

IMPACT OF RUPEE APPRECIATION ON NON-RESIDENT MALAYALEES

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ABSTRACT

The external value of rupee has been going up steadily from 2003-04 onwards. This appreciation of rupee has been adversely affecting Kerala economy, dependent heavily on remittances from non-resident Malayalees (NRMs). In this paper, we make an estimate of the annual remittances from NRMs and the loss suffered by them during the period 2003-04 to 2007-08(Apr-Sept). According to our estimates, the annual remittances from NRMs ranged between \$ 3315 million (Rs.16044 crores) in 2002-03 to \$ 5359 million (Rs. 24269 crores) in 2006-07. Our estimates place the total loss to NRMs on account of rupee appreciation at Rs 8660 crore during the four and a half year period covered by our study. The study finds that the quantum of annual loss exceeds the quantum of other fund flows to Kerala including the flow of plan-grants from the Central government.

We also make an attempt to assess the impact of rupee appreciation on the working and living conditions of the NRM community abroad and their dependants back home. The study notes that continued appreciation of the rupee can weaken the competitive advantage of NRMs in the labour markets abroad. It can reinforce the already existing trend of decline in emigration from the state.

Key Words: Migration, Non-Resident Malayalees, Migrant Remittances, Rupee Appreciation, Kerala.

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Historically, Kerala economy had been influenced to a large extent by the vicissitudes of its export earnings from agricultural and agro-based products like tea, coffee, spices, cashew kernels and marine products as well as the products of traditional industries like coir, handloom-textiles and handicrafts. From the middle of the seventies, manpower exports have been gradually overtaking the commodity exports from Kerala. The steep rise in the external value of the rupee or its appreciation in relation to other foreign currencies from 2003-04 onwards, while it benefits some sections like importers and regions with more imports than exports, hits an economy like that of Kerala which is predominantly export oriented. This is so as the rising value of rupee in effect reduces the rupee realization of Kerala's commodity exports as well as the remittances of Non-Resident Malayalees (NRMs).

The trend of rupee appreciation is not entirely due to the growing strength of Indian economy as is sometimes projected in a few quarters. It is partially a result of the steady depreciation of US dollar. Large inflow of capital funds to the Indian capital market, a good portion of which were of a speculative nature also contributed to raising the external value of rupee. The reluctance of the Reserve Bank of India (RBI) to intervene in the exchange market and to conduct sterilization operations as in the past allowed the trend of appreciation of rupee to continue rather unhindered. The appreciation was particularly steep since July 2006. Consequently, rupee realization of state's export proceeds and NRM remittances came down drastically. Despite the importance of agricultural commodities and products of labour intensive traditional industries in the state's exports and the big role played by NRM remittances in the state's economy, the steep appreciation of rupee and its adverse impact have received very little attention among political leaders, policy makers and the media in the state, with very few exceptions. No doubt, the organized exporters of different commodities from the state had been airing their concerns before the Central government, but they have not received due support from the state government. The huge loss suffered by NRMs has received still less attention in the state, possibly as they are scattered in different countries and continents. There has not been any serious academic research on this topic in Kerala despite the global concerns on the impact of exchange rate movements on the economies of different countries especially those from the South (World Bank, 2007). It is in this context that we are making an attempt to estimate the quantum of loss to the NRMs and thereby to the state's economy due to rupee appreciation from 2003-04 onwards.

This paper is divided into five sections. Section 1 discusses the importance of NRMs and their remittances to Kerala economy. Section 2 traces the movement of exchange rate of the rupee from 2001-02. Section 3 estimates the loss to NRMs on account of rupee appreciation and thereby to Kerala economy during the last four and half years. Section 4 discusses the impact of rupee appreciation on the NRM deposits in banks. Section 5 examines the implications of this phenomenon to the working and living conditions of NRMs in the countries of their destination as well as the living standards of their families back home.

Section 1: Importance of NRMs and their Remittances to Kerala Economy

Table: 1 Importance of NRM Remittances

Particulars	2002-03	2003-04	2004-05	2005-06	2006-07
Total number of emigrants* (Lakhs)	18.38	Not Available			18.48
NRM Remittances (Rs. Cr.)	16044	19284	16990	20299	24269
GSDP originating from Agriculture and Allied Services (Rs.Cr)**	12857	13665	14814	16266	17879
Total GSDP originating from Primary Sector (Rs.Cr.)**	15821	16806	18098	20218	21974
GSDP originating from Manufacturing sector (Rs.Cr.)**	7342	8186	9125	10199	11428
Total GSDP originating from Secondary Sector (Rs.Cr.)**	18207	20737	23131	26132	29433
Gross State Domestic Product (Rs.Cr.)**	86275	96012	107054	118998	132739
Employment in Public and Private Sector Establishments as at the end of the year (Lakhs)	12.11	12.04	11.4	11.02	11.11
Total value of exports from Kerala (Rs.Cr.)	Not Available				10384

* Pertains to Calendar Year 2003 and 2007

** Figures of 2005-06 are Provisional Estimates. Figures of 2006-07 are Quick Estimates

Source: 1. For number of emigrants, K.C Zachariah and S Irudaya Rajan, "Migration, Remittances and Employment, Short-term Trends and Long-term Implications", Working Paper 395, Centre for Development Studies, Thiruvananthapuram, December 2007

