

The Role of Migration and Remittances for the Poor in Growing India: Perspectives on Social Classes in Rural Bihar¹⁾

KATO Mariko

This study aims to examine the current changes of domestic out-state migration and remittances for the poor rural households by focusing on the culturally and socially discriminated backwards, “Scheduled Castes” (SCs), during the period from 1990s to the late 2000s and by using National Sample Survey data on rural households. In 1993, the average per capita consumption expenditure (MPCE) of households with remittances from out-migrants was much lower than households without out-migrants. Conversely, in 2007-08, remittances by domestic out-migrants seem to improve economic conditions for economically and socially backward poorer households. This is because the MPCE of out-migrant households with remittances are significantly higher than the MPCE of households without out-migrant for all social classes in all India and notably in rural Bihar, a less developed state. Also, social distress could work as stronger push factor than rural distress because SCs in Bihar now face more opportunities and amount of remittances received from out-state male migrants. Thus, growing intra-state out-migration with remittances could play a possible role to induce upward mobility for the seriously discriminated people.

Introduction

There are debates on the causes of migration from rural areas during the economic growth period in India. The traditional view emphasizes the aspect of rural distress which works as a “push factor” to push the poor out of the economically backward areas. In such cases, relatively limited numbers of the rural poor, who are relatively better off among the poor, can move out, while the poorer and the poorest are often left out of the opportunities to migrate out and thus stay put in the rural areas due to their lack of mobility--- being unable to afford moving costs and the unavailability of useful contracts, contacts or outside

information. However, in response to the rapid economic growth (even to the point of boom) which requires an increased labour force and newly available jobs in the industrial sector, the current characteristics of rural out-migrants seem to have changed to show a more positive side for rural out-migration. As the whole economy grows, the speed of economic growth in the urban industrial areas becomes much faster than before, which widens the rural-urban economic gap. Recent Indian economic growth may have also created more access for the rural poor to improved opportunities in advanced areas. Now, the question is whether lower or the lowest earning groups of rural households, such as

economically and socially backward households, become more mobile or are still left out of the percolation of recent economic development in rural India.

This study tries to investigate the current changes of population outflow from rural areas in the form of intra-state migration and to measure the role of remittances for the rural households. In order to specify the effect of migration and remittances on the households that are not supposed to be within the “better-off” strata, this paper specifically focuses on “Dalits”, the rural Scheduled Castes households (SCs), that account for more than 20 percent of rural population, and other backward class households (OBCs) during the growth period from the early 1990s to the late 2000s. Actually, the poverty incidence of SCs is quite high. 48 percent (1993-94) and 35 percent (1999-00) of rural SCs live below the poverty line, while overall percentage of rural people below the poverty line is 38 percent and 27 percent in each period (Planning Commission). Also, it is worth analyzing the pattern of migration by the SCs or other backward classes in Bihar. In this state, intra-state out-migrants as agricultural labourers to Haryana and Punjab used to be very common, but currently the destination of the migrants in the 1990s shifted to the industrial areas such as Maharashtra and Delhi. By comparing the different data collected by the National Sample

Survey Organization (NSSO) in 1993 and 2007-08, this article analyzes the dynamics of changing intra-state migration and the subsequent remittances in terms of economic and social strata, particularly focusing on rural SCs and other backward classes.

I. Research Background

The classic economic analysis sees that rural to urban migration is induced by the widened economic gap between rural and urban areas due to high economic growth in the urban sector (Harris and Todaro, 1970; Lewis, 1955). Actually, in the Indian case, the contribution of the primary sector to the GDP is falling: 37% in 1981-82, 32% in 1991-92, and 25% in 2001-02. On the other hand, the share of the rural population in the total population is still high: 77% in 1981, 74% in 1991, and 72% in 2001. In spite of the rapidly falling contribution of the rural economy to total GDP, the share of the rural population does not decrease accordingly but remains very high, which means that there is worsening of the rural economy relative to the urban economy. Such rural distress caused by unequal growth between the rural and urban sectors contributes as a “push factor” for the rural poor to migrate out, while high wages contribute as a “pull factor” to induce the migration out of the rural to the urban sector. In

1970s of Indian rural villages, the rural push factor has been considered as a main contributor to rural out-migration (Connel et al., 1976) and remittances from pushed rural labour force even worsened the rural-urban gap because the amount of remittances is far from sufficient levels to narrow the rural-urban disparities (Lipton, 1977). Studies from the urban side also show rural-urban economic dispersion and further disparities even within rural people. Economic analysis on the wage data of migrants to Delhi showed that the mobility to an urban area like Delhi is strongly subject to the availability of pre-contract before migration and information about the urban labour market. Thus, the mobility and the return of migration to Delhi areas are limited for rural poor households. But for those who are already better-off with good urban contact, migration is fairly beneficial in terms of wage (Banerjee, 1984).

While rural out-migrants often send remittances to their households, the role of remittances may differ by such household characteristics as region, income strata, and social environment. For rural households in India, remittances and migration appear to work as a means to avoid shortfall of household income: migration itself diversifies economic risks by relocating household members in regions with different climate conditions; remittances from

migrants make up the shortage or fluctuation of households' income which is heavily influenced by weather (Rosenzweig and Stark, 1989).

Focusing on regional characteristics, migration and remittances show different perspectives on the determinants and functions, which could be described as "productive" ones. In Kerala, where labour movement to foreign countries has long been known, migration and remittances have contributed to poverty alleviation and human capital accumulation because cheap and educated labour of Kerala has been long favoured by Arabic countries (Joseph, 1988; Zachariah et al., 2003; Banerjee, et al., 2002; Ramachandran, 1997; Rajan, et al., 2007). In spite of such a positive link between education and remittances in South India, it is strongly suggested that there have been negative links between households' consumption levels and educational levels at all India level.

