 2947 samples of households, only 2922 responded about the frequency of receiving remittance, 45 percent of the respondents received remittances monthly, 30 per cent in every two

months, 14 percent three times in a year and remaining receiving once or twice in a year (Table 4 in Annexure).

IX. Frequency of remittance varies inversely with the duration of stay; i.e. as the duration increases, frequency of remittance decreases. Frequency falling sharply in longer duration of stay and slowly in the initial duration of stay, but average receiving amount is higher in longer duration compare to lower duration of stay. (see Table 4 in Annexure)

X. Based on the average amount received and frequency of sending, top 2 destinations of USA, UK participate less in total average remittance, compared to other top destinations (Table 5 in Annexure).

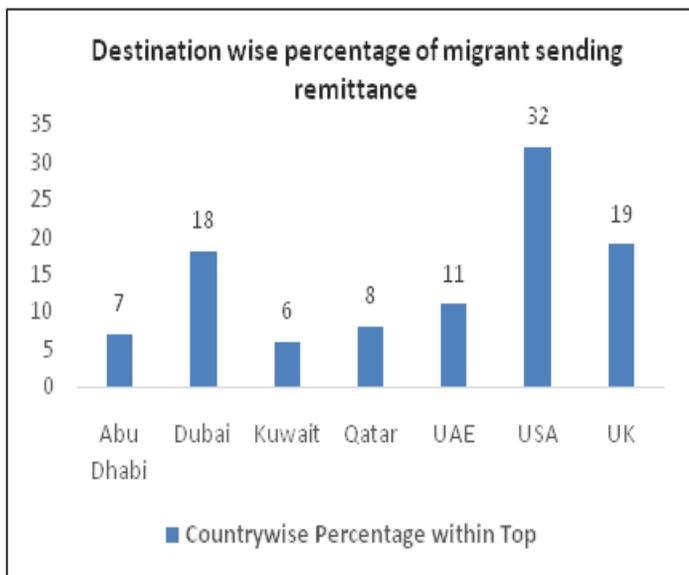
XI. A married migrant sends more money than an unmarried migrant. Possible reason could be increased spending for his/her family after marriage.

Table 6: Present Place of Residence (Percent)

Country	Percent	Country	Percent
Abu Dhabi	5.02	Sri Lanka	0.03
Dubai	13.27	USA	23.31
Saudi Arabia	3.26	UK	14.15
Kuwait	4.41	Canada	3.53
Muscat	2.44	Europe (not the UK)	2.38
Oman	2.10	Africa and	2.85
Qatar	5.73	Australia / New Zealand	3.39
Bahrain	1.12	USSR	1.05
Sharjah-UAE	7.91	Other	1.36
Iraq and Iran	0.10	Don't Know	0.92
East Asia*	1.46		
Latin America \$	0.20	Grand Total	100.00

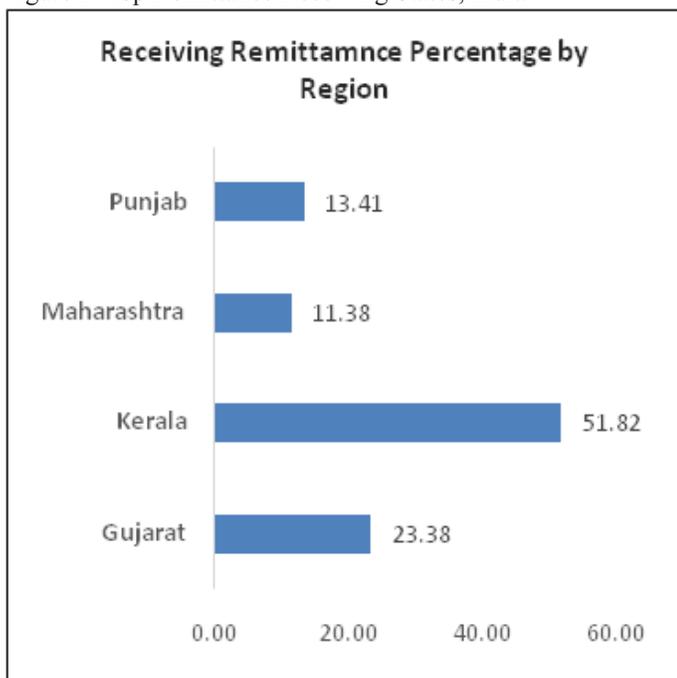
Source: Author's calculation using RBI's survey (RBI 2012).

