

# Impact of Foreign Remittances

## A Case Study of Chavakkad Village in Kerala

B A Prakash

*An attempt is made in this study to examine the impact of foreign remittances on the economic and social life of Kerala. The study is based on a survey of 95 households in Chavakkad village in Trichur district.*

*Among the issues discussed are details of those working abroad, how much money they send home and the impact of these remittances on the income, consumption, savings and investment of the households.*

A GOOD number of Keralites are working abroad and their families are largely dependent on the money sent by them. In Kerala, there are certain villages from where a large number of persons have gone abroad in search of jobs especially to the Gulf countries. In the study, an attempt is made to examine the impact of foreign money in Kerala, based on a survey of 95 households in Chavakkad village. The study broadly discusses some of the aspects, such as details of the persons working abroad, how much money they are sending home, and the impact of the money on the levels of income, consumption, savings and investment of these households.

### STUDY AREA

For the purpose of the study we have selected Chavakkad village, located near the famous Guruvayur temple in Trichur district of Kerala state. The village was selected for the study because a large number of persons have gone from the village to Gulf countries. The area is backward. The main occupation of the people is in the agricultural sector. The only industrial activity worth mentioning is beedi making, which provides employment to about 5,000 persons. The study is based on a survey covering 95 households from different places of the village such as Palayur, Manathala, Thiruvathara, Muthuvattoor and Punna. A difficulty faced in the survey was that some of the informants were reluctant to disclose details such as money sent per month by the persons working abroad, expenditure of the households, etc.

It was seen from the survey that one to three persons had gone abroad from these 95 households and the total number of persons abroad were 136. A religionwise break-up of the households covered shows that of the 95 households covered, 71 were Muslims,

21 Hindus, and 2 Christians. Table 1 shows the classification of households on the basis of the number of persons abroad from each household. It was found that only 25 persons are engaged in some remunerative job or small business here, belonged to the 95 households. Only very few persons are unemployed, and most of the unemployed youth we met in these houses are very keen to go abroad. Out of the 25 persons unemployed, 17 are trying to go abroad, the majority of them have already secured passports and are waiting for visas.

### DETAILS OF PERSONS WORKING ABROAD

An enquiry into the previous job of the persons working abroad revealed that out of 136 persons, 49 were unemployed before going abroad, while the rest were engaged as beedi makers, tailors, small businessmen, helpers in shops, hotel workers, drivers etc; information on previous jobs of 14 persons was refused. Table 2 shows the split of 136 persons abroad on the basis of their previous jobs. It is evident from the Table that the majority of persons abroad were not persons with higher skills. We have also attempted an enquiry into the educational status of the persons gone abroad. It was found that, out of 136 persons, 9 were illiterate, while 46 persons have an educational status of primary level. The persons having educational status of SSLC or above was only 21. Table 3 shows the distribution of the persons on the basis of their educational status. It was revealed that, because of the low income of the families, since they did not have much land, the boys at the younger stage especially after completing their primary education are forced to work. Because of the severe unemployment in the village, many of the youth went to Bombay and other cities in search of jobs and worked as hotel workers, tailors, casual workers,

or engaged themselves in petty casual business. It is found that out of 136 persons abroad 23 persons first went to Bombay and worked there. Later some of them went to Gulf countries by launch, while some obtained visa, or entered into agreement with foreign firms and went abroad.

### VISA

We have also attempted to find out how the persons could go abroad and how they got visa. It was found that many of them were able to go abroad because of the help given by the persons already working abroad. Out of 136 persons abroad, 34 persons were helped by relatives, 23 persons by friends, whereas 21 persons went by launch. Since the information about the persons gone abroad was supplied by the members of the family, we were not told about the details of how 58 persons went abroad. But the informants frankly admitted the fact that 21 persons went to Gulf countries in launch from Bombay, without any travel documents, some four years earlier. But later they got the visa and necessary documents. It may be pointed out that some of them went abroad in launch even taking very high risks, even risking their life. One of the informants told us that he went three times in a launch but was forced to return.