In terms of productive aspects relating to migration and remittances, recent regional micro-level studies also support the positive effect of migration on the poorer households. Opportunities and benefits of migration expanded to the many rural poor to alleviate poverty incidence by improving their living conditions (Deshingkar and Farrington, 2009). Urban research in Delhi slums supports that migration by the poor helps at least stop downward movement of income

(Mitra, 2006).

For such lower castes as Scheduled Castes (SCs), it is still reported that most SCs remain poor and also they are excluded from the opportunities to migrate because of discrimination (Desingkar and Start, 2003). However, looking at the migrants from Bihar, the least economically developed state in India, out-migration from rural Bihar appears to gain importance for those social backward classes. The state also has a long history of migration from the colonial period (de Haan, 2002). The main players to move out of Bihar were distressed rural landless poor, who move towards agriculturally advanced rich areas like Haryana and Punjab in the 1980s (Singh et.al., 2007). With the coming of the age of economic reform since 1991, the destination of migrants and their characteristics seem to have changed. The destination of migrants shifted from rural Punjab or Haryana to such urban areas as Dehli, Mumbai, and Goa. The most notable point of population movement from Bihar is that many males with the social backward classes (like Dalits and Extremely Backward Classes (EBCs)) become mobile, as did rural males from the economic backward households, rural landless households, and Muslims. It is naturally supposed that there is caste discrimination in the job market for those backward classes when they enter the market via the

official channel partly because most of them are non-skilled and less educated. Accordingly, most SCs and other backward classes from rural Bihar mainly engage in non-skilled jobs such as agricultural work, casual construction work, brick kiln work, and rickshaw work. According to the NSS 1999-2000, 75% of rural households are landless or marginal landholders, and SCs are certainly the least endowed among the rural population in terms of social and economic resources. Moreover, the SCs are not able to choose jobs due to caste discrimination. In addition to the economic stagnation of the state and unequal land distribution in rural areas, the SCs and other backward castes in Bihar are likely to face severe social pressure. Therefore, excess rural distress in Bihar seems to be the main factor to push the poor and the SCs out of those areas.

However, such rural distress in Bihar may not be enough to reasonably explain out-migration by socially/economically backward people. Some studies argue that out-migrants from rural Bihar are from the regions with relatively high agricultural output (de Haan, 1999, 2002), and Bihar reportedly witnesses increased rural out-migration by SCs as Bihar economy has dramatically improved after Nitish Kumar's appointment as the state minister in 2005. Actually, the growth rate of Gross State Domestic Product (GSDP) in Bihar increased by 11 per cent

from 2004-05 to 2008-09, which was led by the construction sector, whose contribution to the growth rate is estimated at 29%. On the other hand, contribution of the agricultural and agricultural-related sectors is low, whose growth rates are estimated at 7.1% and 7.7%, respectively (Das Gupta, 2010). Therefore, not only “rural distress” but also recent improvement in the economy may have increased the mobility of the rural poor and social backward classes in the state by enabling them to afford the expense to migrate out. In addition, some studies claim that it is a good reputation for the SCs and socially backward households to migrate out of Bihar to get an outside job. If the SCs gain more mobility as the economy grows, such rural out-migration does not necessarily reflect rural distress and does not accompany inequalization of SCs in rural Bihar. It would rather imply the emerging importance of expanded opportunities that could give potential empowerment to those socially and economically backward in rural Bihar.

This study focuses on recent changes in intra-state migration and its effect on the rural economy by focusing on social strata (particularly rural SCs and other backward classes) from the early 1990s to the 2000s in order to measure the influence of economic reforms on people in rural India and Bihar. The analysis of this paper is based on the National

Sample Survey Organization (NSSO). To measure changes of migration in different periods in the 1990s and 2000s, two data sets provided by NSSO are compared; One is the 49th National Sample Survey, Sch.1.2 “Housing and Migration Particulars”, which covers from Jan - July 1993 for about 76,000 households; the other is 64th NSS, Sch.10.2 “Employment & Unemployment and Migration Particulars”, which covers from July 2007 - June 2008 for 79,000 households. The 64th NSS survey collects data for a whole year, which are smoothed in terms of seasonal fluctuations of income and expenditures, whereas the 49th round is a half year survey. Therefore, the two data sets are not totally comparable.

II. Changes of Migration between 1993 and 2007-08

1. Overview of Rural Migrants

How many people migrate out of rural areas to another state or overseas? How poor / how rich are those households which sent out-migrants to outside destinations? Are there any changes between the early 1990s and 2000s? To answer these questions, we first examine migration rate of households for the two surveys.²⁾ For both the surveys, we find at least 1 out of 7 rural households have sent out male migrants, while almost none of them have sent out female migrants.

The most dominant reasons for migration by males are related to employment. Actually, around 40 percent of male migrants in the 49th survey and more than 50 percent of them in the 64th survey migrated out for the reason of “In search of employment / better employment”. Also, around 25 to 30 percent of male migrants move for the reason of “Transfer of service / contract / take up employment”. Therefore, it can be concluded that most of out-migrants from rural areas are motivated by job-related reasons. On the other hand, most of the reasons for female out-migration are related to marriage. This reflects the cultural background based on the Indian social system, where in-caste marriage and hypergamy are strongly preferred among Hindu families (Kato, 2009, 2010).

When we look at the destinations of male out-migrants³⁾, the rate of intra-state and overseas migration increased from 4.3% to 8.0% and from 0.6% to 4.4%, respectively. This shows that rural people in India became more mobile in 2000s, by experiencing rapid growth in this period.

According to the 64thNSS, 43.7 percent of males, who migrated for job-related reasons within the last 5 years, have come back their home because they currently reside in the same district of their state of origin. This means that the job-related out-migration by males is characterized as temporal. Conversely, since

female migration by marriage is usually not temporal in nature, more than half of them move to another district within their home state. The higher rate of marriage-motivated female migration to “other district nearby” is still consistent with the research on marriage in rural India (Rosenzweig and Stark, 1989).

2. Economic Status of the Rural Households with and without Out-Migrants

Now, we examine the levels of Monthly Per Capita Expenditure (MPCE) as a key economic indicator of Indian rural households. Table 1 compares the MPCE for households with different types of migration and remittances.

