THE INTERNATIONAL INSTITUTE OF MIGRATION AND DEVELOPMENT

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THINKING OUTSIDE THE BOX: THE CASE FOR A KERALA DIASPORA DEVELOPMENT BANK

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WORKING PAPER 17

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(India /WP-17 IIMAD)

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July 2026, Working Paper No. 17

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ISBN: 978-81-989962-2-0
DOI: https://doi.org/10.5281/zenodo.22229327

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Thinking Outside the Box: The Case for a Kerala Diaspora Development Bank

Balraj Kahlon

Abstract

This study examines whether Kerala can effectively leverage its remittance inflows by establishing a diaspora-supported development bank. Based on survey responses from Malayali diaspora members and interviews with public-finance experts, the report finds strong diaspora willingness to financially support development initiatives, but challenges exist. There were notable concerns about corruption and ineffective use of funds, but allowing for credible diaspora oversight can measurably improve trust and participation. Experts highlight that state borrowing limits and limited fiscal autonomy are barriers to implementing a diaspora-backed development bank. Overall, the findings suggest that while diaspora support exists, successful implementation requires institutional trust-building and reforms enabling greater state-level financial flexibility.

Introduction

Kerala has a long tradition of migration. This can be attributed to the State government's commitment to providing quality education, which has allowed Malayalis to take advantage of economic opportunities abroad. Malayali people pursuing opportunities abroad have maintained a sense of responsibility for Kerala by sending a substantial amount of remittance back to the State. They have also readily provided financial support to aid relief efforts, such as recovery from the 2018 floods.

The Government of Kerala also makes efforts to develop a relationship with the diaspora for the benefit of Kerala. In 1996, the Department of Non-Resident Keralite Affairs (NORKA) was established to address the grievance and create a relationship with the diaspora community Under NORKA, the government has launched numerous programs for returning migrants ranging from financial assistance to business loan schemes (Rajan, 2012). Most notably, in 2018, NORKA established the Loka Kerala Sabha (World Kerala Assembly) to utilize the skills and knowledge of non-resident Keralites (NRK) to help develop Kerala. The Loka Kerala Sabha consists of diaspora members and elected representatives who meet every two years to deliberate on key policy matters relevant to the diaspora community.

Despite Kerala's interest in engaging the diaspora, and the diaspora's interest to support Kerala, there is a sense of inadequacy. As many believe, the potential for Kerala to leverage the financial and human capital of the Malayali diaspora is not being fully realized. To more effectively leverage Malayali diaspora capital, this study explores the potential for an innovation of a development bank supported by the diaspora.

The paper 'A New Path Forward: Leveraging Migration for Development', first proposed a diaspora development bank for Kerala. (India Migration Report, 2024) To further explore this novel idea, the present study - Kerala Diaspora Development Bank - assesses the viability of a development bank supported by the Malayali diaspora.

This paper starts with providing context on the trend and utilization of remittance, as well as Kerala's pressing challenges which underline the need for additional revenue sources for the State. This is followed by a description of the proposed Kerala Diaspora Development Bank and the methodology this paper employs to explore its viability. Then the paper will present survey findings regarding the willingness and challenges in obtaining Malayali diaspora support for a development bank. This is followed by a discussion on pertinent public finance challenges. Finally, the paper ends with a brief discussion on key insights about the prospects of a Kerala Diaspora Development Bank. The project team hopes Kerala's policy decision-makers recognize the development opportunity identified in this study.