TABLE 1: NUMBER OF PERSONS GONE ABROAD

Number of Persons Abroad from Each Household	Number of Households Covered	Total Number of Persons Abroad
1	64	64
2	21	42
3	10	30
Total	95	136

TABLE 2: JOB BEFORE DEPARTURE

Name of Job/Unemployed	Number of Persons
Unemployed	— 49
Beedi-making	— 19
Tailor	— 12
Small business	— 8
Helper in Shop	— 7
Hotel worker	— 5
Driver	— 5
Part-time postman	— 2
Ex-servicemen	— 2
Ordinary worker	— 2
Others	— 11
Information not available	— 14
Total	— 136

TABLE 3: EDUCATIONAL STATUS OF PERSONS ABROAD

Educational Status	Number of Persons
Illiterate	— 9
Primary	— 46
Upper primary	— 31
SSLC (fail)	— 29
SSLC (pass)	— 16
Pre-Degree	— 3
Others	— 2
Total	— 136

TABLE 4: YEAR OF DEPARTURE

Year	Number of Persons Gone Abroad
1952	3
1959	1
1960	2
1962	2
1963	2
1965	1
1966	3
1967	3
1968	3
1969	12
1970	10
1971	14
1972	8
1973	5
1974	23
1975	20
1976	10
1977	14
Total	136

Though we enquired about the cost involved in getting visa we did not get very clear answers. Out of 136 persons gone abroad we got information only about 37 persons. Of these 10 persons had gone abroad on the basis of agreement with foreign employers. In such cases, the employer provided visas and incurred the entire travel expenses. But the other 27 persons had paid a sum ranging from Rs 2,500 to Rs 10,000 for getting a visa. It is said that some of the foreign employers also take money for recom-

mending the issue of visa. In some cases, though there is not much cost for getting visa, the intermediary got the entire amount. Since 57 persons went abroad with the help of relatives and friends, much cost on this account could not have been incurred.

## YEAR OF DEPARTURE

A year-wise analysis of the persons gone abroad shows that, though people started going abroad since the early fifties, 94 persons out of 136 went abroad in the seventies. In the seventies, the two years in which the largest number of people went abroad were 1974 and 1975. Table 4 shows the year-wise departure of the 136 persons. In 1952, two persons went to Malaysia and one to Singapore. We were told by one of the persons just returned from Malaysia that since 1952 no Indian is being allowed to go to Malaysia in search of jobs. The two persons in Malaysia are doing a small partnership business. A country-wise analysis of persons abroad shows that Dubai, Abudabi, Qatar, Sharja, Muscat and Kuwait constituted the countries providing employment to 130 out of 136 persons. It was also revealed that the persons gone abroad since the second half of seventies were mainly in the four countries — viz, Dubai, Abudabi, Qatar and Sharja.

## JOBS ABROAD

We have also attempted a job-wise analysis of the 136 persons working abroad. It was found that out of the 136 persons, 19 were working as construction workers, 18 as hotel workers including waiters, 15 in partnership small business, 9 as military helpers, 9 as tailors, 8 as drivers, 4 each as clerks, typists, and house-boys. Besides these, the other jobs include petrol bunk helper, welder and carpenter. In the case of 24 persons we were not told of their jobs. Table 5 shows the job-wise and country-wise split of the persons gone abroad. If we take a country-wise position, the jobs such as construction worker, hotel worker, partnership business and drivers are the major jobs in which Keralites are employed in Dubai. In Abudabi, it is military helper, construction worker and partnership business. In Qatar Keralites are employed mainly as hotel workers, tailors and construction workers. In Kuwait all the four persons are working as hotel workers. In Singapore and Malaysia, the two persons are engaged in partnership business.

## INCOME RECEIVED BY SEPARATION

## HOUSEHOLDS FROM ABROAD

In response to our enquiry about the money sent home per month by the persons working abroad, we got a rough picture about the position, except in the case of 32 persons. It is pointed out by the informants that they do not receive money every month regularly. In a majority of cases, money is sent once in two months or three months. In some cases, money is also sent through a friend who comes home for vacation. The major share of the earnings of the persons is brought when they return to their houses once in two or three years. This money is used for constructing a new house, repairing an old house, purchase of landed property or other assets, or meeting penses on marriages etc. For our purpose, we are taking only the average monthly income, based on the amount of money the family received once in two or three months. It was found that the amount varied from Rs 200 to Rs 1,500.