For the 49th survey, the MPCE of households with remittances from domestic out-migrants is lower than the MPCE of those without out-migrants. Nevertheless, for all social groups in the 64th survey, the MPCE of households with remittances from domestic out-migrants is significantly higher than the MPCE of households without out-migrants by about 5-15 percentage points. In the 49th survey, only remittances from out-migrants overseas, who incur high costs for migration, might improve their consumption. Recently, however, the consumption level of domestic out-migrant households has remarkably improved even for SCs. Also, these results imply possible improvement of income and reversal of households’

Table 1. Mean MPCE of Rural Households by Types of Out-Migration and Remittances

| | 49th NSS (Below MPCE 400Rs) | | | | | 64th NSS (Below MPCE 1 500Rs) | | | | |
|--------|--------------------------------------|-----------------|----------------------------------|------------------|----------------------------|--------------------------------------|------------------|----------------------------------|-------------------|----------------------------|
| | Household with domestic out-migrants | | Household with overseas migrants | | Household without migrants | Household with domestic out-migrants | | Household with overseas migrants | | Household without migrants |
| | With remittance | No remittance | With remittance | No remittance | | With remittance | No remittance | With remittance | No remittance | |
| SC | 185.4 (4.13) | 197.4 (9.95) | 242.3 (15.50) | 202.1 (25.85) | 187.2 (4.45) | 715.6 (25.43) | 735.2 (31.36) | 789.6 (61.53) | 653.8 (52.48) | 650.8 (4.86) |
| OBC | - | - | - | - | - | 770.9 (19.62) | 756.9 (21.31) | 819.6 (31.10) | 906.1 (37.58) | 731.5 (3.77) |
| Others | 202.3 (2.94) | 225.8 (5.35) | 238.8 (5.53) | 257.8 (10.25) | 216.4 (3.19) | 858 (22.09) | 923.1 (23.26) | 891.9 (47.82) | 1006.4 (64.91) | 868.3 (4.71) |

Standard deviations are shown in parentheses.

economic conditions in rural India via migration and remittances. This is not necessarily consistent with migration explained by classical argument on rural distress.

As discussed above, recent difference in the economic level of rural households seems to depend on remittances they received. Although data on the amount of remittances is not available in the 49th survey, it is available in the 64th survey. The average amount of remittances received by rural households by social classes in Tables 2 and 3 show that the average amount of remittances is close to poverty lines by social classes. In order to show the economic level of poorer households and the impact of remittances received by rural poor households, the average MPCE for households below poverty lines is also estimated in Table 4.

The average levels of remittances are high enough to cause a crucial difference between households with and without

remittances if they are below the poverty line. The average remittances received by the SCs are lowest among all the social classes, which reflect their least

Table 2. Average Amount of Annual Remittances by Social Classes (64th NSS)

| | Average amount of remittances | Standard deviations |
|--------|-------------------------------|---------------------|
| SC | 21197.27 | 330.87 |
| OBC | 20799.03 | 327.47 |
| Others | 25053.39 | 487.39 |

Table 3. Average Amount of Annual Remittances by Social Classes below Poverty Lines (64th NSS)

| | Average amount of remittances | Standard deviations |
|-----|-------------------------------|---------------------|
| SC | 9766.12 | 687.09 |
| OBC | 12526.56 | 362.29 |

Table 4 . Average Monthly Per Capita Expenditure (MPCE) below Poverty Lines by Types of Social Classes and Remittances (64th NSS)

| | MPCE of households without remittances | MPCE of households with remittances |
|-----|--|-------------------------------------|
| SC | 374.90 (3.50) | 376.81 (1.98) |
| OBC | 386.94 (2.13) | 385.78 (1.446) |

Note: Standard deviation is shown in parentheses.

celebrated social positions. Looking into the very poor below the poverty line, the average remittances for the SCs below the poverty line is much lower than those for all SC households. Compared with the poverty lines, the annual amount of remittances around 120 thousand rupees are almost equivalent to 3 years' expenditure per person and are extremely huge and influential to rural poor households. This means that for SCs, the main beneficiary of remittances is very poor households as is naturally supposed. It also means that for other types of social classes, the main beneficiary of remittances is relatively better-off rural households. On the other hand, estimated MPCEs of rural SC and OBC households below the poverty lines do not show significant differences between those with and without remittances. Therefore, only the "better-off poor" are mobile but the poorest will stay unable to make up their shortage of income.

III. Migration and Remittances of SCs and Other Social Backward Classes in Bihar

1. Background of Bihar

As mentioned above, the main stream of frequent out-migration is initiated by males who are motivated by job-related reasons, and most of them make remittances to their rural home to come back in a short period. The increased level of

household consumption from 1993 to 2007-08 suggests that out-migration may have improved the economic level of social backwards in rural India. The analysis above also provides evidence that the poorest and much more depressed social and economic classes in rural areas are now better-off via increased mobility and receiving more remittances. The subsequent analysis focuses on the most discriminated and the poorest in the economically poorest area, Bihar.

Recently, Bihar has become known as the fastest growth state in India as Bihar hit remarkable growth in Gross State Domestic Product at 11.44 percent in 2008, which is the second time to record over 11 percent growth since Nitish Kumar was appointed as Chief Minister of the state in 2005. Such rapid growth is attributed to the growth of the construction oriented secondary sector, exceeding 11 percent growth under Nitish Kumar's initiatives (Nagaraj and Rahman, 2009). However, the economic level is still the lowest of all the major states due to its long history of economic backwardness.