Figure 1 Top Remittance Sending Countries to India



Source: Author's calculation using RBI's survey (RBI 2012).

Figure 2 Top Remittance Receiving States, India



Source: Author's calculation using RBI's survey (RBI 2012)

C. Remittance Transfer, Receipt, and Pattern of Utilization

1. Mode of Transfer

A direct transfer of Non-resident account, consider being major mode (58 percent on average) of transfer prefer by migrant, followed by other money transfer services (Western Union Money Transfer, 23 percent). At the micro level, Maharashtra (94) and Gujrat (86) percent reported higher than an average transfer to the NRRA and Punjab (42) and Kerala (41) report less than an average

direct transfer to the NRRA. Table 7 shows state-wise preferences of mode of remittance; alter the state with the destination of the migrant. Kerala document WUMT (Western Union Money Transfer) has been a major source of transfer. A significant portion of family transfer used by Punjab.

Table 7: Mode of Transfer by Migrant (percentage)

Mode of Transfer	Gujarat	Kerala	Maharashtra	Punjab	Rural	Urban	Total
DI-RECT NR	85.8	40.3	94.0	41.8	53.7	60.9	57.6
Demand Draft (DD)	0.0	1.1	0.4	0.0	0.5	0.7	0.6
Internet	0.3	4.2	3.9	1.2	3.4	2.3	2.8
Other Money Transfer Service	0.5	45.0	0.7	0.2	22.9	23.0	23.0
Family	0.3	1.3	0.4	13.7	2.7	2.6	2.7
Friends	3.5	1.7	0.2	8.4	3.6	2.3	2.9
Debit Card	9.3	0.5	0.1	0.3	3.5	1.7	2.5
Others	0.3	6.0	0.4	34.6	9.8	6.4	8.0
Grand Total	100	100	100	100	100	100	100

Source: Author's calculation using RBI's survey (RBI 2012).

2. Remittance Receipt

Income distress across Indian states is a major factor for international migration, hence remittance plays important role in receiving household and across receiving states. A study states accounted a significant portion of remittance in the rural and urban, were Maharashtra and Kerala carry less remittance proportion in rural as compared to urban. Percentages of remittance receipts show that household belonging to rural (72 percent) class hands on more remittance. It constitutes rural (29) and Urban (30) percent household expenditure, which is high compared to income by 21 (rural) and 22 (urban) percent. Percentage of remittance expenditure high among Punjab (44) followed by Gujrat (36), Kerala (23), and Maharashtra (19) in rural and 42, 34, 31 and 36 percent subsequently in urban. Expenditure plays an important aspect in the remittance household such as expenditure on education, health as productive expenditure and consider being human development indicator, expenditure in building and business consider infrastructural development; finally, expenditure in wedding, consumption, food are basic utilization, help to reduce family deepening with increasing standard of living of remittance household (Table 8).