A month-wise analysis of the amount of money sent home shows that 59 persons are sending a sum ranging from Rs 500 to Rs 750, each per month, to their respective families, while 15 persons are sending a sum ranging from Rs 1,000 to Rs 1,250 each per month. Out of the 102 persons sending money, except 24 persons, all are sending Rs 500 or more per month. It was pointed out that two persons are jobless and not sending any money. The classification of the 102 persons, on the basis of the amount of money sent home per month, is shown in Table 6. A country-wise analysis shows that out of 102 persons sending money, 67 are from three countries — viz, Dubai, Abudabi and Qatar. An estimate of the total amount of money sent by 102 persons comes to Rs 6.69 lakhs for the last year. By estimating the income of the other 34 persons, based on the above estimate, the total amount of money sent by the 136 persons may come to about Rs 8.22 lakhs a year. An enquiry with the four local branches of banks at Chavakkad which deal in foreign exchange — viz, Indian Overseas Bank, South Indian Bank, Catholic Syrian Bank, and State Bank of Travancore — revealed that a sum of Rs 12.67 crores of foreign drafts and cheques were cashed from these banks within a period of 10 months from January 1977 to October 1977. This shows the magnitudes of foreign

**TABLE 5: JOB-WISE AND COUNTRY-WISE SPLIT OF PERSONS ABROAD**

Country	Total Number of Persons Abroad	Job							
		Construction Worker	Hotel Worker	Partnership Small Business	Military Helper	Tailor	Driver	Others	No Information
Dubai	46	9	5	5	2	1	4	8	12
Abudabi	32	4	2	3	5	2	1	6	9
Qatar	25	4	6	1	—	4	—	7	3
Sharja	10	—	1	2	2	2	1	2	—
Mascat	7	1	—	—	—	—	2	4	—
Kuwait	4	—	4	—	—	—	—	—	—
Other countries	12	1	—	4	—	—	—	7	—
Total	136	19	18	15	9	9	8	34	24

**TABLE 6: AMOUNT OF MONEY SENT HOME PER MONTH**

Rs	Number of Persons Working Abroad
Below 250	5
250 — 500	19
500 — 750	59
750 — 1000	3
1000 — 1250	15
1250 — 1500	1
No job	2
NA	32
Total	136

Note: NA: Not Available

**TABLE 7: TOTAL MONTHLY INCOME OF 95 HOUSEHOLDS**

Rs	Number of Households
Below 250	5
250 — 500	13
500 — 750	36
750 — 1,000	3
1,000 — 1,250	19
1,250 — 1,500	5
above 1,500	7
NA	7
Total	95

Note: NA: Not Available

**TABLE 8: DISTRIBUTION OF HOUSEHOLDS BY TOTAL MONTHLY EXPENDITURE**

Rs	Number of Households
Below 250	4
250 — 500	33
500 — 750	11
750 — 1,000	4
NA	43
Total	95

Note: NA: Not Available

money received by the families in the Chavakkad and nearby villages from persons working abroad.

#### TOTAL MONTHLY INCOME OF HOUSEHOLDS

We have also attempted to estimate the total monthly income of the 95

households from various sources, such as income from the persons abroad, income from land, business income and other income from the persons working here, etc. Since in the case of 21 families, 2 persons each had gone abroad and in 10 families 3 persons each had gone abroad, these 31 families naturally have a higher income than the other families from which only one person is abroad. A classification of the 95 families on the basis of the total monthly income shows that, in case of 18 families, the monthly income was below Rs 500 per month, while in the case of 36 families it ranged from Rs 500-750, and 31 families it was above Rs 1,000 as shown in Table 7.

#### EXPENDITURE PATTERN

A distribution of the households on the basis of total monthly expenditure shows that it varied from Rs 250 to Rs 1,000 as shown in Table 8. We are not told about the monthly expenditure details of 43 families. Out of the 52 families which gave us information, only four households have a total monthly expenditure below Rs 250, while in the case of 33 families, their total monthly expenditure varied between Rs 250 and Rs 500. An analysis of the per capita monthly expenditure also shows that only in the case of 12 households is the per capita monthly expenditure below Rs 50 as shown in Table 9. While in the case of the remaining 40 households, the monthly per capita expenditure was Rs 50 or above which means that an annual per capita expenditure of Rs 600 or above.