Such backwardness of Bihar economy is highly attributed to the low productivity in rural areas. In rural Bihar, whose population constitutes about 90% of the whole state, about 20% of the total rural population belongs to SCs, 56% belongs to other backward classes, and only 18% belongs to pure "other" households. The

rest of the population is classified as “Scheduled Tribe”. Thus, the population in Bihar is composed of the socially and economically backwards. This is part of the reason why Bihar has been known as the “poorest state” in India. Backwardness in social classes is strongly related to the occupations in rural Bihar as well. Around 60 percent of SC households are categorized as “agricultural labour” without owning land for cultivation in both of the survey periods (the 49th and 64th NSS). Incidentally, the Planning Commission of India officially reports that poverty incidence of SCs in 1999-2000 is almost 60 percent. Applying the preliminary all-India poverty line (MPCE of 461.84Rs) to the 64th survey data, 52 percent of agricultural labour SC households have MPCE below that line, as shown in Table 5. Also, SC households show the highest poverty incidence of all types of rural households in Bihar. Using the same poverty criteria on the 64th data set, 49 percent of all SCs, 30 percent of all OBCs, and 19 percent of all “Others” live below that MPCE line.

Next, we turn to migration and remittances of the most backward people in rural Bihar by comparing the data obtained from the two NSS round in 1993

and 2007-08. Some journalistic sources revealed that after Nitish Kumar's appointment in 2005, there has been growth of out-migration by SCs, who were unable to find jobs other than as agricultural labourers or highly discriminated jobs such as cleaners (Livemint. com, 2010). Therefore, migration is recognized as a key to get out of serious discrimination for those social backward like Dalit in Bihar. According to the research initiated by the Indian Institute of Public Administration (2010), they have found that more and more people in Bihar are migrating out for all over India to find short-term jobs and earn more income. They also have found that money sent home as remittances is mostly spent on consumption and rarely saved. There has been a coincidence of the benchmark years of economic growth and the increase in migration in Bihar. If such domestic out-migration by socially and economically backward classes has been encouraged by recent economic development, migration induced by economic growth might help realize their self-empowerment via increased mobilization of rural populations to outside areas. Figures calculated from the NSS data also support this tendency for rural

Table 5. Rates of Population below the Poverty Line (461.84 Rs) in 2007-08

| | Agricultural labour | Self -employed in agriculture | Self -employed in non-agriculture |
|--------|---------------------|-------------------------------|-----------------------------------|
| SCs | 0.5242 | 0.3766 | 0.4323 |
| OBCs | 0.4165 | 0.2184 | 0.2737 |
| Others | 0.4683 | 0.1269 | 0.1792 |

Bihar: out-migration rates of domestic destinations in 1993 and 2007-08 are 12.2 percent and 15.7 percent, both of which exceed the average migration rates of All-India.

2. Comparison of Migrant and Non-Migrant Households in Rural Bihar

Based on the special regional background of rural Bihar, we next try to investigate changing economic conditions by social strata using the two sets of 49th and 64th NSS surveys. In order to provide simple pictures of those changes, we first estimate the average levels of MPCE by social strata and by occupation-related household types for Bihar and all India.⁴⁾ We then compare levels of the MPCE for households with remittances from domestic out-migrants and those without out-migrants.

Table 6 shows that the MPCE in Bihar for all social groups and different household types are considerably lower than that for all India. Moreover, differences in the MPCE between Bihar and all India have widened for all types of households between 1993 and 2007-08. Thus, there are growing economic gaps between Bihar and outside Bihar in recent years.

To facilitate the comparison of the MCPE in Table 6, Table 7 presents differences in the MPCE between households with out-migrants (A) and those without out-migrants (B). Focusing on SC households, there are no significant differences in the MPCE for agricultural labour and self-employment in the 49th survey. On the other hand, the results for the 64th survey provide a completely different picture: the difference in the MPCE for SC households engaged in ag-

Table 6. MPCE in Rural Bihar and All India: Households with and without Domestic Remittances

| | Rural household with domestic out-migrants (A) | | | | | | | | | | | |
|----------------------------------|--|------------------|------------------|------------------|-------------------|------------------|------------------|------------------|------------------|-------------------|-------|--|
| | 49 th | | | | 64 th | | | | | | | |
| | Bihar | | India | | Bihar | | India | | Bihar | | India | |
| | SC | SC | Non SC/ST | Non SC/ST | SC | SC | OBCs | OBCs | Non ST /SC/OBC | Non ST /SC/OBC | | |
| Self employed in non agriculture | 118 (15.4) | 182.9 (10.86) | 148.6 (17.24) | 231.8 (10.55) | 497.1 (36.32) | 678.8 (20.28) | 655.3 (22.45) | 788.2 (25.94) | 802.2 (67.05) | 920.1 (31.31) | | |
| Agricultural labour | 148.9 (8.89) | 175.3 (5.52) | 184.8 (8.14) | 200.9 (5.10) | 532.99 (15.60) | 589.2 (12.17) | 514.7 (9.56) | 572.4 (9.75) | 514.7 (50.18) | 644.9 (27.30) | | |
| Other labour | 178 (13.87) | 218.1 (13.63) | 252 (21.72) | 278.7 (13.66) | 614.3 (33.67) | 656.5 (27.38) | 512.5 (25.80) | 726.1 (40.23) | 396.5 (28.45) | 764.8 (55.38) | | |
| Self employed in agriculture | 176.89 (11.3) | 214.2 (10.01) | 200.6 (6.77) | 232.6 (3.59) | 523.7 (24.73) | 656.6 (13.44) | 610.5 (12.27) | 740.5 (10.29) | 787.8 (27.26) | 998.6 (26.17) | | |
| Others | 197.9 (17.7) | 214 (9.13) | 186.8 (9.21) | 235.6 (6.45) | 537.2 (22.81) | 741.3 (20.66) | 642.6 (18.11) | 869.2 (27.90) | 711.6 (34.35) | 1172.7 (53.08) | | |