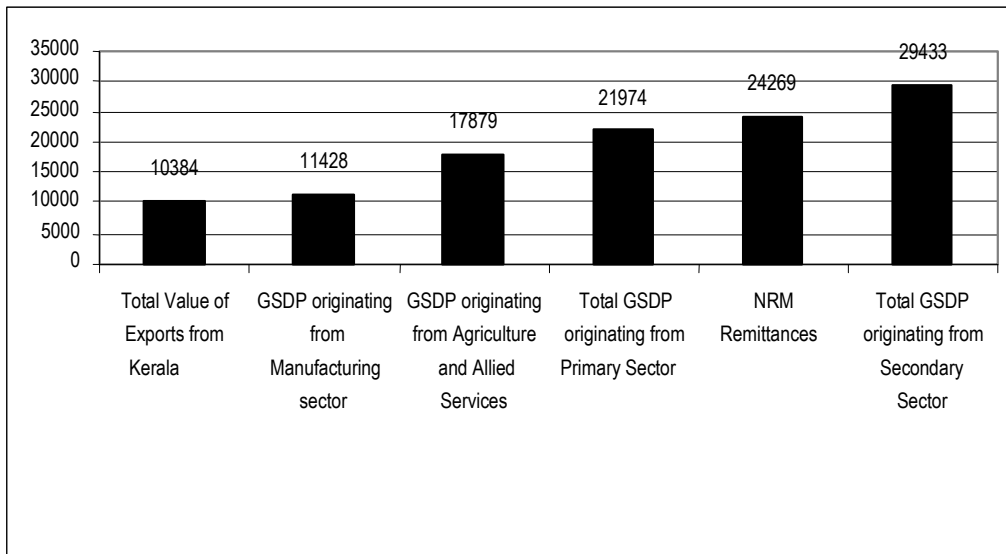
2. For NRM remittances, see Notes under Table 4

3. For GSDP and its components, Economic Review 2007, State Planning Board, Government of Kerala, Thiruvanthapuram

4. For employment in Public and Private sector Establishments, *ibid.*

5. For total value of exports, Economic Survey 2007-08, Government of India

Chart 1: Importance of NRM Remittances (2006-07) – (Values in Rs. Crores)



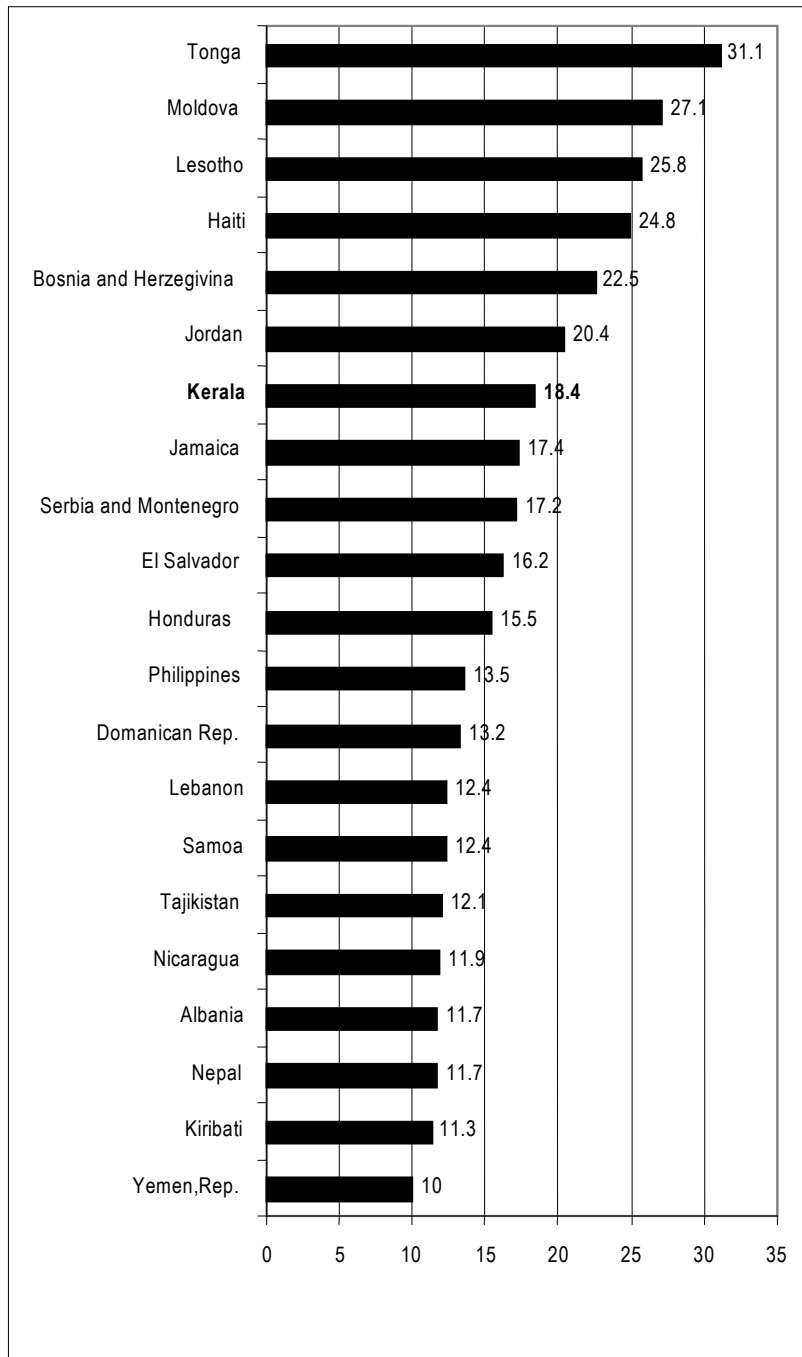
NRM remittances were equivalent to 18.6 percent of Gross State Domestic Product (GSDP) of Kerala in 2002-03. This percentage had come down marginally to 18.3 percent in 2006-07. Remittances from NRMs exceeded the income originating from the entire primary sector. These remittances were more than twice the total income originating from manufacturing sector in the State. The remittances from NRMs were more than double the value of total exports from the state. The emigrants in 2007 numbered 18.48 lakhs as against the total employment of 11.4 lakhs in the public and private sector establishments of the state. The emigrants formed 9.1 percent of the working age population (15-60 age groups) in the state¹.