Table 8: State-wise Remittance Details in

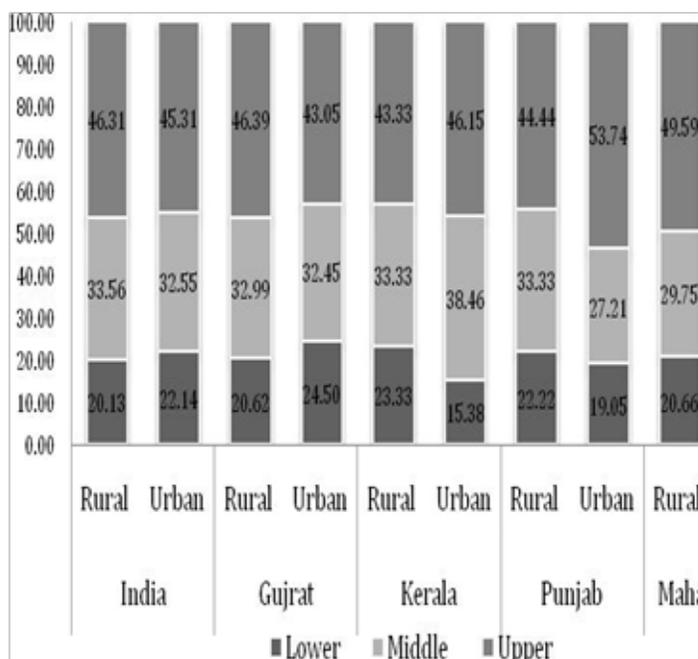
States	Percent HH in Total		Average HH Receipt of Remittance		REM % in Income		Expenditure % Remittance		Expenditure % in total income	
	Rural	Urban	Rural	Urban	Rural	Urban	Rural	Urban	Rural	Urban
Gujarat	51.8	48.2	265160	295103	60.8	57.5	35.6	34.4	21.6	19.8
Kerala	44	56	519213	409254	98.1	84.7	23.4	30.8	23	26.1
Maharashtra	36.5	63.5	377736	651437	74.6	74.1	19.4	36.8	14.5	27.3
Punjab	50	50	469073	602517	39.3	39.2	43.6	42.4	17.1	16.6
Total	46.7	53.3	406976	416927	71.9	65.7	28.8	34.2	20.7	22.4

Source: Author's calculation using RBI's survey (RBI 2012).

3. Economic Profile of Migrant Household

Knowing the detail importance of international remittance for household development, the household has been classified into different economic groups, however, it is based on their receiving status. In the absence of earlier remittance situation of the household, it is analyzed with different groups on the basis of economic quantiles by remittances receiving household across four states shown in figure 3.

Figure 3: Household Distribution by Economic Quantile



Source: Author's calculation using RBI's survey (RBI 2012)

Mostly remittances receiving household are economically better (follows in upper quantile) in all households. A household receives 20% remittances in a lower economic cluster, 34% are in middle cluster and 46 % in the upper cluster. The household receiving

picture similar in rural (45) and urban upper class in all selected states, matches same with total India remittance household trend. Vertical India from top to bottom show the states differentiation in receiving remittances to rural and urban pockets, subsequent with economic classes; from Punjab, Maharashtra, and Kerala. But mostly remittance received by rural household compared to urban household across states in low economic class and can be considered a positive effect on reducing poverty at the bottom and middle and changing lifestyle at upper economic class, steadily with remittances. The result follows the earlier result of (Day S, 2014; Ali Bhagat, 2015; Sandhya et.al, 2015; Pradhan 2015) that remittance become a measure for poverty reduction at rural level and helpful for economic development with the participation of mix economic classes in It can be stated that the economic profile of the household will India. Remittance received and utilization by different economic classes increased, the effects vary across the states but effective to grasp at rural India for reducing poverty with increasing standard of living (Mohanty et.al.2014).

It can be stated that the economic profile of the household will increase with the external flow and the household shift towards the next higher level of economic profile. It increased the wellbeing of the receiving household. However, impacts positively towards the receiving where remittances receiving households create demand for goods. To understand more about the effect the next section deals with the utilization of remittance and their effect on the economy.

