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Migrant moolah

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For a country that was a basket case in the 1960s and barely solvent up until the 1990s, India has come a long way in the past couple of decades. Massive western aid in the 60s amounting to billions, and the Soviet subsidies thereafter, are distant memories. Trade, not aid, became the mantra at the turn of the century. Today, US annual aid to India is a pittance—something in the region of \$100 million—and will be whittled down to zero in a couple of years. As for the Russians, going by the Gorshkov episode, they want to reclaim all the concessions, with interest.

Part of the untold trade story, involving movement of people, is the migration of Indian workers worldwide and the impact of their remittances on not just India's economy, but also its morale. For the longest time, the government took no note of the inflow, notwithstanding occasional stories about the Gulf worker fuelled boom in Kerala. It was the nuclear tests in May 1998, when New Delhi floated the Resurgent India bonds to cushion the possible impact of sanctions, which first tested the depth of the commitment, although it did not strictly meet the definition of remittance because

it was money that could be repatriated. Today, remittances—the one-way flow of money—are considered integral to India's economic growth.

Recent analysis by World Bank economist Dilip Ratha shows that worldwide flows of remittances were around \$320 billion in 2007, with remittances sent home by migrants from developing countries accounting for \$240 billion. Remittances were twice as large as foreign aid and nearly two-third of foreign direct investment flows to developing countries.

India is now considered the biggest beneficiary of the remittance revolution. With more than 10 million workers worldwide, many of them high-skilled guest workers in the West, India's annual remittance is said to have crossed \$27 billion in 2007. China (\$26 billion) and Mexico (\$25 billion) were the other top beneficiaries.

The study is open to challenge because the numbers are not based on official figures, but arrived at by conflating the number of migrant workers, their geographic location, and other attributes. Ratha himself argues India's inflows may be greater because many workers may be using informal channels like *hawala* or friends to send money. Still, how does one account for India getting more remittance than Mexico and China, whose migrant workers are

greater in number?

One reason Ratha puts forward is that the per capita remittance figure for Indian workers in the Gulf region, who constitute a larger number than Chinese or Mexicans there, may be greater. This is because they don't have permanent residency stakes in the hostcountry. Their propensity and compulsion to remit money is greater than say for Mexicans in the US or Chinese in South East Asia. Indian migrants to the West are also better qualified and higher earning individuals.

By Ratha's account, migrant worker remittances amount to around 3% of India's GDR. This is much less than in smaller countries such as Nepal, where he estimates such inflows make up nearly 40% of the GDP. But it's not just the money flow that's important, Ratha says. Having someone who is doing well abroad brings confidence and inspires families. Unlike foreign aid, it cannot be skimmed by politicians and middlemen; money goes directly to the beneficiaries. Besides, unlike 'hot money' from foreign investors and NRIs, which flees in an economic crisis, migrant worker inflows increase in times of emergency, as it did after the nuclear tests. It's good money.