The importance of NRM remittances to Kerala economy was much more than the importance of NRI remittances to Indian economy. According to our estimates, NRI remittances formed only 2.9 percent of GDP of India in 2003-04 and 3.7 percent in 2006-07². Even by international comparison, Kerala can be placed along with the top twenty remittance receiving countries/regions (SDC 2006 and World Bank 2006). In terms of the proportion of remittances to GDP (18.4 percent), Kerala's position will be seventh among the 20 developing countries (See also Catrinescu *et.al.* 2006).

¹ The data for the number of emigrants relate to 2003 and the population figures relate to 2001 Census.

² Other estimates place this share at 2 to 2.8 percent (SDC 2006 and World Bank 2007).

Chart 2: Remittances as Percentage of GDP/GSDP of the Top Twenty Remittances Receiving Countries in the World and Kerala (2004)



Source: World Bank, Global Economic Prospects 2006.

Note: Kerala's share is inserted separately by us. It is computed from the data on migrant remittances to Kerala estimated by us and the GSDP data given in the Economic Review, Government of Kerala, 2004.

Section 2: Movement of Exchange Rate of Rupee since 2001-02

Table 2 presents the movements in exchange rates of the Rupee vis-à-vis four major world currencies.

Table 2: Average Exchange Rates of Indian Rupee vis-à-vis the Four Major World Currencies

Year	US dollar	Pound Sterling	Euro	Japanese Yen @
2001-02	47.69	68.32	42.18	38.18
2002-03	48.40	74.82	48.09	39.74
2003-04	45.95	77.74	53.99	40.71
2004-05	44.93	82.86	56.51	41.80
2005-06	44.27	79.05	53.91	39.14
2006-07	45.28	85.73	58.11	38.80
2007-08 (April-Dec)	40.21	81.31	56.30	34.39

@Rupee per 100 Yen.

Source: 1. RBI, Handbook of Statistics on Indian Economy, 1 October 2007(www.rbi.org.in) for all the years except 2007-08

2. For 2007-08, Website of Foreign Exchange Dealers Association of India (FEDAI), (www.fedai.org.in).
The rates are monthly average of spot rates

Table 2 show that the rupee had been steadily appreciating against US dollar since 2002-03. There was a slight reversal of the trend in 2006-07. But, during the first half of 2007-08, the value of rupee appreciated further. The appreciation of rupee had been steep during the last one and a half years. Between July 2006 and December 2007 rupee appreciated against US dollar by 15.3 percent (See Appendix). Appreciation of rupee against Euro, Pound Sterling and Japanese Yen started much later.

Table 3 presents the more recent trends in the exchange rates of the rupee vis-à-vis, the currencies of major countries of destination of NRMs.

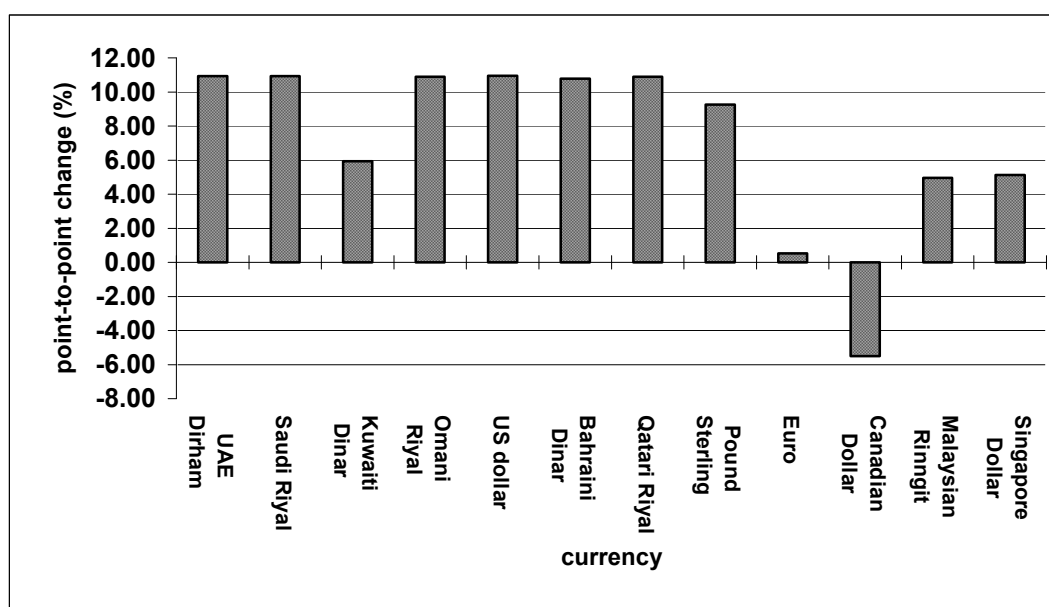
Table 3: Exchange Rate Changes of Rupee vis-à-vis Currencies of Major Destination Countries of NRMs