1. Remittance Utilization

Remittance received from abroad had the largest share of 68 percent on total income, were distributed (71 and 66 percent) in the rural and urban area. Kerala received the largest share (90 percent) as compare to other states followed by Maharashtra (72 percent), Gujarat (59 percent) and Punjab (39 percent) in the sample area (see Table 6 & 7 Annexure). One can also find that remittance plays an important factor in income and expenditure pattern of the receiving household. Household consumption was reported as the major use of remittance (40 percent) in both rural, urban and in total area contrast to the finding Chinmay (2011). Except for Kerala share of funds used for investment was first choice (60 percent) for other states followed by household consumption, health, and education. However, Kerala expenditure highest (67 percent) in food items, shows dependent with remittance; it is a positive phenomena as increase states social and economic development. Hence, Kerala states spend more on expenditure and less on investment compare to other states (total sample states) average spending.

The total share of expenditure on education was small (2 percent) compared to health (15percent) in total (rural and urban). Expenditure on education and health consider being a productive investment in many studies demonstrate remittances have been significantly affected on health expenditure in the developing world (Cardona Sosa & Medina, 2006; Catalina & Pozo, 2011; Valero-Gil, 2009). However, medical care is still paid by migrant household from their own pocket. So, it is easily perceived here in general, the mainstream of the studies support the fact that remittances not only increase expected incomes of households, but also

serve to enrich the human and social capital for origin household. Health and education consider to be long-term capital building with the creation of human capital for the future. However, spending become increasing day by day in these sectors; free schooling up to a certain level as per government norms could be the reason for spending less on education and age-old person more in family may be the reason for health upsurge (Table 7 Annexure). So, health expenditure becomes a leading area compared to education, housing repayment and miscellaneous. Investment expenditure suits second prominent in total expenditure across states suggest leverage of remittance supportive not only for receiving household but also for the receiving country (World Bank, 2006). Since, a family member of NRI account holders is the survey respondents, investment in types of activities such as the purchase of land or a house by NRIs beyond the knowledge of respondents, is not reported in the survey (RBI 2012). The granular data (Table 8 Annexure) also depicted some amount of the major uses of remittance by purpose 1, 2 and 3 in the year 2007 and 2008, where major utilization is household consumption in total. Secondly, it gets deposited in the bank and then towards health, education, building houses, renovations and repayment of debt in 2007-08, hence 2007 spend more towards building houses, business compares to 2008.

The consumption has a major spending pattern (49) followed by saving (11), health (7), education (5), repayment of debt (3), and business (2) percent. The usage of remittance similar in the rural and urban household and helpful more for rural compare to the urban household as engagement rural help for covering from economic shocks and urban moves near investment sector. The short policy of government helpful for converting remittances in country development. The comparison is reveals that 2008 spending increase towards productive purposes more compares to 2007 like education, health, and deposit. Savings effective at bottom level bank branches, for creating credit capital and expansion of the banking facility to minimize the credit constraint for small and medium enterprises (SMEs). Household consumption is slightly different and spending on education, repayment of debt and rent has slightly fallen. But, spending on health shows positive sign of change. It is important to note that after 2008 the flow has increased much and need to study remittance receiving states where the data is not available and generated by the NSSO 64th round only in 2007-08 The utilized purposes of business, building houses, health and education give the positive sign participation in economic development at the local and regional level and affect more positively on the national level in a coming year as a prediction with gaps in the data source.

Table 9 in annexure reported utilization of remittance from withdrawal only through NRRA in 2007-08 and 2008-09, majority spends on consumption purpose. However, Maharashtra spends more towards bank deposit, but the trend is similar and repayment of debt, rent etc. more as compared to the total. It suggests for the requirement of banking development, formalize informal remittance to formal basket of banking. Punjab spends more on agriculture; Gujrat prefers in business related activity; Maharashtra carries mix result in, deposit and repayment; finally, Kerala mostly on consumption from withdrawal of NRRA. It shows that the states

has differences in term of utilization and not follows over similar pattern, in a few cases, independent states reveal more prominent result and suggest policy for futuristic need for e.g. Kerala and Gujrat. It also varies with the productivity of sates as per regional development dimensions.

