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GLOBAL PROSPECTS FOR MIGRATION AND REMITTANCES IN INDIA – FINANCIAL PERSPECTIVES

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ABSTRACT

Global Migration is an integral part of the process of global economic, social and political integration. Globalisation is complex and multifaceted with the process of interdependence among countries. It will relate with the business integration and their economic plans. It mainly reflects with the increase in the amount of cross border trade in goods and services. In the recent times there is an increase in the volume of international financial flows and labour flows. Globalization and its impact in the developing countries have vastly creates diversified employment opportunity for youngsters. High skilled and Expertise professionals get greater demand for their services in developed and developing countries. Talent mobility will be surprisingly increased in the recent years with the rise in oil prices in developing countries. This study deals with various migration facts and remittance issues related with the global financial crisis and the mobility of talents in Transition economies.

Key Words: Managing knowledge workforce, Migrations and remittance, Oil crisis, Talent management, Talent mobility.

Globalisation and migration policies

In the recent times multinational companies are consistently trying for improving their products quality by reducing their operating costs. Many of the companies were focus towards their financial policy for innovation and their market accessibility. The access to finance innovation is a main link in innovation cycle and it covers innovation costs, supporting incubation and financing commercialization. It is recorded that the world trade grew by 7 % per annum in 1990s[1]. Globalisation and international trade policies were eliminates all form of trade barriers in the developed and developing countries. At the same time the usage of new technologies, production capabilities and economics of scale has considerably reduced the production cost and product prices. This enhances the domestic investor and manufacturer by dominating globally with their specific products. Growth of the services sector will enormously provide job opportunities to the youngster with attractive pay structures. It leads the domestic migrations from rural side to urbanization.

The global melt down in 2008-2009 has blown the 215 million of migrants and their families[2]. Many developing countries are worried about their long term returns from migration policies by the weak of job markets in destination countries. It directly affected their employment and their economic sustainability. In general remittance is defined as an economic transfer from an immigrant worker to his or her sending country and households. Migrants households were considerably affected with the changes in the remittance policies. It directly affects the household food, housing, education health expenses and micro investment in business. There is greater evidence in the resilient flow of remittance at the time of crisis. More over the remittances has more tangible link with the migrations and their home country development. Remittances send by the migrants to their home country will be larger than the private debts and portfolio equity flows.

Some of the business challenges in the innovation, globalisation and expansion are

- Financial pressure to cut the operating costs
- Severe business downturn and competitive threats.
- Declining margins and diminished access to capital
- Global expansion, mergers and acquisition.
- New top management team and
- Managing cross cultural employees
- Launching of new products

Globalization effects and Economic growth in India.

Since independence India has gone with various modest economic growth and annual fluctuations and the annual growth rate will be 3 % merely in the fifties, sixties and seventies[3].

1 *www.oup.com/uk/orc/bin/.../hamilton&webster_ch01.pdf*
2 *Migration and Remittances Factbook 2011*
3 www.oecd.org/dataoecd/54/51/42546020.pdf

Due to the changes in the business and economical policies the GDP has considerably increased in eighties and nineties, where as the due to the institutional and technological changes the GDP has reached the height of 8% in 2003-04[4]. The per capita income of individual has become fourfold between 1950 and 2006 and due to the global crisis in 2008 -09 the GDP has marginally declined to 6.25 %[5]. It is recorded that Indian population has crossed 1.21 billion in 2011 and it has grew at an average of 1.76% per year[6]. In the same period, the rural population has grew at an average of 1.22% and urban population has grew at a rate of 3.18%[7]. It is observed that the

urban population has rapidly growing at a rate of 27.45% in 2001 to 32.20% in 2011 and found that merely an amount of rural to urban migrations over the years[8].
Government of India has conducted a survey in 2012 for measuring the poverty head counts in India. It is observed that 33.8% in rural India and 20.9% in urban India are below the poverty line[9]. It is implied that nearly 350 millions of Indian population were poor[10]. Considerably there is a difference in the earnings between rural and urban labour markets. Economic necessity is the main reason behind the migrations. Some of the issues related with the migration and remittances flows are Percentage of skilled migrations and unskilled migrations, Cultural issues and Integration in host countries, Migration Policy coherence, Migration rights and social aspects of migrations, Demographic and climate changes, Mobilizing of Diaspora resources, Rural – urban migration and urbanization. Migration has been categorized in different perspectives like related with their educational qualification and their scope related with job opportunities. Migration rate will be mainly related with the monthly per capita expenditure (MPCE). Mainly the individual migrations will be related with their difference in current earnings and their expected earnings.