Background

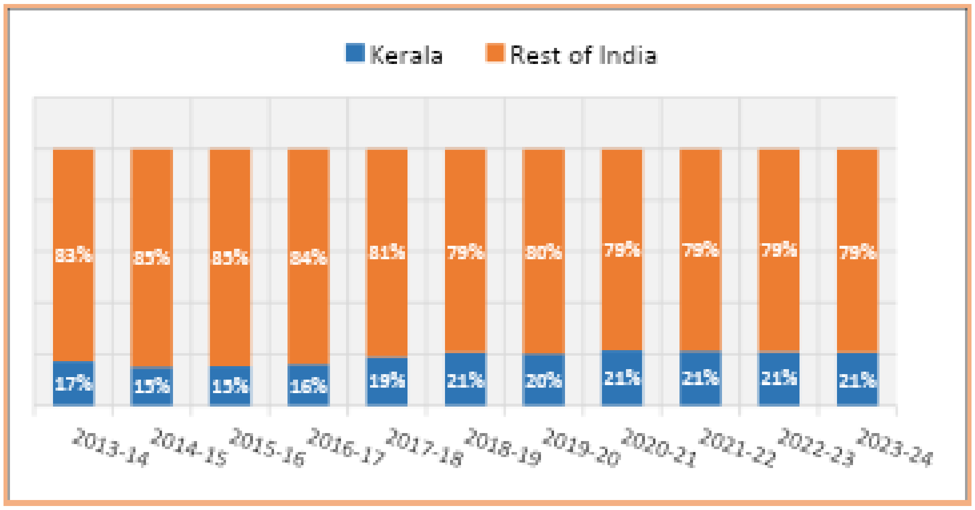
Remittance has been an important source of funds for Kerala. This chapter provides an overview of the level of remittance from the diaspora and how it is being utilized. The chapter will end with a discussion on some of the pressing challenges facing Kerala that will require significant investments to adequately address.

Remittance flows to Kerala.

Remittance is a significant source of funds for India. Between 2013-14 and 2023-24 remittances received by India increased from ₹ 412,360 crore (US $49 billion) to ₹1,038,750 crore (US $125 billion) (RBI, 2023). This rise has made India the top remittance receiving country in the world (World Bank, 2023). In India, Kerala accounts for the largest share of remittance, representing approximately one-fifth of the total remittance received by the country (see figure 1). Moreover, between 2013-14 and 2023-24, remittances in Kerala have increased from ₹ 70,857 crore (US $8.5 billion) in 2013-14 to ₹ 216,893 crore (US $26 billion) in 2023-24 (see figure 2). This represents an increase of over 200%.

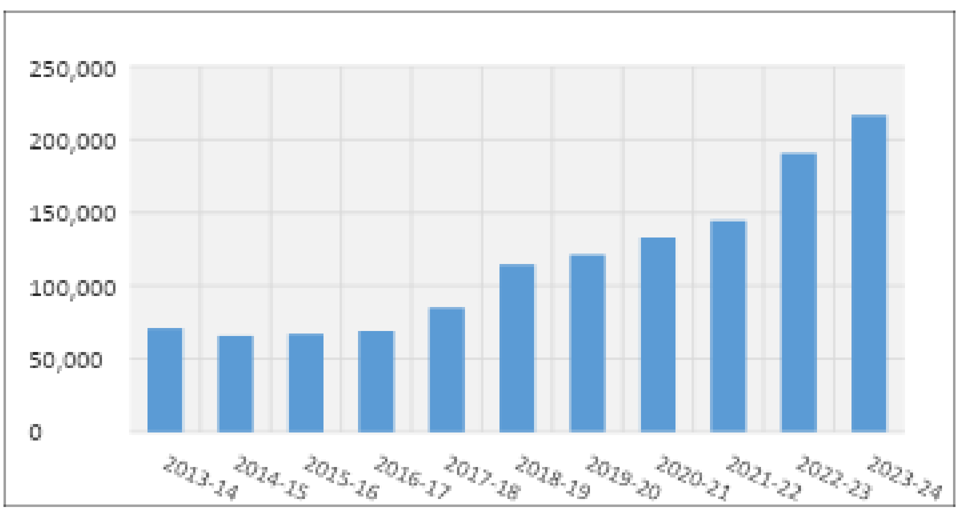
There has been a noticeable increase in remittance received by Kerala since 2017-18, which can be attributed to multiple factors (figure 2). There was an influx of funds sent to support the recovery after the 2018 flood and then the COVID pandemic (Rajan, 2004; 2005). After the COVID pandemic, there was also an increase in migration to Kerala (Rajan, 2024). The increased remittance can also be attributed to policy changes such as allowing banks to determine rates on loans and deposits and a removal of limits on non-resident Indian deposits.