The Role of Migration and Remittances for the Poor in Growing India

| Rural household without out-migrants (B) | | | | | | | | | | |
|--|------------------|-----------------|------------------|-----------------|------------------|------------------|------------------|--------------------|------------------|--------------------|
| | 49 th | | | | 64 th | | | | | |
| | Bihar | India | Bihar | India | Bihar | India | Bihar | India | Bihar | India |
| | SC | SC | Non SC/ST | Non SC/ST | SC | SC | OBCs | OBCs | Non ST /SC/OBC | Non ST /SC/OBC |
| Self-employed in non agriculture | 144.3 (9.3) | 200.7 (3.53) | 203.7 (12.97) | 234.5 (2.88) | 507 (19.38) | 624 (10.53) | 561.9 (9.27) | 714.4 (9.86) | 636.2 (29.38) | 821.7 (14.76) |
| Agricultural labour | 148.6 (4.53) | 184.5 (1.85) | 170.9 (3.62) | 201.6 (2.10) | 463.5 (7.41) | 548.9 (4.73) | 498.8 (11.15) | 573.9 (4.36) | 487.1 (27.56) | 589.6 (7.80) |
| Other labour | 197.5 (8.2) | 226.4 (4.70) | 212.4 (7.30) | 281.6 (3.96) | 432.6 (14.59) | 620.2 (8.47) | 498.8 (11.15) | 688.9 (10.41) | 547.2 (35.77) | 798.2 (19.67) |
| Self employed in agriculture | 177 (8.05) | 203 (2.42) | 208.9 (7.54) | 238.4 (1.59) | 558.3 (23.18) | 657.3 (12.28) | 625.3 (10.16) | 696.9 (5.25) | 658.7 (13.92) | 828.2 (9.10) |
| Others | 142.2 (9.08) | 206.9 (4.61) | 185.9 (17.04) | 246.8 (4.07) | 536.9 (39.61) | 810.1 (28.24) | 610.5 (24.06) | 1204.3 (121.95) | 742 (43.79) | 1486.8 (125.61) |

Standard deviations are shown in parentheses.

gricultural labour is positive and large in Bihar. This means that the economic situation of SCs with domestic migrants is far better-off than those without domestic migrants in Bihar. A similar result is found for both SCs and other backward classes in the category of any labour households. In the 64th survey, even for “other” households (non-

backward or non-STs), the MPCE with out-migrants are also higher than that without migrants. Difference in the MPCE is the biggest for the self-employed in agriculture. The MPCE for “other households” and “self-employed in agriculture” is the highest of all groups in rural Bihar. Therefore, migration seems to have helped not only socially

Table 7. Differences in MPCE for Rural Households with and without Out-Migrants

| | 49 th | | | | 64 th | | | | | |
|----------------------------------|------------------|-----------|-----------|-----------|------------------|-----------|-------|-----------|----------------|----------------|
| | Bihar | All India | Bihar | All India | Bihar | All India | Bihar | All India | Bihar | All India |
| | SC | SC | Non SC/ST | Non SC/ST | SC | SC | OBCs | OBCs | Non ST /SC/OBC | Non ST /SC/OBC |
| Self-employed in non agriculture | -26.3 | -17.8 | -55.1 | -2.7 | -9.9 | 54.8 | 93.4 | 73.8 | 166 | 98.4 |
| Agricultural labour | 0.3 | -9.2 | 13.9 | -0.7 | 69.49 | 40.3 | 15.9 | -1.5 | 27.6 | 55.3 |
| Other labour | -19.5 | -8.3 | 39.6 | -2.9 | 181.7 | 36.3 | 13.7 | 37.2 | -150.7 | -33.4 |
| Self employed in agriculture | -0.11 | 11.2 | -8.3 | -5.8 | -34.6 | -0.7 | -14.8 | 43.6 | 129.1 | 170.4 |
| Others | 55.7 | 7.1 | 0.9 | -11.2 | 0.3 | -68.8 | 32.1 | -335.1 | -30.4 | -314.1 |

and economically backward groups but also the richest groups.

In order to measure the effect of remittances, similar analysis is applied to the MPCE of households with remittances from out-migrants and those without out-migrants.

Table 8 presents the MPCE differences between households with remittances from out-migrants (C) and those without out-migrants (B). The results for the 49th

survey show that unlike the difference (A)-(B) in Table 7, the difference (C)-(B) is significantly negative for most social groups and household types (at 1% of significance). This means that the remittance-receiving households are worse off than those without out-migrants and also means that the initial economic conditions for the households with out-migrants are at considerably low levels. Thus, the economic level of out-migrant

Table 8. Differences in MPCE for Rural Households with and without Remittances

| Rural household with remittances from domestic out-migrants (C) | | | | | | | | | | |
|---|------------------|------------------|------------------|------------------|------------------|-------------------|------------------|------------------|------------------|-------------------|
| | 49 th | | | | 64 th | | | | | |
| | Bihar | India | Bihar | India | Bihar | India | Bihar | India | Bihar | India |
| | SC | SC | Non SC/ST | Non SC/ST | SC | SC | OBCs | OBCs | Non ST /SC/OBC | Non ST SC/OBC |
| Self-employed in non agriculture | 113.1 (17.33) | 177.6 (12.88) | 134.1 (19.18) | 223.8 (14.62) | 484.9 (44.63) | 650.52 (28.24) | 665.2 (30.60) | 715.2 (28.54) | 734 (62.33) | 850.3 (29.15) |
| Agricultural labour | 146.3 (5.02) | 168.4 (4.58) | 185 (8.97) | 198.2 (6.00) | 555 (17.87) | 583.2 (14.61) | 519.2 (10.82) | 560.8 (11.08) | 528.3 (60.40) | 609.5 (24.01) |
| Other labour | 185.3 (17.23) | 213.9 (14.45) | 221.7 (14.86) | 244.6 (11.70) | 620.6 (47.64) | 573.7 (28.63) | 536.1 (36.83) | 682.8 (40.00) | 399.3 (35.11) | 683.8 (49.57) |
| Self employed in agriculture | 170.6 (9.82) | 208 (13.63) | 192.8 (8.27) | 220.7 (3.80) | 509 (28.14) | 628.3 (17.3) | 595.1 (14.36) | 711.9 (12.65) | 702.7 (25.21) | 904.9 (24.14) |
| Others | 195.5 (19.21) | 213.4 (9.96) | 181.6 (9.68) | 229.6 (7.12) | 526.8 (26.16) | 651 (16.91) | 599.4 (16.64) | 784.9 (28.51) | 703.4 (36.44) | 1060.4 (61.60) |
| Difference between MPCE (C) above and MPCE (B) in Table 6 | | | | | | | | | | |
| | 49 th | | | | 64 th | | | | | |
| | Bihar | All India | Bihar | All India | Bihar | All India | Bihar | All India | Bihar | All India |
| | SC | SC | Non SC/ST | Non SC/ST | SC | SC | OBCs | OBCs | Non ST /SC/OBC | Non ST SC/OBC |
| Self-employed in non agriculture | -31.2 | -23.1 | -69.6 | -10.7 | -22.1 | 26.52 | 103.3 | 0.8 | 97.8 | 28.6 |
| Agricultural labour | -2.3 | -16.1 | 14.1 | -3.4 | 91.5 | 34.3 | 20.4 | -13.1 | 41.2 | 19.9 |
| Other labour | -12.2 | -12.5 | 9.3 | -37 | 188 | -46.5 | 37.3 | -6.1 | -147.9 | -114.4 |
| Self employed in agriculture | -6.4 | 5 | -16.1 | -17.7 | -49.3 | -29 | -30.2 | 15 | 44 | 76.7 |
| Others | 53.3 | 6.5 | -4.3 | -17.2 | -10.1 | -159.1 | -11.1 | -419.4 | -38.6 | -426.4 |