With complete discussion, it would easily find the spending and utilization towards health, investing in business, house-hold related activity and education have considered to be a productive investment and development regime. Withdrawal from NRRA and deposit to the bank had a significant positive effect on expenditure. Remittance use as credit and capital market for investment to build human capital if used for health, business, entrepreneur, and infrastructure purpose.

Conclusion

The paper describes many angles of remittances and their role in development with cross countries experience and it successfully pointed out the “economic profile of the remittance household, source, region, usage of remittances to determine the nature of the development relation, considering Indian experience with authentic data. It suggest that the remittance has an impact in sample region as per behavior, mode of transfer and utilization. Following are the foremost finding revealed by the study: First, longer the duration of stay lesser the remittance receipt and frequency time, where people prefer to migrant tradition destination. There is a lackof data at the actual level of remittance utilization. The true size of remittances, including unrecorded flows through formal and informal channels, has believed to be considerably larger and specify remittance.

Second, RBI data on remittance shows that remittance used 40 percent for food and consumption item and remaining utilized for investment, health, education and purchased of land which means basically used for durable goods, consumer goods and regular household expenditure rather than investment item such as health and education etc. However, contrasts with NSSO data reveal 60 percent on consumption purpose (Chinmay, 2011). So, literature show remittance household change their lifestyle, which cause to increase in standard of leaving at the regional and national level, would promote for economic wellbeing and development at the place. Expenditure and investment play an importance role throughout the branches and motivations of remittance on fruitful assets such as education, health, buying land, business and repaying debt etc.

Third, there is no method available for calculating remittance. Hence, state-wise remittance data is not available in India. Fourth, banking sector plays important role formalizing remittance as these are the only basic source for data collection and a major tool for controlling informal flows. Finally, study restricts to NRRA household were all remittance household, in general, are not captured which may give a different picture of output. It also conclude that the remittance helpful for rural development with rural expenditure in productive basket.

It is not necessary that economic growth attributable to remittances, development will consequently lead to an increase inflows and productive investment. To conclude none has written about remittance and insured remittance household. However, people migrant mainly for reducing the risk and uncertainty to secure their life from the economic shocks. Remittances spend foremost on consumption but not entirely. Hence, flows are appealing and helpful for building infrastructures, educations, health etc. for the upcoming day not only for remittance receiving family but also in general with impartial.

END NOTES

1. India in South Asia region rank first with \$ 72 billion and also rank one in World, where Factbook 2016 also reveal that in coming year growth of remittance will be negative for India because of oil price negative effect and weak economic condition at global.

2. Statement based on the article publish by Factly suggest that remittance since last five year has increased to 61% to Indian which can easily depict from private transfer data of RBI. 63 percent of amount inward remittance, where 33 percent withdraw from NRI deposit.

3. This analysis follows “The World Bank Factbook 2011” (Second Edition) highlights on migration destination for India are as follows; Gulf countries, Canada, UAE, Saudi Arabia, Oman and Kuwait followed by Unites States, United Kingdom, Canada and Australia

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Annexure Table 1: Basic Details on Sample Size

States District	Person Mandated to Operate	Self-Operated	Rural Total	Person Mandated to Operate	Self-Operated	Urban Total	Grand Total*
Gujarat	479	45	524	404	83	487	1011
Anand	375	18	393	153	4	157	550
Surat	104	27	131	251	79	330	461
Percent	91.4	8.6	51.8	83.0	17.0	48.2	34.3
Kerala	586	15	601	758	7	765	1366
Kochi	0	0	0	150	5	155	155
Thris-sur	563	5	568	526	0	526	1094