Currencies	Average Exchange Rates		Appreciation(+) / Depreciation(-) in %	
	2007	2006	Change in Average Exchange Rates(2/3)	Point-to-Point Change(Dec 07/Dec 06)
UAE Dirham (41.9)	11.21	12.33	9.13	10.93
Saudi Riyal (24.2)	10.99	12.08	9.02	10.93
Kuwaiti Dinar (7.3)	145.01	156.12	7.11	5.94
Omani Riyal (7.3)	106.92	117.65	9.12	10.89
US dollar (5.7)	41.16	45.30	9.13	10.95
Bahraini Dinar (5.1)	109.23	120.15	9.09	10.77
Qatari Riyal (3.1)	11.31	12.44	9.11	10.90
Pound Sterling (1.4)	82.49	83.96	1.74	9.25
Euro (0.8)	56.67	57.22	0.95	0.52
Canadian Dollar (0.6)	38.71	40.13	3.54	(-) 5.50
Malaysian Ringgit (0.6)	12.01	12.37	2.89	4.95
Singapore Dollar (0.4)	27.41	28.64	4.31	5.12

Source: www.fedai.org.in

- Notes: 1. Exchange rates of all currencies are for one unit of foreign currency against number of Indian rupees
 2. Countries are arranged in the order of importance of emigrants' destinations. Data of emigrants taken from Zachariah and Irudaya Rajan *op.cit.*
 3. Figures in bracket indicate the share of each country in the emigrant population from Kerala
 4. '-' sign indicates rupee depreciation against that currency

Chart 3: Point-to-Point Change (Dec-07/Dec-06) in Average Exchange Rate of Rupee vis-à-vis Currencies of Major Destination Countries of NRMs



Rupee appreciated between 7.1 percent and 9.1 percent against all the currencies of West Asian countries (except Kuwait) accounting for 81.6 percent of emigrants in 2007. Currency of Kuwait which accounted for 7.3 percent of emigrants appreciated less than the currencies of other West Asian countries partly because it got delinked from Dollar in May 2007. Other Gulf countries continue to peg their currencies to US dollar³. Outside West Asia, USA was the most important country of destination for NRMs accounting for 5.7 percent of the total number. Against US dollar, rupee appreciated by 10.95 percent between December 2006 and December 2007. In average terms, appreciation of rupee against Euro and Pound Sterling was relatively small. But rupee started appreciating against these currencies from the beginning of 2007 (See Appendix).

Section 3: The Loss to NRMs and the Kerala Economy on Account of Rupee Appreciation

To arrive at the total quantum of NRI remittances, we have excluded personal gifts/donations to charitable/religious institutions from the private transfers shown in the Current Account of the Balance of Payments of India. The share of these items in private transfers ranged from 5.4 percent to 10.3 percent during the period between 2003-04 and 2006-07 (RBI Bulletin, February 2008). There are no precise estimates regarding the state-wise distribution of NRIs or their remittances to the country. This poses problems in estimating the exchange loss on the quantum of non-resident remittances to Kerala. For the share of NRM remittances in the total NRI remittances to the country, we had relied on the latest study (2007) by Zachariah and Irudaya Rajan who had been tracking NRM remittances periodically from 1998 onwards. They believe that though in the past, 25 percent of all remittances to India were coming to Kerala, the state's share seems to have come down in recent years. They have made different estimates of remittances to Kerala on the assumption of various percentages about Kerala's share ranging from 19 percent to 25 percent. But they had given greater credence to the estimates based on the assumption that Kerala receives 20 percent of all remittances to India. Given the absence of any other state-wise data on remittances or even about the states of origin of NRIs, we too had gone by the assumption of Zachariah and Irudaya Rajan that NRM remittances to Kerala now account for 20 percent of the total NRI remittances to India⁴. Incidentally, the share of NRI deposits in the commercial banks of Kerala is now around 20 percent of the total NRI deposits in commercial banks of the country. We have estimated the annual loss on rupee remittances taking into account the appreciation of average exchange rate of rupee against dollar during a particular year from the lowest exchange rate of rupee which prevailed in 2002-03. Our estimates have to be taken as the best possible approximation given the limitations of the available data.

In Table 4, we give our estimate of the loss incurred by the NRMs during the period 2003-04 to 2006-07 and during the first half of the year 2007-08.

³ Economic Times, 11 December 2007

⁴ Our estimates of NRM remittances differ from those of Zachariah and Irudaya Rajan in two respects. First, unlike them, we have not taken the whole of private transfers appearing in the current account of the Balance of Payment as remittances from NRIs to India. Secondly, Zachariah and Irudaya Rajan had used the exchange rate of Rs.42.50 for USD for 2006-07. We have used Rs.45.28, which is the average exchange rate for the year published by Reserve Bank of India. Our estimate of NRI remittances to the country for 2006-07 (\$26,796 million) is closer to the estimate of the Development Prospects Group, Migration and Remittances Team of World Bank, November 2007 (\$27,000 million) than to the estimate of Zachariah and Irudaya Rajan (\$29,740 million)