households in the 1990s is very low compared with other households, which can be interpreted as evidence of “push-factor” for the poorer to be pushed out of the rural areas of Bihar.

Contrary to these findings for the 49th survey, results for the 64th survey show that the difference (C)-(B) for SC agricultural households is much higher than the difference for other types of households and much higher than the difference (A)-(B) for the same type of households. Therefore, the average economic level of the most backward social group, SC agricultural households, is remarkably improved by remittances in 2007-08 compared with 1993. Moreover, remittances seem to have contributed to the improvement of these household's consumption

level, as compared with the MPCE of SC households with out-migrants but without remittances in 2007-08. Such tendency has never been found for the data in 1993. Also, economic levels are still very different between rural Bihar and other regions in 2007-08, which support the rural distress in Bihar. However, this traditional explanation is not enough to give reasonable explanation for their migration since the out-migrant SC household is getting especially richer in recent years.

Unlike the 49th survey data, information on the amount of remittances is disclosed for the 64th survey. The average remittances for the poor households in rural Bihar are estimated in Table 9. Obviously, the MPCE is the worst for SC

Table 9. MPCE and Remittances for Migrant Households below the Poverty Line in Bihar, 2007-08

| | | MPCE | Average amount of yearly remittances received | F-value (difference in MPCE between households with and without remittances) | Sample household numbers |
|--------|---------------------|---------|---|--|--------------------------|
| SC | Agricultural labour | 370.01 | 7345.77 | 2.7 | 208 |
| | with remittances | (7.16) | (460.48) | [10.10%] | |
| SC | Agricultural labour | 346.52 | - | | 69 |
| | without remittances | (12.36) | - | | |
| OBC | Agricultural labour | 360.46 | 7958.36 | 1.8 | 239 |
| | with remittances | (5.94) | (428.16) | [18.02%] | |
| OBC | Agricultural labour | 371.8 | - | | 109 |
| | without remittances | (6.00) | - | | |
| Others | All households | 381.79 | 11491.8 | 0.5 | 128 |
| | with remittances | (10.08) | (940.26) | [47.88%] | |
| Others | All households | 394.74 | - | | 36 |
| | without remittances | (15.22) | - | | |

The national rural poverty line of 461.84Rs in 2007-08 is used. Standard deviations are shown in parentheses and p-values are shown in square brackets.

agricultural labour households without remittances. However, the MPCE of SC agricultural labour households below the poverty line is higher when they have remittances than when they do not. As for the other social classes, the MPCE is much higher for households without remittances than households with remittances, although the difference is not significant. Moreover, remittances of SC households are extremely high, taking account of their level of MPCE for poor families. Thus, Bihar shows a clear tendency that very poor SC households with remittances are becoming better-off than those without remittances, which has never been observed for old Indian data.

It is concluded that rural SCs could benefit from out-migration for most social classes in Bihar because of improved mobility in recent years. However, it does not necessarily mean those SCs are gaining wealth because most remittances are used for the expense on food - 80 percent of SC rural households reply that the first reason to use remittances is for food items and no SC households regard education and savings as the primary use of remittances. Therefore, remittances from out-migration for the SC households in Bihar seem to play an important role as a means of poverty alleviation or as a means of easing their income liquidation by allowing them to consume more food.

The previous studies have considered

that remittances to the rural poor households are not enough to improve their living conditions (Lipton, 1977) and that very poor households cannot afford to migrate out of rural areas (Kato, 2009, 2010). However, we have found contradictory results that even the most backward social/economic classes are mobile enough to be able to earn outside income in order to make remittances. In addition, economic and social backwardness is strongly correlated with the amount of remittances received, as shown in the previous section. The results for rural households in Bihar show that social classes like rural agricultural labour SCs now seem not only to be mobile, but also to make up their consumption expenses with remittances by sending migrants outside.

3. Determinants of Remittances for the Very Poor Households in Bihar

Following the discussion above, while SC households in Bihar receive the least amount of remittances, the MPCE of households with remittances are moving upwards within groups of the poorest. Then, what determines the possibility and the amount of remittances received by such poor SC households in Bihar? This section tries to find factors of remittances received. The possibilities of receiving remittances and the amount of remittances received should differ by social and economic characteristics of

The Role of Migration and Remittances for the Poor in Growing India

households and by destination of migrants (out-state or within-state).

