

Expatriate Keralites hit by rising rupee

The rising value of the rupee from 2003-04 onwards has been inflicting a silent but hard blow on Keralites living abroad by reducing the rupee realisation of their foreign currency remittances to Kerala, according to a new study.

The study by K.K. George and S. Remya of the Centre for Socio-economic and Environmental Studies (CSES) has found that reduction in the value of foreign currency remittances has in turn badly hit the economy of Kerala.

It points out that the rupee had been steadily appreciating against the dollar from 2003-04 onwards. The appreciation of the rupee had been especially steep during the last one and a half years - between July 2006 and December 2007 its value increased by 15.3 percent against the dollar.

The rupee appreciated between 7.1 percent and 9.1 percent against all the currencies of West Asian countries accounting for 89 percent of Kerala emigrants.

According to George this is because all Gulf countries other than Kuwait peg their currencies to the US dollar.

'Outside West Asia, US was the most important country of destination, accounting for 5.7 percent of the total number. The rupee appreciated by 10.95 percent against the dollar between December 2006 and December 2007,' said George.

For the first half of the year 2007-08 itself, the loss amounted to Rs.27.66 billion. The total loss during the four-and-a-half year period from 2003-04 amounted to Rs.86.60 billion.

'The annual loss to the people and state economy on account of rupee appreciation exceeded the total plan grants to the state from the central government in all the years from 2003-04 to 2006-07. The quantum of loss was more than the entire grants from the central government,' said George.

And the magnitude of the loss to the people living abroad was much more than the total value of individual commodities like tea, spices, marine products, cashew kernels, coffee and coir exported from the port here. It was more than two times the total value of software exports from Kerala.

The study estimates that the total remittance to Kerala went down from \$4,197 million in 2003-04 to \$3,781 million in 2004-05.

In 2005-06 remittances were \$4,585 million while the figure stood at \$5,359 million in 2006-07. Between April-September 2007 itself remittances to Kerala amounted to \$3,550 million.

But increasingly, the same dollar fetches fewer rupees.

The remittances were equivalent to 18.3 percent of the Gross State Domestic Product (GSDP) of Kerala in 2006-07 as against 3.7 percent for the country as a whole.

The study also found that rupee appreciation had a negative impact on bank deposits in the state. The rate of growth in non-resident deposits, which had been the major driving force for the growth in

deposits of commercial banks in the state, came down for the first time to a single digit from 2003-04 onwards.

'The deposit rates of NRIs came down precisely during the period of rupee appreciation,' said George.

The social profile of the people has also been affected as it reduced the purchasing power generated by foreign currency remittances.

'To maintain a high standard of living at their homes in Kerala, the people will have to provide bigger outlay of foreign funds for remittances. This implies cutting down their own standard of living,' said George.

He said the central government has not come to the rescue of expatriates.

'Not even a token subsidy was given to NRIs, while relief amounting to Rs.163.50 billion was given to exporters by way of interest subsidy and other measures. It appears that despite their important contribution to Kerala economy, these people have not acquired sufficient clout and lobbying power with the government,' said George.

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