Table 4: Estimate of Exchange Loss on NRM Remittances due to Rupee Appreciation

Financial Year	Migrant Remittances to India (\$Million)	Migrant Remittances to Kerala (\$Million)	Average Exchange Rate of Rupee vis-à-vis USD (Rs.)	Rupee Equivalent of Remittances to Kerala (Rs. Cr.) [3 x 4]	Rupee Appreciation from the 2002-03 Exchange Rate (Rs.)	Loss due to Rupee Appreciation from the 2002-03 Exchange Rate (Rs. Cr.) [3 x 6]
1	2	3	4	5	6	7
2002-03	16576	3315.2	48.3953	16044	0.0	0.0
2003-04	20983	4196.6	45.9516	19284	2.4437	1026
2004-05	18907	3781.4	44.9315	16990	3.4638	1310
2005-06	22925	4585	44.2735	20299	4.1218	1890
2006-07	26796	5359.2	45.2849	24269	3.1104	1667
2007-08(Apr-Sept)	17751	3550.2	40.6042	14415	7.7911	2766
TOTAL LOSS						8659

Notes and References:

1. For NRI remittances to India, "Invisibles in India's Balance of Payments: An Analysis of Trade in Services", Remittances and Inome, RBI Bulletin, February 2008, Page No.279.
2. For exchange rates, RBI, Handbook of Statistics on Indian Economy, Oct, 2007. For 2007-08 FEDAI, See note 2 of Table 2.
3. Values of rupee vis-à-vis US dollar was at the lowest level in 2002-03.

Chart 4: Loss on NRM Remittances due to Rupee Appreciation from 2002-03 (RS. Crores)

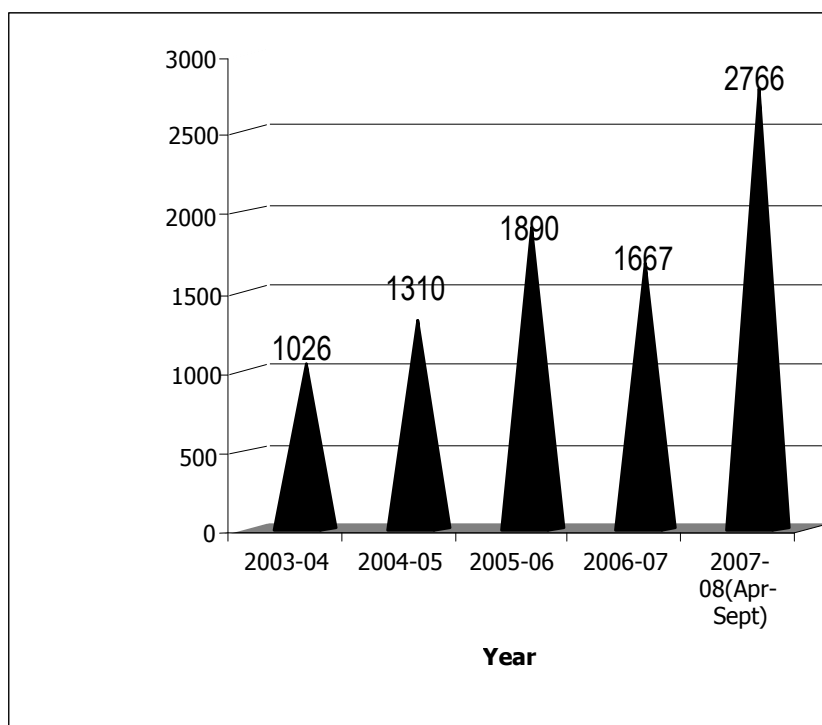


Table 4 shows that the loss due to rupee appreciation per year ranged from, Rs 1026 crores, in 2003-04 to Rs 1890 crores in 2005-06. For the first half of the year 2007-08, the loss amounted to Rs 2766 crores. The loss during this period was much higher because of the steep appreciation of rupee. The loss was comparatively less in 2006-07 due to the

slight turn about in rupee value during the year. The total loss during the four and a half year period amounted to Rs 8656 crore.

The significance of the annual loss to NRMs and thereby to Kerala economy on account of rupee appreciation can be gauged from Table 5 which gives the amount of loss in comparison with the other annual inflows to the state. The loss due to rupee appreciation is also compared to the loss on the commodity exports from Kerala.

Table 5: The Significance of Loss in NRM Remittances due to Exchange Rate Appreciation

Particulars	Amount in Crore of Rupees			
	2003-04	2004-05	2005-06	2006-07
Exchange Loss on NRM Remittances	1026	1310	1890	1667
Total Plan grants from the Centre	697	933	800	998
Total Grants(Plan & Non-Plan) from the Centre	908	1313	2061	2095
Total value of exports of Tea*	388	469	313	385
Total value of exports of Spices*	665	790	832	974
Total value of exports of Marine Products*	1077	1136	1219	1477
Total value of exports of Cashew Kernels*	1205	1716	1623	1505
Total value of exports of Coir*	378	433	466	534
Total value of exports of Coffee*	636	550	673	811
Total value of exports of Software	218	297	440	750