Figure 1: Kerala and the rest of India’s share of remittance



Source: RBI, India: Handbook of Statistics on the Indian Economy, 2023-24 Non-Resident Deposits; State Level Banker's Committee, 2023 (RBI survey of inward remittances for 2023-2024)

Figure 2: Remittance received by Kerala in Rs. (Crore)



Source: RBI, India: Handbook of Statistics on the Indian Economy, 2023-24 Non-Resident Deposits; State Level Banker's Committee, 2023 (RBI survey of inward remittances for 2023-2024)

The Benefits from Remittance

Remittance from the diaspora is a vital source of funds for Kerala. The funds enable Malayali people to afford basic needs, quality services, and luxury goods. This chapter provides insight into how remittance is being utilized by people in Kerala.

Sunny et al., (2020) attempt to trace the interconnection between remittances and household-level investments by analyzing various rounds of the Kerala Migration Survey (KMS) since 1998. Remittance expenditure was classified into four categories: food, durable goods, healthcare, and education. The study found international remittances reduced the incidence of poverty since remittance-receiving households (RRHH) were lower-income households in Kerala. Behavioural and social-structural characteristics influence remittance investment patterns. This being factors such as household size and dependent members, along with other factors significantly influence household spending on food (p.16). Furthermore, as income level rises, the RRHH tend to own luxury houses and land.

According to Sunny et al., (2020), another vital area of spending is healthcare and education. If an individual in RRHH suffers from chronic diseases, they are likely to spend more on healthcare, particularly private hospitals. Furthermore, children belonging to RRHH are more likely to go to private schools compared to non-RHH. This implies remittances are integral to enhancing human capital expenditure in Kerala.

Khan and Valatheswaran (2017) explored the impact of remittances on the private school enrollment of students aged 6 to 17 (Rajan and Zachariah, 2010). Schooling was classified into primary, upper primary, secondary, and higher secondary. Children belonging to RRHH were found to have a higher probability of attending private schools at lower primary, upper primary, and higher secondary education levels, and the impact was more significant in rural areas. The study also found that the probability of children enrolling in private schools increases by approximately 45% when households receive remittances. Private schools are preferred because of their reputation due to being English-medium, better infrastructure, systematic assessment, and less absenteeism among teachers. Interestingly, the study found regional variance in the impact of remittance. Remittances had a greater impact in rural areas and in the north and central regions of Kerala.

Afsal and Reshmi (2023) explored the motives of diaspora philanthropy. Their study found that the influence of religious, cultural affiliations, and compassion/altruism was higher among elderly groups, who are primarily employed in unskilled work. Self-motivation was a greater motivation for younger individuals with higher education. This paper also explored the complex interplay of age, religiosity, education, and occupation in influencing philanthropic motives. Individuals below 45 gave significant donations to education, while those above 45 donated to religious and social welfare initiatives. Also, skilled workers emphasized education, poverty alleviation, and house construction. Whereas unskilled workers prioritized health and social welfare

Remittance has undoubtedly benefited receiving households. However, many believe remittance has even greater potential to support development in the home country. Aleksandr and Arkady Gevorkyan present a concept for a development bank that can make optimal use of remittance.

Gevorkyan and Gevorkyan (2012) proposed a Migration Development Bank (MDB) that would serve as a bank for migrant workers and support development activities in the home country. The MDB can have provisions for providing small loans to those who aspire to migrate or to migrant families for their sustenance; returning migrants to start new Entrepreneurial activities; or generating new job opportunities in the host country. Establishing an MDB will also help the home country predict the flow and frequency of remittances and sustain competitive exchange rates, mitigating the potential upward pressure on the home currency because of larger remittance inflows.