With the little information we have, we attempted to examine the consumption pattern of the 52 households. We split the major items of expenditure under seven heads — viz, expenditure on cereals, fish and meat, vegetable, milk, clothing, fuel and light, educa-

tion and others. It was found that, though all the families were issued ration cards, 90 per cent of the families surveyed were purchasing rice in full bags, once in a month or twice in a month as per their requirement. The main item of food is also rice. Consumption of wheat and tapioca is negligible. It is pointed out that it is convenient for them to purchase rice in full bags since they receive money once in two or three months and the rice supplied through ration shops is inferior in quality which may not be good for preparing rice meals. The majority of them purchase a part of the rice supplied through ration shops for making food items for breakfast. We have calculated the percentage of total expenditure on cereals in the case of all 52 families and found that it varied between 20.7 per cent and 61.3 per cent. Fish and meat constituted the second largest item of consumption expenditure. In all the houses, they used to purchase fish daily, since it is available from the neighbouring beach where it is caught. It is found that in the case of meat, only a minority of the families used to purchase it and, that, once a week or once a month. This item of expenditure also varied from 5.5 per cent to 23.3 per cent in the case of the families shown in the Table. Though some of the families are purchasing vegetables not much importance is given to them. Out of the 52 houses, 22 houses purchase vegetables in small quantities. Milk is also an important item of expenditure. Only 18 families possess cows of which majority are not yielding any milk: milk is purchased from the neighbouring houses. The purchase of milk is mainly for giving it to children since most of the families have children. Out of 52 families, 19 families are not purchasing any milk. Most of the families own domestic as well as foreign clothes. Usually, when a person returned from abroad he used to bring with him some foreign cloth. In our estimate of the cost of clothing, we included the foreign cloth brought by persons abroad. Except 16 houses, all are electrified. Coconut leaf and other parts of coconut tree is largely used as fuel along with firewood. Out of the 52 houses, 42 houses have to purchase the entire fuel. The expenditure on education is only a small share in total expenditure since most of the children are studying only in schools where there is no need to pay any regular monthly fees.

Thus it is evident from the above analysis that the persons in the households are enjoying a fairly high level of consumption.

**TABLE 9: DISTRIBUTION OF HOUSEHOLDS BY MONTHLY PER CAPITA EXPENDITURE**

Rs	Number of Households
Below 20	2
20 — 30	2
30 — 40	3
40 — 50	5
50 — 60	10
60 — 70	9
70 — 80	10
80 — 90	5
90 — 100	3
Above 100	3
NA	43
Total	95

Note: NA: Not Available

**TABLE 10: TOTAL LAND POSSESSED**

Land in Cents	Number of Households
1 — 10	19
10 — 20	15
20 — 30	13
30 — 40	9
40 — 50	3
50 — 60	11
60 — 100	3
100 — 150	12
150 — 200	1
200 and above	9
Total	95

#### CONSUMER DURABLES POSSESSED

In order to find out the consumer durables possessed by the households and to know whether these were bought with the money earned by the persons abroad, we have enquired the details of the items possessed such as radio, transistor, tape recorder, car, etc. It was found that out of the 95 households 53 households possessed either a radio or transistor. A classification of these sets on the basis of Indian make and foreign make revealed that, out of 53 sets, 40 were Indian makes and 13 were foreign makes. The foreign radios were brought by the persons when came here for vacation. A classification of these sets on the basis of its purchase price shows that the value varied between Rs 100 and Rs 700. A significant point that is to be noticed is that out of the 53 sets, 32 were bought since 1974. The year 1974 is significant in our study because, out of 136 persons 67 have gone abroad since 1974. Beside this, 14 households possessed tape recorders, all of them were foreign sets having a value from Rs 400 to Rs 2,000. Except one set, all are purchased since 1974. It was also found that seven households had a motor car each and the value ranged from Rs 10,000 to Rs 32,600. Out of the seven cars, four were run as taxis. Of these 4 cars

were purchased in 1977, 2 in 1976 and one in 1974. Besides the above items, 16 households also owned 16 bicycles of which the value ranges from Rs 150 to Rs 600. In the case of bicycles, except 2, the remaining 14 were purchased since 1974.