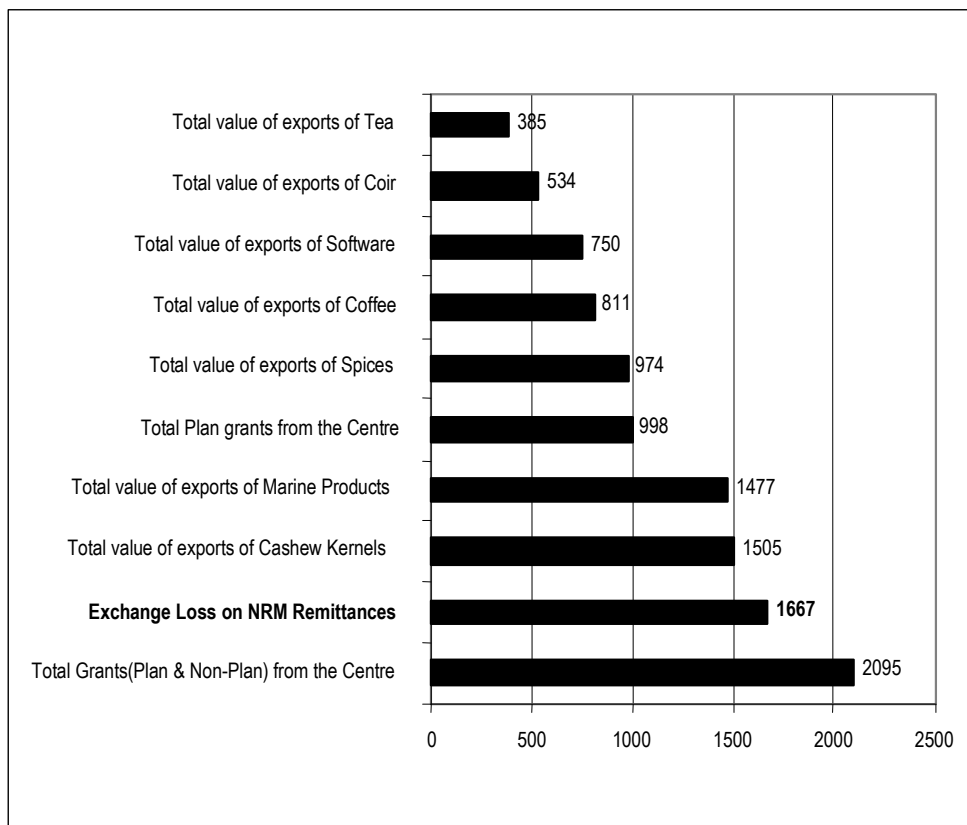
* Exports through Cochin Port.

Sources: 1. For grants from the Centre, Government of Kerala, Budget in Brief, 2008-09.

2. For individual commodity exports, the respective commodity Boards.

3. For Software Exports, Software Technology Parks of India (STPI), Thiruvananthapuram, Kerala.

Chart 5: The Significance of Loss in NRM Remittances due to Exchange Rate Appreciation (2006-07)
(Rupees Crore)



The significance of the loss gets clearer from Table 5. The annual loss to the NRMs and the state economy on account of rupee appreciation exceeded the total plan grants to the state from the Centre -- for State plan, Central plan and Centrally Sponsored Schemes - in all the years from 2003-04 to 2006-07. The quantum of loss was more than the quantum of inflow of the entire grants from the Central government - Plan and Non-Plan - including the statutory grants coming through the award of the Finance Commission in 2003-04. It was almost the same as the total grants from the Centre in 2004-05. The annual loss to the NRMs itself was much more than the total value of individual commodities like tea, spices, marine products, coffee and coir exported through Cochin Port. It was more than two times the total value of software exports from Kerala.

Section 4: Impact of Rupee Appreciation on NRM Deposits in Banks

The rupee appreciation had made a very negative impact on bank deposits in the state as may be seen from Table 6.

Table 6: NRI Deposits in Commercial Banks of Kerala

Year ended Mach	Amount (Rs. Cr)	Annual Growth Rate (%)
2002	24534	14.48
2003	28696	16.96
2004	30100	4.89
2005	29121	-3.26
2006	30671	5.33
2007	33303	8.58
JUNE 2006	32247	-
SEPT 2006	32402	-
JUNE 2007	31995	-0.78*
SEPT 2007	31690	-2.20*

* Growth rates over June/Sept 2006.

Source: 1. Philip M.P, Trends in Financial Intermediation by the Banking System in Kerala, unpublished PhD dissertation (2006), Cochin University of Science and Technology, Kochi, Kerala.
2. Government of Kerala, Economic Review 2007.
3. For June and September 2006 and 2007, State Level Bankers' Committee (SLBC), Kerala.

The rate of growth in NRM deposits which had been the major driving force for the growth in aggregate deposits of commercial banks in the state came down for the first time to single digit from 2003-04 onwards. In 2004-05, the NRM deposits actually declined. There was decline in deposits during the first two quarters of 2007 also.

Section 5: Impact of Rupee Appreciation on Non-Resident Malayalees

Apart from the macro impact on Kerala economy discussed above, rupee appreciation has been adversely affecting the working and living conditions of NRMs and their families in a number of ways.

Rupee appreciation reduces the purchasing power of foreign currency remittances in India. When the rupee value of remittances made from abroad in foreign currency comes down, the standard of living of NRM families gets affected. The study on migration (Zachariah and Irudaya Rajan, 2007) had shown that the household remittances were meant mainly for the subsistence of the emigrants' relatives back home. It was found that about 94 percent of the NRM households had used remittances for subsistence. Next in order of importance was education. More than 60 percent of the households with emigrants had used remittances for education. Nearly half the number of households used remittances for repayment of debts incurred for meeting the cost of emigration. As many of the NRMs have contractual obligations for repayment of loans for education, housing and most importantly of loans taken for meeting the cost of visa and air-fare,

the rupee appreciation is affecting their lives badly. It is likely that rupee appreciation may also affect adversely the investments of NRM households

If the NRMs have to make provision for the currently maintained standard of living of their households and to meet their other commitments back at home, they will have to provide bigger outlay of foreign funds for remittances. This implies cutting down their standard of living in the countries to which they have migrated. As already noted by the High-Level Committee on Indian Diaspora (2002), "the living and working conditions of unskilled and semi-skilled Indian workers leave much to be desired". The Committee found that semi-skilled and unskilled workers still account for about 70 percent of Indian migrants; while white collar workers are in the neighborhood of 20 percent and professionals have a 10 percent share of the total.