We assume that the potential amount of remittances made by a male migrant is determined by their household and individual characteristics. We specify the probability of receiving remittances for household i from person j as follows:

$$Pr(\tilde{R}_{ij} = 1) = F(\alpha_0 + \alpha_1 Y_{ij} + \alpha_2 D_{ij} + \alpha_3 P_{ij})$$

\tilde{R}_{ij} : dummy variable for receiving remittances

Y_{ij} : monthly per capita consumption level of household i of migrant j 's origin

D_{ij} : social and economic characteristics of household i of migrant j 's origin

P_{ij} : types of out-migrant j from household i

Also, remittances received R_{ij} is specified as follows:

$$R_{ij} = R_{ij}^* \text{ if } R_{ij}^* = \beta_0 I_i + \beta_1 D_{ij} + \beta_2 P_{ij} + \varepsilon_{ij} > 0 \\ = 0 \text{ otherwise}$$

where I_i is income class of the household i and ε_{ij} is a random error.

Table 10 presents the estimation results for households with the MPCE below 400 Rs. Because the Indian national poverty line in rural area is set at

Table 10. Logit and Tobit Estimates for Households below the Poverty Line in Bihar (400 Rs MPCE)

| Logit Analysis on Receiving Remittances | | | | Tobit Analysis on Remittances Receipt | | | |
|--|-------------|----------------|---------|--|-------------------------------------|----------------|---------|
| | Coefficient | Standard error | t-value | | Coefficient | Standard error | t-value |
| MPCE | 0.001 | 0.001 | 0.95 | Medium | -20.486 | 4.353 | -4.71 |
| | | | | Low | -32.445 | 5.142 | -6.31 |
| Average level of education | -0.529 | 0.107 | -4.94 | Average level of education | -24.460 | 3.903 | -6.27 |
| SC | 1.113 | 0.206 | 5.4 | SC | 16.265 | 7.411 | 2.19 |
| Backward | 0.766 | 0.184 | 4.16 | Backward | 14.634 | 6.682 | 2.19 |
| Landless | -0.632 | 0.123 | -5.16 | Landless | -13.201 | 4.444 | -2.97 |
| Agricultural labour | -0.322 | 0.113 | -2.86 | Agricultural labour | -25.204 | 4.073 | -6.19 |
| Household size | -0.010 | 0.021 | -0.46 | Household size | -1.503 | 0.760 | -1.98 |
| Hindu | -0.718 | 0.166 | -4.33 | Hindu | -27.094 | 5.803 | -4.67 |
| Dummy for whether households sent out Intra-state migrants | 2.302 | 0.170 | 13.55 | Dummy for whether households sent out Intra-state migrants | 61.701 | 5.299 | 11.64 |
| Constant | -1.571 | 0.529 | -2.97 | Constant | 26.479 | 13.862 | 1.91 |
| Recipients | 808 | | | Recipients | 808 | | |
| Observations | 2016 | | | sigma_u | 67.47 | | |
| Log-likelihood | -1119.312 | | | Wald Test | chi2(10)= 374.44, Prob >chi2=0.0000 | | |
| Pseudo R2 | 0.1575 | | | Pseudo R2 | 0.0348 | | |

64th NSS data are used for estimation. "Medium" denotes MPCE level more than 300 but less than 350 Rs, and "Low" denotes MPCE level less than 300 Rs. Education levels are: not literate=1, literate below primary school=2, primary to middle school=3, secondary school=4, higher secondary=5, above diploma=6. Average level of household education is calculated by indexed numbers above.

461.84 Rs of MPCE, households below the level of 400 Rs of MPCE is considered “poor enough” in rural Bihar. Both of Tobit and Logit estimates suggest very interesting implications. They show that social backwardness has a positive effect on remittances received in terms of both the amount and possibility. SC households are most likely to receive remittances and other backward households are secondly likely to receive remittances, compared with non-discriminated social classes in Bihar. Also, the probability of receiving remittances and the amount of remittances received seem higher for those which sent out outside migrants (who migrated outside the state). These results imply that the socially discriminated poor are more dependent on economic resources outside. These positive estimates on domestic out-state migration are consistent with the discussions in the previous sections of this paper. This result could be interpreted as follows. Dalit households do not have good chances to improve their life in their natal places due to serious social discrimination there. However, it would be possible for them to find earning opportunities outside because the demand for very cheap labour is strong enough.

On the other hand, poor economic indicators of households seem to be related to the low possibilities of receiving remittances and the low amount of remittances received, which contributes to

household's low income because of lacking additional economic resources from outside. Both Tobit and Logit estimates suggest that if households are initially poorer, landless, and engaging in agricultural labour, they would face lower chances of receiving remittances and lower amount of remittances. This is interesting observation in the sense that the socially worse-off would receive more extra earnings outside but economically worse-off would receive less. These results also show that growing inequalities are emerging within the least celebrated group, which used to be more equally worst-off group in the past. Also, such disparities within the socially and economically worse off group might be attributed to their initial level of economic status. Thus, the poorest of the poor are yet to be left out of the growth process while the better-off poorest are taking chances to access the development.

Finally, the average level of education of households does not affect remittances for the poor at all. Such human capital accumulation could not be important for them to earn outside because migrants from poorer households are likely to be excluded from skilled labour outside.

4. Conclusion

In rural India and Bihar, SCs and other social backwards have become more accessible to the economic resources by out-migration in 2007-08. This could be

made possible because of increased domestic intra-state mobility induced by the rapid economic growth, which was not observed in the 1990s. The argument on rural distress, which pushes people out to economically better-off areas, seems still applicable because the naturally considered poorest group (rural SC) improves its economic conditions by receiving remittances from outside. However, the traditional view of distress has only focused on the poor conditions of rural households and has overlooked other social / cultural distress. This paper decomposes distress of the rural poor into social distress (social discrimination) and rural distress (low economic level). The analysis on the rural poor in Bihar implies that social distress is a stronger push factor than rural distress. This is because least celebrated social group (SCs) is most likely to migrate and to receive remittances from out-migrants but poor economic conditions (including landless and agricultural labour) have negative effects on remittances received. Although the mobility is yet very limited, out-migration could play an important role to give possible empowerment to the SCs in rural Bihar because the amount of remittances are large enough to support considerable part of their household consumption. These findings are consistent with the social surveys on Dalits' out-migration to get out of severe discrimination for the

relatively acceptable life nowadays.