Trivandrum	23	10	33	82	2	84	117
Percent	97.5	2.5	44.0	99.1	0.9	56.0	46.4
Maharashtra	69	24	93	134	41	175	268
Mumbai	0	0	0	81	28	109	109
Thane	69	24	93	53	13	66	159
Percent	74.2	25.8	34.7	76.6	23.4	65.3	9.1
Punjab	119	32	151	109	42	151	302
Jalandhar	107	32	139	91	42	133	272
Ludhiana	12	0	12	18	0	18	30
Percent	78.8	21.2	50.0	72.2	27.8	50.0	10.2
Grand Total	1253	116	1369	1405	173	1578	2947
Total Percent	91.5	8.5	46.5	89	11	53.5	91.5

Source: Author's calculation using RBI's survey (RBI 2012).

Notes: Figures are based on the "private remittance in India" survey conducted by the RBI.

Table 2: Place of migration and duration of stay (percentage)

Country	0-4	5-9	10-14	15-19	20-24	25-29	30-50
Abu Dhabi	4	6	5	4	6	9	4
Dubai	17	13	10	14	13	12	15
Kuwait	2	5	6	5	4	4	4
Qatar	4	5	10	4	4	4	4
Sharjah – UAE	5	9	8	5	9	9	15
USA	24	24	22	27	24	12	9
UK	17	12	16	11	13	18	29

Source: Author's calculation using RBI's survey (RBI 2012).

Table 3: Destination-wise Education of the Migrant (percentage)

Top Country	Abu Dhabi	Dubai	Kuwait	Qatar	Sharjah – UAE	USA	UK	Total
No formal Education	0	0	0	0	0	0	0	0
Literate but no formal education	1	0	0	0	0	0	0	0
School up to 4th Standard	2	0	1	0	0	0	0	0
School 5th to 9th Standard	7	4	5	5	6	1	4	4
SSC-HSC (10th -12th)	29	33	32	47	37	18	21	27
Some College (in dip) but no graduate	7	12	12	8	13	13	8	11
Graduate General (BA, B.Sc., B.Com)	30	23	28	19	19	34	40	30
Graduate Professional (B.E, M.B.B.S, B. Tech)	18	20	15	12	17	20	13	17
Post Graduate General (MA, M.Sc., M.Com, and M.Phil., Phd.)	1	3	2	4	3	6	5	4

Post Graduate Professional (M.E, M. Tech, MBA, etc.)	6	5	5	5	5	7	8	6
Total	100	100	100	100	100	100	100	100

Source: Author's calculation using RBI's survey (RBI 2012).

Table 4: Duration of Migrant, Frequency and Pattern of Remittance Receipts

Frequency	Percent	0-4	5-9	10-14	15-19	20-24	25-29	30-50	Total (N)
1	44.68	370	462	243	134	54	21	22	1306
2	30.55	109	475	205	52	31	9	11	892
3	7.08	53	74	49	16	11	3	1	207
4	13.62	67	156	99	43	18	7	8	398
5	4.07	16	19	18	18	19	16	13	119
Total number of household receiving remittances		615	1186	614	263	133	56	55	2922
Sum of Amount (RS)		193,850,000	521,540,000	272,914,000	105,764,000	60,395,800	23,635,000	20,237,000	1,198,335,800
Average Amount (RS)		315,717	439,747	445,938	402,144	457,544	422,054	367,945	410,811

Source: Author's calculation using RBI's survey (RBI 2012).

Table 5: Country, Frequency, and Pattern of Remittance Receipts (Top seven)

Frequency (F)	Abu Dhabi	Dubai	Kuwait	Qatar	Sharjah-UAE	USA	UK	Total
1	57	153	39	58	70	362	202	941
2	61	155	67	90	113	111	67	664
3	12	40	10	6	10	40	19	137
4	11	30	12	15	22	141	94	325
5	4	10	2		18	27	33	94
Total number of household receiving remittances	145	388	130	169	233	681	415	2161
Percent in total N*	5	13	4	6	8	23	14	74
Sum Amount (RS)	62,612,000	162,863,800	55,858,000	77,853,000	98,075,000	256,400,000	160,965,000	874,626,800
Avg. Amount (RS)	431,807	419,752	429,677	460,669	420,923	376,505	387,867	404,732