#### INVESTMENT IN LAND

In order to find out the recent purchases of land with the foreign money we attempted a study on the extent of land possessed by the households. It was found that the households possessed land ranged from 10 cents to 2 acres and above as shown in Table 10. In the case of 19 persons having land up to 10 cents, they got the land as per the Kerala Land Reforms Act. The Act confers full ownership on the tenants in respect of the lands in their possession and bring them into direct relationship with the state by abolition of all intermediary rights. It may be seen from the Table that out of 95 households 59 households have land below 50 cents, while 14 have land between 50 cents and one acre and 22 households have more than one acre. An interesting trend noticed was that people have a strong tendency to invest money in land and buildings. It was found that out of the 95 households 26 households purchased land ranging from 10 cents to 150 cents within a period of 9 years — 1969 to 1977. Except one purchase, all the other purchases were effected from the earnings of persons working abroad. A significant point is that out of 26 households 17 households purchased land since 1974. Table 11 shows year-wise split of the 26 households which purchased land. The average price of land per cent also varied from Rs 300 to Rs 1,555. The variation in the price of land is also due to the variation in the type of land. In places, such as Palayur and Muthuvattoor, the price of land is higher compared to in other areas, because of the existence of rich coconut trees. In places such as Manathala and Thiruvathara, the land is not fertile and sandy. In the case of paddy land the price is also comparatively lower. The increasing demand for land is mainly for constructing new houses. Even in the interior places of the village, where an unmetalled panchayat road runs, the price of land is above Rs 1,000 for a cent.

An enquiry into the steep rise in the price of land revealed that there has been a three times increase in the price within the last five years. One of the major reasons for the steep increase

especially in the last two years was that, since the declaration of Internal Emergency, the entire foreign money sent by Indian nationals from abroad was routed through the banks, and since it was white money people wanted to invest it in safer investments such as in land. Till that time a major share of the foreign money was sent as tube money, which cannot be invested in assets which have to be accounted for — as in the case of land purchase. The small area of landholding also naturally results in a strong preference for acquiring more land. Possession of landed property and good houses is also regarded as a symbol of social status. Yet another reason for the increase in price of land is that in a densely populated area there is little land available for sales. Of the 95 households, only 3 households have sold out land.

#### INVESTMENT IN HOUSES

There has been substantial investment in new houses, and also in existing houses for repairs and reconstruction. Any person who visits the village can see that new houses are being constructed everywhere. Out of 95 houses, 32 were brand new modern houses constructed within a period of five years. The informants told us that in most cases the construction was done in one or two stages, ranging from one to three years, with the savings of the persons working abroad. A review of the cost of construction showed that the cost varied from Rs 5,000 to more than Rs one lakh. In the case of 7 houses the cost was more than Rs 50,000. Table 12 shows the year-wise and cost-wise position of 32 new houses. The social status associated with good houses is also a reason for heavy investment in new houses.

Besides the new houses, repair and reconstruction of the existing houses were effected in another 32 houses. Thus, in only 31 houses was there no change effected. The cost involved in effecting repairs and reconstruction ranged from Rs 1,000 to Rs 25,000. It is also significant that, out of the 32 houses, 22 houses were repaired or reconstructed after 1974.

Table 13 shows a year-wise and cost-wise improvement in 32 houses. The improvements were mainly on the front portion of the house — by constructing concrete verandah with mosaic flooring, which is the fashion.

We have also noticed the type of roof and flooring in all these houses. Only 6 roofs were thatched with coconut leaves while 63 were tiled and 26

TABLE 11: PURCHASE OF LAND

Area of Land Purchased (in cents)	Number of Households	Year of Purchase	
		1969-1973	1974-1977
10 — 20	10	4	6
20 — 30	4	1	3
30 — 40	5	—	5
40 — 50	2	1	1
50 — 100	1	—	1
100 — 150	4	3	1
Total	26	9	17

