

Emigrants from India-Their Impact on Indian Economy

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INTRODUCTION

There has been an argument for years regarding the brain drain topic being a serious detriment not only to India as a country but also in terms of Indian economy. This paper is an effort to argue this from the other point of view specifically focusing upon the case of Kerlaite's migration to the gulf countries and recent study by Elsevier regarding the profession of scientists and doctors in India as they are supposed to be one of the most important building blocks of a developing society.

The word "economics" has been derived from a Greek word "Okionomia", which basically means "household management" or "management of house affairs". This field plays an important role for the simple reason that, in this one study the pattern of how people earn and then spend the money and then this could help in using the available factors of production as efficiently as possible so that society's demands could be met. According to Benjamin Davis "Economics is the science that studies how scarce resources are allocated to meet competing and unlimited wants and how human beings satisfy their material want and needs." Thus when talks about the real essence of economics it would never hinge upon the boundaries of a nation rather it talks about allocation of resources to meet the demands of human beings and satisfying their wants.

Brain drain as a concept is hinged upon the fact of large scale emigrations of individuals from under-developed nations having technical knowledge or skills to a developed nation. The consequence of such an emigration is the adverse impact on the concerned under-developed nation's economy, as after studying in institutions of such a nation people go to the developed nations in order to achieve their goals and most of the times better living. As per the CBS news article "Imported from India" by Rebecca Leungm it had started with the line "What is America's most valuable import from India? It may very well be brainpower."

Numerical Regarding Emigration From India

"In 2000, the foreign born constituted approximately 17 percent of the work force with a BA degree in science and engineering occupations, 29 percent of those with a master's degree, and 39 percent of those with a doctoral degree. In comparison, the foreign born made up 11 percent of the US population and 15 percent of the overall workforce. Plainly, high-skilled immigrants are a critical resource for the knowledge-driven economy and play an important role in the country's global dominance in science and engineering and its leadership in technology¹"

In 2010, India with an estimated stock of 11.4 million emigrants was the second emigration country in the world, behind Mexico (11.9 million)². As per the brain drain theory these people who work abroad could have in place worked in India and thus helped the Indian economy. People who move to developed nations like the United States of America help them prosper leaving India behind.

The main issue rests upon the fact as to whether one has to support the brain drain or rather the brain gain. Brain gain simply emphasizes upon the fact that such emigration does not lead to loss of national economy rather helps in brain gain or support to the origin source economy as the concerned person gets a chance to work in the comfortable facilities which most of the times are missing in the origin sources. Also when one talks about the province of economics, it never hinges upon the boundary aspect, what it talks about is the fact that, one should help people to attain their demands with optimum utilization of present the available resources.

Sources Substantiating Why Brain Drain Should Be Avoided-Morality And Loss Of Economy Argument

“A Diaspora can be a source and facilitator of trade, investment and ideas; a rich vein of remittances; and a potential stock of high human capital returnee emigrants. However, losing a substantial fraction of its “best and brightest” is likely to have substantial negative effects on a country as well³.”

The major morality grounds are rested upon the argument that institutions in India help the students get their knowledge as the government makes student study at an subsidized rates and then after getting the education these students go on to contribute in abroad. Thus these students after getting education could help in India becoming more developed and also economically stronger.

Answer To The Morality Based Argument And The Impact On Economy In India

In a country like India where definitely there is obligation on the government to provide education but this obligation under constitutional mandate under article 21-A is restricted only to primary and upper middle school. Also one could say that the subsidized education in the higher level is not at the same level as it is under primary level of school. Thus there is nothing like government made a favor to the ones who want to go abroad for better education understanding. Secondly education is never meant to be stuck within boundaries. , the role of philanthropic funding in both public and private institutions has declined in India (NIEPA, 2005s; Kapu and Mehta 2004). In 1951, such funds constituted 12 percent of the total expenditure on education (NIEPA, 2005a4).

Secondly when one looks at the higher education system in India, one of the most preferred reason for having abroad education is the fact of having better infrastructure and quality of learning⁵ which lacks in most of the institutions in India except for few like IIM’S, Symbiosis, etc. Also it is an acceptable fact that higher degree you have more importance you have, thus the abroad countries are responsible for you having ‘that higher knowledge’. Also the kind of facilities and money people get abroad, that kind of treatment they can never get in India per se. May be this is the reason why people from Kerala during 1970 went to the gulf region or why people from India preferred to go to United States of America considering the boom in Information technology in 2000 era.