To strengthen its long-term stability, an MDB should engage both long-established diaspora communities and newer, temporary migrants. Its governance structure could include a Board of Directors made up of diaspora representatives alongside government officials. Ultimately, an MDB has the potential to streamline monetary transfers by removing bureaucratic hurdles and providing accessible banking services to migrants who currently face legal and practical obstacles to managing and moving their funds.

The Challenges facing Kerala.

While Kerala has seen relative success in achieving social development, it still faces several persistent and pressing challenges. This chapter highlights a few of these challenges, each of which requires a significant financial investment. The chapter also examines the current state of public finances, which will make it difficult to meet these spending requirements without additional revenue sources.

Unemployment

Kerala's unemployment rate is estimated to be 7% and 10%[1] which is significantly higher than the 3% national average (Kerala State Planning Board, 2025). The conditions are even more difficult for educated individuals where the unemployment rate among those with a secondary education or above was 12% (Kerala State Planning Board, 2025). Youth unemployment figures are even more concerning. The youth unemployment rate in Kerala is approximately 30% which is significantly higher than the national average of 10% (Kerala State Planning Board, 2025; Zachariah and Rajan, 2005).

Poverty

[1] The Periodic Labour Force Survey measures unemployment to be 7% while the Current Weekly Status measures unemployment to be at 10%.

Despite fiscal challenges, Kerala has been successful in addressing state poverty. Kerala's absolute poverty ratio has declined from 60% in 1973-74 to 11% in 2011-12 (Kerala State Planning Board, 2023). Among all Indian states, Kerala also has the lowest incidence of poverty at 0.7% (NITI Aayog, 2021). Kerala also has the lowest deprivation levels in child and adolescent mortality (0.19%), maternal health (1.73%), years of schooling (1.78%), school attendance (0.3%), and sanitation (1.86%) (Kerala State Planning Board, 2024). However, even though Kerala outperforms the rest of India, the State still has a problem of relatively high poverty levels among marginalized social groups: Scheduled Tribes, Scheduled Castes, and Other Backward Classes[2] (Niyati, 2016; Zachariah et.al, 2003).

The World Bank defines extreme poverty as living on less than $2.15 per cent per person per day at the 2017 purchasing power parity. Based on the World Bank extreme poverty line, Kerala has 64,006 extremely poor households (Kerala State Planning Board, 2025). The district of Malappuram had the highest number of poor households at 8,553 (Kerala State Planning Board, 2025). Further, among the extremely poor households 58,273 households were economically deprived (income-related issues), 40,917 had health problems, 34,523 families were identified as deprived of food, and 15,091 households lacked shelter (Kerala State Planning Board, 2025).

<u>Environment/climate change</u>

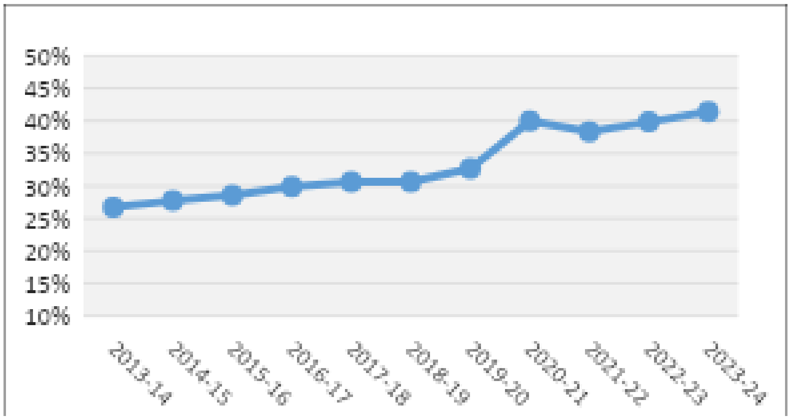
The Kerala State Action Plan on Climate Change 2023 – 2030 identified a number of environmental concerns including rising temperature, increased rainfall, and coastal erosion (Directorate of Environment and Climate Change, 2022). Rising temperatures are expected to increase the incidence of heat-related health problems, such as heat stress. Annual rainfall and extreme rainfall events are expected to increase which increases likelihood of hazards such as floods (Directorate of Environment and Climate Change, 2022; Rajan et.al,2018; 2022). Climate change is also contributing to the emerging problem of coastal erosion which is affecting the lives and livelihoods of families residing in the coastal belt. Adapting to these climate change impacts will require significant public funds for a state already facing debt pressures. Further, climate change impacts on infrastructure and the environment will likely lead to an economic decline for key sectors such as agriculture and fishing. Climate change and oceanic plastic waste has already been determined as contributing to the economic instability of the Fisher Folk (See Kumar et.al.,2022)