TABLE 12: INVESTMENT ON NEW HOUSES

Estimated Cost (Rs)	Year of Construction					Total Number
	1977	1976	1975	1974	1973	
5,000 — 10,000	2	—	—	1	—	3
10,000 — 15,000	3	—	1	—	—	4
15,000 — 20,000	3	2	1	1	—	7
20,000 — 25,000	—	1	—	1	1	3
25,000 — 30,000	—	1	—	1	—	2
30,000 — 40,000	1	1	—	—	1	3
40,000 — 50,000	1	—	—	—	2	3
50,000 — 75,000	1	—	—	1	1	3
75,000 — 1 lakh	2	—	—	—	1	3
1 lakh and above	1	—	—	—	—	1
Total	14	5	2	5	6	32

TABLE 13: INVESTMENT ON IMPROVEMENT OF HOUSES

Estimated Cost (Rs)	Year of Improvement			Total
	1962-1969	1970-1973	1974-1977	
Below 5,000	2	1	4	7
5,000 — 10,000	1	—	4	5
10,000 — 15,000	—	—	5	5
15,000 — 20,000	—	4	5	9
20,000 — 25,000	—	1	3	4
Above 25,000	1	—	1	2
Total	4	6	22	32

TABLE 14: NATURE OF THE HOUSE

Roof	Number of Houses	Roof	Number of Houses
Thatched	6	Cement	82
Tiled	63	Mud	1
Partly concrete/ concrete	26	Partly Mosaic and partly cement	12
Total	95	Total	95

were partly or wholly concrete. Only in one house was the flooring of mud, while in 82 houses it was cement and 12 houses it was partly mosaic and partly cement. Details of the nature of houses are shown in Table 14.

The widespread house construction activity had resulted in an abnormal price hike of local house construction materials, wages of construction workers, etc. We have tried to estimate the increase in the price of local construction materials and wages of construction workers with the little information we received. It was found that the price of locally manufactured bricks increased by 60 per cent and river sand by 66 per cent within a period of four years. We have not taken the price of cement and iron rods, since this price is not affected by local demand alone. Wages

of masons and carpenters had increased by 100 per cent within the last four years, while the wages of ordinary casual workers had increased by about 80 per cent within the same period.

It was found that more than 90 per cent of the savings of households were either invested in land and buildings or spent for marriage purposes. A part of the savings were also invested in durable consumer goods, such as radio, cycles, etc. These households do not have any productive investment in industries. Only four households had invested money in taxi cars. An enquiry with the local banks also revealed that there were no fixed deposits or other deposits in the banks worth mentioning from the households earning foreign money. It was also found that, out of 95 households, 32 households

had debts ranging from Rs 1,000 to Rs 7,000. The money is borrowed mainly for construction and repair of houses, purchase of land, marriage purposes, and cost incurred for obtaining visa.

#### CONCLUSION

The survey revealed that, from each household, one to three persons had gone abroad and that the unemployed youth of these households were trying to go abroad. Most of those who were abroad had been while here either unemployed or employed as beedi makers, tailors, hotel workers, drivers and engaged in small-scale business. A majority of them had primary or upper primary education. Because of the severe unemployment and low income of the households, many youths were forced to go to places, such as Bombay, in search of jobs—from where they went abroad. A few of them went abroad in launches, taking very high risks. The expenditure incurred for getting a visa ranged from Rs 2,500 to Rs 10,000. Though the persons had started going abroad since the early fifties, the majority of them had gone since 1974. The largest number working are in Dubai, Abudabi, Qatar and Sharja. Construction workers, hotel workers including waiters, partnership business, military helpers, and drivers, are the major jobs in which they are found. Each person working abroad was sending a sum ranging from Rs 200 to Rs 1,500 per month to their families. The total foreign money received by the 95 households per annum is estimated on Rs 8.22 lakhs for 1977. These families enjoy fairly good consumption levels; the monthly consumption expenditure varies between Rs 250 and Rs 1,000. Majority of the households possessed either a radio or a transistor. Few households possessed tape recorders and cars.

There has been a substantial investment in land and houses. The increasing demand for land has resulted in an increase in the price of land by three times within a period of five years. Out of the 95 houses covered, 32 were new houses constructed within a period of five years while another 32 houses were repaired or reconstructed at a cost ranging from Rs 1,000 to Rs 25,000. The widespread house construction also resulted in a steep rise in the price of local house construction materials and wages of construction workers. There was practically no investment in productive activities. The entire income earned by the persons working abroad is either being used for consumption or invested in land and houses.