The Committee found that more than half the number of NRIs in the Gulf has invariably gone from Kerala .But there is no separate data regarding the type of employment of NRMs.Considering the fact that 85 percent of the NRMs had educational level of either matriculation or below, it is likely that most of them are in the low paid jobs. So further cutting down of their consumption expenditure in the places of their work can depress their already low standard of living.

Appreciation of rupee implies the reduction of wages of NRMs in rupee terms. If they have to maintain the minimum subsistence living conditions in their destination countries as well as at home, they are compelled to demand higher wages. This becomes more imperative in case they have additional burden of meeting loan repayment and other contractual obligations. The recent strikes of NRI workers in Bahrain and UAE are pointers to the worsening problems of NRMs precipitated *inter-alia* by the rupee appreciation. [The striking workers in Bahrain are reported to have been engaged for work at 57 Bahraini Dinar(Rs.5,700 per month)]⁵.Given the fact that many of the destination countries of NRMs do not provide for trade union rights and labour protection, the demands for higher wages are quite likely to be resisted. As the High Level Committee noted, the mandate of labour courts in these countries appears to be restrictive and it does not cover domestic help. The recourse to them is somewhat difficult and not within the easy reach of an ordinary worker..... The situation is further complicated by the fact that in most cases maid and other domestic help are not covered by the local labour laws⁶. Besides, there is acute competition in the labour markets of these countries from workers of other countries like Bangladesh, Pakistan, Sri Lanka, Indonesia and Philippines. The currencies of these competing countries except that of Philippines had appreciated less than the Indian Rupee vis-à-vis US dollar. In fact, Pakistani and Sri Lankan Rupee actually depreciated (See Table 7)

⁵ Malayala Manorama, 16 February 2008

⁶ The committee found that out of the total 2,94,000 Indian residents in Kuwait, about 1,13,000 are domestic servants and about 49,000 are housemaids. In Saudi Arabia, the number of housemaids was around 10,000 in 2002

Table 7: Appreciation of Selected Currencies against US Dollar

Currencies	Appreciation(+) Depreciation(-)		
	Mar 05/Nov 07 (%)	Mar 06/Nov 07 (%)	Mar07/Nov 07 (%)
China Yuan	11.49	8.24	4.25
Pakistan Rupee	-3.04	-1.61	-0.45
Thailand Baht	13.93	15.05	3.48
Indian Rupee	10.69	12.79	11.64
Bangladesh Taka	-	2.4	0.48
Indonesia Rupiah*	-	0.23	0.6
Korea Won	-	6.36	2.86
Philippines Pesos	-	18.51	12.26
Sri Lanka Rupees	-	-7.09	-1.06

*October instead of November.

Source: International Monetary Fund (IMF), International Financial statistics, quoted in Economic Survey 2007-08.

Rupee appreciation reduces the difference between wages in India and wages abroad in rupee terms. This narrowing of wages may reduce the attractiveness for migration and can lead to decline in emigration rates. It appears that the trend has already set in. Zachariah and Irudaya Rajan's study on migration (2007) had noted that the rate of emigration experienced some significant decline during the period 2003-2007. It declined from 26.7 per 100 households in 2003 to 24.5 in 2007. The increase in number of emigrants between the two years was just 9424 as against 4,76,559 between 1999 and 2003. There was decline in the number of emigrants from seven districts of Kerala (Kollam, Pathanamthitta, Kottayam, Idukki, Trissur, Palakkad and Kozhikode). There can be many reasons for this phenomenon. Rising value of rupee can be one such reason.

Many households in Kerala escaped from poverty through the migration route. Migration has contributed to the upward economic and social mobility of numerous families in Kerala. This route is becoming increasingly unattractive to many less educated, unskilled and semi-skilled workers due to the appreciation of rupee. This is particularly true about those emigrants who have to borrow heavily to pay for their visas and for meeting travel expenses.

In the Union budget 2008-09, the Finance minister has noted that "the exports have come under pressure from the appreciation of rupee". In 2007-08, he claims to have given relief to exporters to the tune of Rs 8,000 crores in three tranches. He had also given subsidy amounting to another Rs 8351 crores by way of interest cost of sterilization through market stabilization bonds (MSS). He assured that the Union government continues to be sensitive to the needs of the export sector and it will continue to respond sympathetically as the situation demands. Unfortunately, he has not shown any such sensitivity to the deprivations of the NRIs, even of those poor workers toiling in the Gulf deserts. Not even a token subsidy was given to NRI depositors of banks while granting interest subsidy of Rs 8351 crores to the exporters. The real interest rates on NRI deposits have turned negative in view of the higher annual rate of rupee appreciation (see table below). But the poorer among the NRMs do not appear to have many options. As the High Level Committee on Indian Diaspora 2002 noted; "the impressive figures of the annual inward remittances to India from the Gulf are mostly the hard-earned savings effected by our unskilled and semi-skilled labour. For it is the latter who have no other place in which to keep their money, besides the fact that their families back home need every rupee that can be saved."