Reply To The Economic Loss Argument

As per a recent study⁶ which came up in January 2013, talks about the impact of outgoing scientists and doctors in Indian economy. As per the study “India has a 0.6% net inflow of scientists. “Analyses showed that incoming scientists (6.6% of the total number of scientists studied) are most productive (1.38 where 1.00 is the average publication output for India), visiting or transitory scientists (23.4%) are almost as productive (1.34), while outgoing scientists (6.0%) are below average in productivity (0.95).Moreover, incoming scientists and short-term visiting (or transitory) scientists are significantly more productive than scientists who remain in India and scientists that leave the country. India is not losing productive brains, but is in fact an importer of productive brains.”⁷ Thus this recent study does indicate towards the fact as to not staying in India does not have much productive gains as abroad. Also the actual province of economics talks about the fact of satisfying the needs of human kind and this is what is trying to be attained by the emigration. As far as the argument for fiscal issues is concerned the answer lies in the example of Gulf Migration of the Keralites and how the U.A.E remittances helped building the Kerala which was lagging behind along with other South East Asian countries during the 1970’s.

The Gulf Migration Of The Kerala (A Specific Case Analysis 1970-2012)

There are about 5 million overseas Indian workers all over the world. More than 90 percent of these workers are in the Gulf countries and South East Asia and during 2011 about 626,565 workers emigrated from India with emigration clearance⁸.

The primary reason for the migration of people from Kerala to the Gulf region was primarily the price hike of oil in 1973 and thus it became a hub for growth of commerce which attracted foreign people. India and many south-east countries were suffering from poverty, unemployment, poor wages and poor living conditions which made them migrate to the gulf. This came up to be one of the finest examples to show as to how there had been impact of migration in the regional economy, in present case Kerala.

According to a World Bank report workers' remittances provide valuable financial resources to developing countries, particularly the poorest (World Development Finance 2005) which helps in contributing to the Gross Domestic Product of the origin country.

It was worth noting that Kerala State alone received Rs.18465 crores of remittances from gulf regions during 1999-2004. Thus remittances from gulf country had contributed 22 percent of the state income. Also as per the New York Times article⁹“Remittances from global capitalism were responsible for carrying the whole Kerala economy. As of 2008, the Gulf countries altogether have a Keralite population of more than 2.5 million, who send home annually a sum of USD 9.25 billion¹⁰, which is more than 15.13% of Remittance to India in 2008.

Table 1 is provided for illustrating the amount to remittances that has been made to India.

Table 2. Source Regions of Migrants' Remittances to India (%)

	North					
Year	America	Middle East	Europe	Other		Total
1970		30	5	40	25	100
1980		15	50	20	15	100
1990		20	40	20	20	100
2010		35	35	15	15	100

Notes: Figures rounded to nearest multiple of five. Source: Nayyar (1994)

Also one cannot ignore the fact that Kerala has the highest literacy rate (more than 90%) and life expectancy in India, lowest infant mortality, lowest school drop-out rate, and a fairly prosperous countryside¹¹. Thus due to struggling economy Keralites considering their literacy rate and lack of job opportunities in Kerala itself were forced to have better future and thus they chose the gulf.¹² Not only this but “Some of the migrants have come back and settled down in their native places seeking self employment¹³”. Also the study conducted by Zachariah et al. (2002) reflects the point that almost all families in Kerala seem to have been affected by the Gulf migration in one way or other. The major reason for migration from Kerala is the economic benefits as per Zachariah et al. (2002). Nair and Pillai (1994) observe that the main cause for migration is the scarce employment opportunities in Kerala.

The remittances can also be seen in the NRI Deposits by UAE which played an important part in helping the economy of Kerala with the help of the following Table 2.

Source Regions of Migrants Remittances to India (%)

			North	Middle			
Estimates	Year	Type of Remittances	America	East	Europe	Others	Total
RBI (2006b ¹⁴)	2006	FMRS	35	35	20	10	100
RBI (2006a ¹⁵)	2006	FMRS	44	24	13	19	100

RBI (2010 ¹⁶)	2010	FMRS	38	27	18	17	100
Share of NRI* deposits	2010	NRI deposits	33	28	19	20	100
Share of NRE deposits	2010	NRI deposits	38	33	9	20	100
Share of FCNR deposits	2010	NRI deposits	23	22	33	22	100
Author's Estimate	2010	FMRS & NRI deposits	35	35	15	15	100

Notes: FMRS= Family Maintenance and Repatriation of Savings; NRI= Non-Resident Indian. * refers to NRE+FCNR, excludes NRO deposits which form 15% of total NRI deposits. Source: For NRI, NRE and FCNR deposits, RBI (2011c¹⁷).