Source: Author's calculation using RBI's survey (RBI 2012). Notes: * indicate N=2947 sample size

Table 6: Source of Income of Household in Total Income (percent)

Percent of Total Income	Gujarat	Kerala	Maharashtra	Punjab	Rural	Urban	Total
Salary	28.38	5.30	18.51	2.19	11.1	13.2	12.25
Abroad Re-mittance	58.83	90.44	72.09	38.47	70.6	65.7	67.81
Other Income	3.25	0.16	2.88	1.07	1.1	1.8	1.50
Business	5.92	2.52	6.44	39.48	7.0	16.7	12.47
Farm	3.62	1.54	0.08	15.68	9.5	1.9	5.23

Source: Author's calculation using RBI's survey (RBI 2012).

Table 7: Types of Expenses percent in Total Expenditure in Total Income

Percent of Total Expenditure	Gujarat	Kerala	Maharashtra	Punjab	Rural	Urban	Total
Food Expenditure	8.7	11.0	6.0	7.3	10.9	7.8	9.1
Repayment of Debt*	0.7	0.7	2.0	1.3	0.9	1.0	1.0
Education	1.6	1.9	1.8	4.5	2.6	2.1	2.3
Miscellaneous	4.3	3.2	2.2	6.1	4.2	3.7	3.9
Health	10.6	19.7	16.9	6.3	15.8	13.8	14.6
Investment**	65.3	7.5	58.6	61.3	36.7	39.3	38.2
Consumer HH Exp ***	8.8	56.0	12.5	13.2	28.9	32.3	30.9

Source: Author's calculation using RBI's survey (RBI 2012).

Note* Housing expenses including rent/repayment of housing loan or mortgages, **Investment include land/own business/shares etc.*** Consumer expenses includes durable and consumer goods.

Table 8: Major uses of remittance from abroad including withdrawal from NRRA by states

Utilization	2008				2007			
	Purpose 1	Purpose 2	Purpose 3	Total	Purpose 1	Purpose 2	Purpose 3	Total
HH Consumption	84.05	13.18	4.42	48.7	82.95	12.39	5.45	47.7
Education	0.85	12.60	2.93	4.5	0.92	12.69	3.04	4.7
Repay Debt	1.78	4.03	2.45	2.5	1.85	4.35	1.96	2.6
Purchase Land	0.35	0.30	0.31	0.3	0.37	0.15	0.36	0.3
Wedding	0.37	0.33	0.57	0.4	0.27	0.21	0.22	0.2
Building/ HH *	2.12	1.93	0.66	1.8	4.45	1.49	1.31	3.0
Business Related	2.75	1.30	0.62	1.9	2.97	1.39	0.52	2.0
Agri. Allied **	0.05	0.08	0.41	0.1	0.07	0.08	0.30	0.1
Deposit Bank	4.49	20.02	17.85	11.4	3.94	19.94	17.13	11.1
Health	1.38	9.84	17.25	6.9	0.57	9.58	18.02	6.6
Other ***	1.81	36.40	52.53	21.4	1.64	37.74	51.69	21.8
Total	100	100	100	100	100	100	100	100

Source: Author's calculation using RBI's survey (RBI 2012).

Note - * Building/ Purchas / Renovate a House. ** Agriculture production/and allied activities (dairy, fishery, plantation etc.), ***indicate anything other than above.