Rapid growth of Indian IT sector has opened the door for new investment and the opening of new business ventures for the individual benefits and economic growth. It encourage many Indians to return to the country to start their own business and offer more employment opportunities. An estimated figure of nearly 35,000 Indian IT professionals from various developed and developing countries were returned to India for their betterment[11]. More over 30 to 40 % of the workforce are having an relevant work experience in the developed countries[12].

Problems faced by domestic and multinational companies regarding migrations are

- Perceived risk arising from the failure rate of financial innovations in the micro, small and medium enterprises (MSMEs).
- Unproven products and business models.
- Lack of management policies and operational capabilities.
- High transaction cost with the start-ups and MSMEs.
- Lack of adequate track record and financial information's.

[4,5,6,7,89,10] *www.ier.hit-u.ac.jp/primced/documents/No28-dp_up_Pdf_2012.pdf*
[11,12]
http://www.google.co.in/url?sa=t&rct=j&q=india's%20borderless&source=web&cd=3&ved=0CDsQFjAC&url=http%3A%2F%2Fwww.workwonders.nl%2Fdownload.asp%3Fid%3D56&ei=b_RvT6zcMcq8rAfzrGgDg&usg=AFQjCNFGISUL5jrOlUu8cperRQuNxIVMNg

Foreign direct investment & flow of remittance in Indian market

Gross national income GNI for the period of 2005 to 2009 in the developing countries is 16,406 US million $ and GDP growth by 6.5 %[13]. An report from global talent index maps for the year 2012 states that India remains 10th position in the global talent index while compared with its previous report in 2007[14]. It holds 2nd position in the changes with the demographics factor that affect the survival of talents from the age group of 20 to 59 years and ranked 25th position in the compulsory education relates with the years of compulsory education, spending for teaching under current GDP, Years of schooling, students and teacher ratios[15]. It ranked 13th position in the quality of environment to nurture talent, R&D, cost of living, wage regulation and the enforcement of labor laws[16]. Considerably FDI in BRIC countries has doubled over the years and the BRIC countries FDI will surprisingly increase by 2040 while compared with the FDI of G6 countries like France, Germany, Italy, Japan, UK and US. As a statistical report India possess the fourth largest economy in the world by 2020[17].

Cumulative FDI flows into India for the period 2000-2012 is US$ 243,055 Million[18]. The FDI equity inflows is US$ 1,59,973 Million and the amount of FDI equity inflows during the financial period 2011-2012 is US$ 26,192 Million, nearly 57% increased from 2010-2011[19]. The top investing countries in India are Mauritius is ranked first among the world countries with 39.47% and followed by Singapore with 10.13%, Japan, USA, UK and Netherlands[20]. Services sector (financial and non-financial) with 20%, telecommunications with 8%, computer hardware and software, construction, housing and real estates, drugs and pharmaceuticals and power sector are Sectors attracting highest FDI equity inflows in India[21]. The preferred locations for FDI investment are Mumbai ranked first with nearly 34% and followed by Newdelhi with 20%, Bangalore 6% and Chennai with 5%[22].

An paradigm shift in the global economy has changed the talented workforce towards the attainment of international assignments. In the recent times the major continental economies like china, India, Russia, Brazil and Mexico plays an vital role in the global level. India has nearly 70% of CMM Level 5 companies in the world compared to china[23].

Methodology of forecasting and calculating remittance. – (Sources: Mohapatra and Ratha (2010), Ratha and Shaw (2007))

Remittance flow can be affected by

1. Migrant stock in different destination countries.
2. Income of migrants in different destination countries.
3. Income in source country.

[13] *http://siteresources.worldbank.org/INTLAC/Resources/Factbook2011-Ebook.pdf*
[14,15,16] *Global talent index map the world at 2012*
[17] *http://www.goldmansachs.com/our-thinking/topics/brics/brics-reports-pdfs/brics-dream.pdf*
[18,19,20,21,22] *http://dipp.nic.in/English/Publications/FDI_Statistics/2012/india_FDI_January2012.pdf*
[23] *http://www.managementthinking.eiu.com/sites/default/files/downloads/GTI%20FINAL%20REPORT%205.4.11.pdf*

Forecast methodology based on bilateral migrant stocks (M_{ij}) and how changes in their income (y) may affect remittances.