From the above table one could infer that from UAE (or gulf countries) about 24-35% of remittances are retrieved which play an important part in Kerala's Economy.

“Despite the global economic downturn, India remained the largest recipient of inward remittances for a third year in a row, estimated at US\$55 billion by the World Bank. The labour outflow from India amounted to 626,000 people in 2011 compared to 610, 000 in 2009. The Indian economy, despite turbulence, was set to end the year under review with a real growth of 7 percent in its GDP, an impressive performance considering the then present global conditions”¹⁸.

The Changing Scenario

As per (Zachariah and Irudaya 2004) report, about 95 percent of the total emigrants from Kerala are gulf migrants and around 18 percent of the total households in Kerala are dependent on remittances from Gulf countries but the story now has kind of changed. As per a recent Times of India article dated 13th October, 2012 by Subodh Varma the Gulf Connection might come to an end for the simple reason of decreasing trend of migrants in the Gulf countries. As per the news report, “Emigration to the Gulf region from Kerala stood at 2.28 million in 2011, up from 2.19 million in 2008, 1.84 million in 2003 and 1.36 million in 1998. Between 2008 and 2011, emigration grew at just 1.4 percent per year compared to 4.8 percent during 2003 and 2008 and over 7 percent during 1998 and 2003”¹⁹.

In the same report as per K C Zachariah and S Irudaya Rajan of the Centre for Development Studies (CDS), Thiruvananthapuram “the increase could vanish much before 2015 and the migration trend could very well slope downward”.

Among the few of factors which have contributed towards this trend include rapidly increasing cost of emigration low young population in Kerala and the most important why Keralites had left Kerala was for better income but now the wage in Kerala and the gulf region is coming down as according to a survey conducted in United Arab Emirates the average monthly wage is of around 11,869 INR of India and as per the CDS organization the unskilled workers would have earned the similar amount. Thus the incentive to migrate is continuously decreasing which might end up the Gulf-Region connection of Kerala.

The contribution of migration helps the concerned person to not only pursue his goals and make his/her life better but also its origin country where its family and relatives resides. Thus not only the individual but at the community level also migration helps if seen in macro-view and this is what the province of economics talks about that is satisfying the human needs and looking at the contribution to the mankind as a whole.

The Impact On Fiscal Deficit In Terms Of Tax Revenue

One of the main reasons why people migrate to other countries is also for the sake of having lesser tax to pay, take for instance people who migrate to U.A.E from India or U.S.A from India.

As per the statistics of the concerned nations the tax rate over the destination sources are less as compared to the origin sources which becomes another reason to move to the other countries.

Thus for making people stay say for example in India, the government should bring in the policy reforms which could have lesser tax obligations as then otherwise most of the income would go in the hands of the government and the personal disposable income left with the individual is very less.

Western Or The Third World Countries

While for increasing profit a producer would definitely want highly qualified labour at lesser wages as it could help him gain more profit as compared to the natives of that nation. Thus the approach for capitalist countries could be positive in case of emigration, however it could create problem for jobs for the natives of that nation as happened in the last few years in United States of America. However as per the sources the Indians taking up job of the U.S natives was exaggerated²⁰ but definitely its possibility cannot be ignored.

Looking at from the point of view of third world countries it could be problematic as then these countries would be left behind and be dependent on the western countries as most of the highly skilled would run to the west. A good example could be India's dependence on the foreign supplies regarding military hardware²¹.

One should understand that it is a slow process of gaining economic power, take for instance why did Keralites went to Gulf Region, it was because they did not get satisfactory treatment in India and thus for better prospects they went abroad. Once the origin sources are able to absorb the talent of the emigrants, there would not be such a need for emigration. As per the Corp. Corp.com, a U.S Based the United States may experience reverse brain drain as thousands of

Indian IT professionals contemplate returning to India. In this report which came up in the times of India, as per Prabakaran Murugaiah, CEO of Corp-Corp.com, "The recent economic growth in India with many good opportunities fueled their thought process of heading back". Also by the time these people were abroad one cannot ignore the fact that it is India (origin country) which gets the most remittances from the destination countries²² and finally contributing to the Gross Domestic Product of the origin country.

CONCLUSION

From the micro point of view emigration might look like loss of economy but when looked at from the macro or global economy aspect, it is a win-win situation for both the origin source and destination source as it helps not only the destination sources in better utilization of sources with minimum costs but also helps the origin sources who were not able to properly absorb the talent and skill through remittances.

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