The present analysis might have a limitation because of lacking appropriate price deflators between different regions. Nonetheless, it has shown a rough picture of out-migration as a positive path of "inclusive growth" for the lower social classes in the era of globalization in Indian society.

Notes

- 1) This paper is published in the special issue for the Economic Research Center after reviewed by referee invited by the Center.
- 2) It should be noted that there are big differences in the way of data collection in terms of categories between the 49th and 64th survey. The objective of the 49th NSS is to collect data of detailed characteristics of migrants who migrated out within 5 years. On the other hand, the main concern of the 64th NSS lies in characteristics of the current household members. In the 64th survey, the place of first out-migration is not clear but the location of migrants' current home is provided. Thus, it is extremely difficult to compare the absolute number and the rate of migration on the same basis, yet it appears still useful to show those figures as good approximates to understand the rough picture of current migration.
- 3) The definition of "overseas" and "intra-state" differs in the 49th and 64th. In the 49th, overseas migrants are defined as "migrants gone overseas within 5 years and no information on their present residence". On the other hand, in the 64th, overseas migrants are defined as "migrants gone somewhere within 5 years and their present residence is

overseas”.

- 4) It should be noted that the figures shown here are not deflated by prices and thus it is not possible to compare the crude numbers in those different periods.

References

- Banerjee, B. (1984), “Information Flow, Expectations and Job Search: Rural-to-Urban Migration Process in India,” *Journal of Development Economics* 15 (1-3), 239-257.
- Banerjee, S. K, V. Jayachandran and T. K. Roy (2002), “Has Emigration Influenced Kerala’s Living Standards? A. Micro Level Investigation,” *Economic and Political Weekly* 37 (18), 1755-1765.
- Connell, J. et al. (1976), *Migration from Rural Areas: the Evidence from Rural Studies*. Delhi: Oxford University Press.
- Das Gupta, C. (2010), “Unravelling Bihar’s ‘Growth Miracle’”, *Economic and Political Weekly* 45 (52), 50-62
- de Haan, A. (1999), “Livelihoods and Poverty: The Role of Migration--A Critical Review of the Migration Literature,” *The Journal of Development Studies* 36 (2), 1-47
- de Haan, A. (2002), “Migration and Livelihoods in Historical Perspective: A Case Study of Bihar, India”, *The Journal of Development Studies* 38 (5), 115-142,
- Deshingkar, P. and D. Start (2003), “Seasonal Migration for Livelihoods in India: Coping, Accumulation and Exclusion”, Working Paper 220, Overseas Development Institute, London.
- Deshingkar, P. and J. Farrington (2009), *Circular Migration and Multilocal Livelihood Strategies in Rural India*, Oxford University Press, New Delhi.
- Government of Bihar, *Economic Survey 2008-09*
- Government of India. (1993), *Report of the Expert Group on Estimation of Proportion and Number of Poor*. Perspective Planning Division, Planning Commission, Government of India.
- Government of India, *Economic Survey*, various years
- Harris, J. R. and M. P. Todaro (1970), “Migration, Unemployment and Development: A Two-Sector Analysis,” *American Economic Review* 60 (1), 126-42.
- Indian Institute of Public Administration. (2010), *A Study of Bihari Migrant Labourers: Incidence, Causes and Remedies*, mimeo
- Joseph, K.V. (1988), *Migration and Economic Development of Kerala*. Mittal Publications.
- Kato, M. (2009), “Behavioral Aspects of Migration in India: Difference by Household Types and Regional Characteristics”, *Komaba Studies in Society* 18, 32-49.
- Kato, M. (2010), *Economic Analysis on the population movement and motives for remittances in India, a growing economy*, Ph.D. thesis, The University of Tokyo
- Lewis, W. A. (1955), *The Theory of Economic Growth*. London: Allen & Unwin.
- Lipton, M. (1977), *Why Poor People Stay Poor: A Study of Urban Bias in World Development*. London: Temple Smith.
- Livemint.com (2010), “Bihar sees a growing tribe of rural migrants”, Aug 2nd, 2010, <http://www.livemint.com/2010/08/02223225/Bihar-sees-a-growing-tribe-of.html>
- Mitra, A. (2006), “Labour Market Mobility of Low Income Households”, *Economic and Political Weekly* 41 (21) May 27 - June 02, 2123-2130.
- Nagaraj, R., A. Rahman (2009), “Booming Bihar: Fact or Fiction?”, *Economic and Political Weekly* 46 (12), 11-12
- Rajan, I. S. and K. C. Zachariah (2007), “Remittances and Its Impact on the Kerala Economy and Society,” mimeo, The Institute

The Role of Migration and Remittances for the Poor in Growing India

- of Social Studies,
(http://www.iss.nl/content/download/8303/81035/file/Panel%202_Rajan.pdf)
- Ramachandran, V. K. (1997), "On Kerala's Development Achievements," Drèze, Jean, and Amartya Sen, eds., *Indian Development: Selected Regional Perspectives*. Delhi: Oxford University Press, 205-357.
- Reserve Bank of India, *Handbook of Statistics on Indian Economy 2008-09*
- Rosenzweig, M. R. and O. Stark (1989), "Consumption Smoothing, Migration, and Marriage: Evidence from Rural India," *Journal of Political Economy* 97 (4), 905-926.
- Singh, L., I. Singh and R. Ghuman (2007), "Changing Character of Rural Economy and Migrant Labour in Punjab," MPRA Paper 6420, University Library of Munich, Germany.
- Zachariah, K. C., E. T. Mathew and I. Rajan, S. (2003), *Dynamics of Migration in Kerala: Dimensions, Determinants and Consequences*. Hyderabad: Orient Longman Pvt Limited.
- (Department of Economics, Seinan Gakuin University)