- **Remittances (R_{ij}) received by country $_i$ from country $_j$:**

$$R_{ij} = f(M_{ij}, y_i, y_j)$$

Where

$_i$ - Remittance received by home country
$_j$ - Remittance from sending country

- **Remittance intensities I_{ij} (the share of remittance outflows in nominal GDP Y_j of each source country $_j$ going to receiving country $_i$).**

$$I_{ij} = r_{ij} I_j$$

Where
R_{ij} share of country $_j$ remittance going to country $_i$
I_{ij} share of remittance outflows in nominal GDP of source country $_j$

- **Forecast of remittance outflows from country $_j$:**

$$\hat{R}_j^t = R_j^{t-1} \left(1 + \eta_j \; (I_j) \log\left(MY_j^t / MY_j^{t-1}\right)\right)$$

Where
I_j remittance intensity (ratio of remittance outflows of country j to its GDP)
η_j income elasticity of migrant remittances

- **Forecast of remittance inflows to country $_i$:**

$$\hat{R}_i^t = \sum_j r_{ij} R_j^t$$

Where
r_{ij} : share of remittances in country $_i$ coming from country$_j$[24]

It is found that nearly 93% of the migrations were mainly related with their economic needs and it will increase in future[25]. Nearly 44% of the migrations were done between South to south and 42% with developing countries to high-income OECD countries[26]. Nearly 59 million international migrants are Asians and more than 50% of the Asian migrants are in Hi-income OECD countries[27]. 62% of the migration remittance was hold by Asians in the developing countries[28]. USA holds the top immigrant stock with 42% and seconded by Russia with 12%[29]. Qatar holds 87% of the immigrants as the overall percentage of their population, Monaco 72%, UAE 70% and Kuwait with 69%[30].

[24] http://siteresources.worldbank.org/EXTPREMNET/Resources/C17TDAT_297-320.pdf
[25,26,27,28,29,30] http://www.adbi.org/files/2012.01.18.cpp.day1.sess2.2.ratha.migration.remittances.asia.pdf

Due to the migrations and emigrants India received the top remittance of nearly $58 billion for the year 2011 and seconded by china with $57 billion[31].It is recorded that the remittance flows from the developing countries are expected to grow by 7.3%in 2012, 7.9% in 2013 and 8.4% in 2014, to reach $441 billion by 2014[32]. Some of the risks to forecast the remittance for developing countries are debt crisis in Europe and high unemployment rates in high-income OECD countries and it adversely affect the migrant's employment. Oil-driven economic activities in the gulf and Russia were mainly providing continuous employment opportunity for the migrants and considerably the remittance were increased. It mainly related with the extraction of crude oil and oil prices in the developing countries. Depreciation of currencies and the increase in the Indian rupee value has affected the remittance flow. Some of the determinants of Remittance are it reduces poverty in their households by helping in educational and health expenditures, it act as an shield against the financial crisis and natural disasters.

Policy implications in international remittances outlines are

1. Monitoring, analysis and projection
    - Size of organization/market, corridors and channels
    - Counter-cyclicality
    - Effects on poverty, educational and health investments
    - Policy issues related with the costs, competition and exchange controls
2. Retail payment systems
    - Payment platform/ instrument
    - Payment regulations like settlements and exchange controls
    - Anti-money laundering
3. Financial access
    - Deposits and savings
    - Microfinance, Mortgages and consumer loans
    - Insurance products
4. Capital market access
    - Government – diasporas bonds
    - Private banks and corporations
    - Sovereign credit rating

[31] *Migration and Remittances Factbook 2011*

[32] *http://siteresources.worldbank.org/TOPICS/Resources/214970128887798 1391/MigrationandDevelopmentBrief17.pdf*

Conclusion:

Remittances are not indicators of national labour policies and economic outcomes but also act as a set of rules. In the recent times remittance are factored into sovereign ratings in middle-income countries and debt sustainability analysis in low-income countries. More over countries are also showing interest in the remittance from their overseas workforce. In India nearly 10% increase in the remittance a year since 1992. The recent global economic conditions and the flow of remittance doesn't affect India. The structural shift from the unskilled and semi skilled migrations to the gulf will be get equalised by the skilled migrations from the IT professional to the developing countries. The flow of remittance is limited and it has not affected the domestic or external macro economic variables. More over the FDI investment in the recent years has considerably increased and domestic migrations had initiated the rural to urbanisation for economic considerations.

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