Table 8: Movement of NRE Deposit Interest Rates (%)

Date (as on)	1-2 Years	2-3 Years	3-5 Years
01.04.2004	1.6	2.2	2.7
01.10.2004	2.4	3.0	3.3
01.04.2005	4.4	4.8	5.0
01.10.2005	4.9	5.0	5.10
01.04.2006	6	6	6
01.10.2006	6.3	6.1	6.0
01.04.2007	5.7	5.5	5.5
01.10.2007	5.3	4.9	4.9
01.04.2008	2.5	2.5	2.8

Source: State Bank of Travancore (SBT), Kochi, Kerala

It appears that NRMs in recent years have been carrying four types of burden -- burden on account of rupee appreciation, fall in interest rates on NRI deposits, inflation in India and inflation in the countries of their present residence

The failure of the Union Government to take cognizance of the problems of NRIs arising out of rupee appreciation can be understood to some extent as NRI remittances, despite its importance in India's Balance of Payments, form only less than 4 percent of the country's GDP. But the silence of the policy makers and opinion leaders in Kerala are quite baffling, given the importance of NRMs and their remittances to state's economy. The sheer number of emigrants and remittance receiving households should have made them sit up. The staggering size of the loss must have alerted the policy makers. There used to be much more hue and cry in Kerala for much smaller quantum of loss involving much fewer number households and people. It appears that despite their importance in Kerala economy, the NRMs have not acquired sufficient clout and lobbying power with the State government, not to mention the Central government.

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Appendix
Movement of Monthly Average Exchange Rates of Currencies of the Major Countries of Destination of NRM(2006 and 2007)

	US Dollar	Pound Sterling	Euro	Canadian Dollar	Malasian Ringgit	Beharini Dinar	UAE Dirham	Quatari Riyal	Riyal Omani	Saudi Riyal	Kuwaiti Dinar
2007-Dec	39.4150	78.8050	57.9825	40.2350	11.9175	104.7575	10.7325	10.8300	102.4425	10.5125	143.9550
2007-Nov	39.6100	81.9600	58.5450	39.8225	11.7875	105.4850	10.7900	10.8900	102.9100	10.6550	144.5925
2007-Oct	39.3250	81.5275	56.8175	41.1750	11.7925	104.3300	10.7075	10.8075	102.1700	10.5125	140.3450
2007-Sept	39.8450	80.9250	56.5150	39.8750	11.6875	105.7025	10.8525	10.9525	103.5200	10.6650	142.3800
2007-Aug	40.8800	82.5775	55.8650	38.7675	11.6750	108.4350	11.1300	11.2275	106.1825	10.9000	145.2225
2007-July	40.3800	82.0300	55.3175	38.0450	11.6900	107.1100	10.9925	11.0900	104.8825	10.7675	143.1925
2007-June	40.7050	81.6025	54.9500	38.6900	11.7975	107.9700	11.0825	11.1800	105.7275	10.8550	141.2875
2007-May	40.6200	80.3000	54.5950	37.9725	11.9525	107.7450	11.0600	11.1550	105.5075	10.8325	140.4775
2007-Apr	41.1950	82.1325	56.0775	36.9075	12.0375	109.2700	11.2150	11.3150	107.0000	10.9850	142.4675
2007-Mar	43.4700	85.1075	57.8700	37.6825	12.5725	115.3100	11.8350	11.9375	112.9100	11.5925	150.3625
2007-Feb	44.2750	86.6100	58.3900	37.9175	12.6400	117.4375	12.0550	12.1600	115.0000	11.8075	153.0975
2007-Jan	44.1800	86.3575	57.1600	37.4500	12.6200	117.1850	12.0300	12.1325	114.7525	11.7800	152.7700
2006-Dec	44.2600	86.8375	58.2850	38.1375	12.5375	117.3975	12.0500	12.1550	114.9600	11.8025	153.0450
2006-Nov	44.7400	87.5350	59.0375	39.3050	12.2425	118.6700	12.1825	12.2875	116.2075	11.9300	154.7050
2006-Oct	45.0200	85.5000	57.1325	39.9050	12.3250	119.4150	12.2575	12.3650	116.9350	12.0050	155.6850
2006-Sept	45.9250	85.8825	58.1600	41.2150	12.4550	121.8175	12.5050	12.6125	119.2850	12.2475	158.8150
2006-Aug	46.5350	88.7500	59.8050	42.0125	12.6425	123.4325	12.6700	12.7800	120.8700	12.4100	160.9225
2006-July	46.5600	86.7750	59.3675	41.4150	12.7325	123.5025	12.6775	12.7875	120.9350	12.4150	161.0100
2006-June	46.0400	84.4875	58.5375	41.4375	12.5300	122.1225	12.5350	12.6450	119.5850	12.2775	159.2125
2006-May	46.3700	87.1025	59.6750	42.3325	12.7700	122.9975	12.6250	12.7350	120.4425	12.3650	160.3525
2006-Apr	44.9700	81.3075	56.4225	40.0025	12.4075	119.2825	12.2450	12.3500	116.8050	11.9900	153.9550
2006-Mar	44.6150	77.4950	54.0050	38.3625	12.1125	118.3400	12.1475	12.2525	115.8825	11.8975	152.7400
2006-Feb	44.3800	77.5175	52.7500	38.9475	11.9450	117.7225	12.0825	12.1875	115.2725	11.8350	151.9350
2006-Jan	44.1250	78.2925	53.4075	38.4925	11.7650	117.0400	12.0150	12.1175	114.6100	11.7650	151.0625

All Currencies are for 1 unit of Foreign Currency = So many Indian Rupees except those marked * which are 100 units of Foreign Currency = So many Indian Rupees

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