Table 9: Major Uses of withdrawal only from NRRA in 2008-09 and 2007-08

Uses	2008-09					2007-08				
	Gujarat	Kerala	Maharashtra	Punjab	Total	Gujarat	Kerala	Maharashtra	Punjab	Total
HH Consumption	81.5	89.2	49.4	79.8	82.2	81.7	87.5	57.9	80.1	82.32
Education	1.4	1.1	1.2	0.0	1.1	1.2	0.6	0.4	0.0	0.73
Repay Debt	1.1	2.4	11.7	0.7	2.6	1.1	2.8	10.7	0.7	2.60
Purchase Land	0.0	0.3	0.4	2.3	0.4	0.0	0.3	0.0	2.0	0.35
Wedding	0.1	0.7	0.4	0.0	0.4	0.1	0.4	0.0	0.3	0.24
Building/ HH *	0.2	2.9	1.2	0.7	1.6	0.3	5.7	2.1	0.3	2.95
Business Related	4.2	0.4	1.6	7.3	2.5	4.1	0.4	1.7	7.3	2.53
For Agri. Allied **	0.0	0.0	0.0	0.7	0.1	0.0	0.0	0.0	0.7	0.07
Deposit Bank	5.5	0.4	22.7	5.6	4.6	5.5	0.5	19.7	5.3	4.30
Health	1.0	1.4	5.7	0.3	1.5	1.1	0.7	2.6	0.3	0.97
Other ***	5.1	1.2	5.7	2.6	3.1	5.0	1.1	4.7	3.0	2.95
Total	100	100	100	100	100	100	100	100	100	100

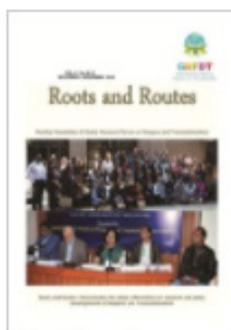
Source: Author's calculation using RBI's survey (RBI 2012).

Note - * Building/ Purchas / Renovate a House. ** Agriculture production/and allied activities (dairy, fishery, plantation etc.), ***indicate anything other than above

GRFDT NEWSLETTER

***Roots and Routes* disseminates the latest information on research and policy developments in Diaspora and trans**

Newsletters



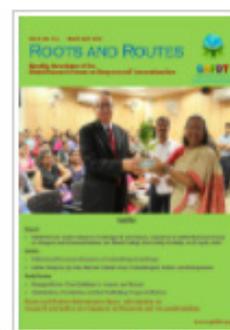
September-
December
2016



July-August



May-June 2016



March-April
2016

Roots and Routes is a monthly newsletter of the Global Research Forum on Diaspora and Transnationalism (GRFDT). It is inclusive of articles, book reviews and news analysis, which help in disseminating latest information on research and policy development in Diaspora and Transnationalism. The newsletter enjoys readership of academicians, policy experts, diaspora think tanks etc.

The regular columns of the newsletter are :

1. **Article** : consisting of well researched articles of about 3000-4000 words on any aspect of diaspora, migration and transnationalism.
2. **Short commentaries** : consisting of short write ups of about 1500-2000 words based on opinion, description or explanation of any event or situation related to the above mentioned themes.
3. **News analysis** : consisting of analyzing current news in about 1000-1500 words
4. **Book reviews** : 1000-1500 words.

We are pleased to invite your contributions to the above mentioned sections. Please send your contributions to the editors of the newsletter at editor@grfdt.com

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Global Research Forum on Diaspora and Transnationalism (GRFDT) is a consortium of researchers and policy makers drawn from national and international universities, institutes and organizations. GRFDT is presently based in India and is shaping as the largest such group focusing specifically on the issues related to diaspora and transnationalism.

The GRFDT works as an academic and policy think tank by engaging national and international experts from academics, practitioners and policy makers in a broad range of areas such as migration policies, transnational linkages of development, human rights, culture, gender to mention a few. In the changing global environment of academic research and policy making, the role of GRFDT will be of immense help to the various stakeholders. Many developing countries cannot afford to miss the opportunity to harness the knowledge revolution of the present era. The engagement of diaspora with various platform need to be reassessed in the present context to engage them in the best possible manner for the development human societies by providing policy in-put at the national and global context.