[2] Scheduled Tribes are officially recognized indigenous communities, Scheduled Castes are the most socio-economic disadvantaged caste groups, and Other Backward Classes are communities identified by the government to be educationally and socially backward/disadvantaged.

Public finance

Kerala has seen a considerable increase in total debt. Between 2013-14 and 2023-24, the total outstanding debt increased from Rs. 1,24,081 crores to Rs. 4,51,255 crores (Comptroller and Auditor General of India, 2025). An increase of nearly 30%. Even more concerning is that Total Debt as % of GSDP has been increasing for a decade reaching 41% in fiscal year 2023-24 (see Figure 3).

Figure 3: Total debt as percentage of Gross State Domestic Product



Source: Comptroller and Auditor General of India. (2025). State Accounts Report: Kerala

Kerala has made progress in social development but still faces significant challenges including high unemployment rates, especially among youth and educated individuals. While Kerala has succeeded in reducing poverty and improving health and education outcomes, certain regions and marginalized communities still experience deprivation. The state also faces environmental challenges from climate change which threaten livelihoods and infrastructure. Additionally, Kerala's rising public debt limits its ability to address these pressing issues. For this reason, Kerala needs new ideas not only to finance initiatives to tackle current challenges but also to fund investments that can create new opportunities. The following chapters explore one such idea.

What is a Kerala Diaspora Development Bank?

The Kerala Diaspora Development Bank is a proposed institution designed to harness the development potential of remittance flows more effectively. This concept was introduced by Aleksandr and Arkady Gevorkyan in their paper *Factoring turbulence out: Diaspora regulatory mechanism and migration development bank* (Gevorkyan and Gevorkyan, 2012). According to them, this institution would help in predicting the flow and frequency of remittance and sustain competitive exchange rates and mitigate potential upward pressure on the home currency due to larger remittance flows.

The Bank would operate as a development bank capable of channeling remittances into long-term development initiatives. Its core functions could include issuing sovereign bonds targeted at the diaspora and offering financial services—such as money transfers—to migrants abroad. In addition, Aleksandr and Arkady Gevorkyan propose establishing a Diaspora Supervisory Board to strengthen transparency and trust in the bank's decision-making processes.

The distinct advantage of a diaspora-supported development bank is that it could channel favourable loans from diaspora communities to the home country. This is because diaspora members may be willing to substitute financial returns for the social return of helping their home country. In such a system, diaspora members can also receive interest on their remittance, and the benefit of remittance will not be confined to individual households, but instead will benefit the broader community. This also creates an opportunity for diaspora members to be involved in the development of their home country.

The concept of a diaspora-backed development bank is built on the existing ideas of leveraging remittance for overall development rather than solely household consumption (Maimbo & Ratha, 2005), diaspora being a global economic and social actor (Appadurai, 1996), channeling diaspora capital for regional and people centric financial institution (Amin, 1997), and using diaspora capital for home state industrialization (Lopes, 2019). Such practices in Ethiopia and Israel have led to positive results.

In this study, a Kerala Diaspora Development Bank refers to a development finance institution through which diaspora members can extend loans (i.e. investment capital) to be deployed in funding development projects. This could be in the form of a diaspora bond. Beyond diaspora loans, the paper does not define all the potential operations and funding sources of a Kerala Diaspora Development Bank.

Research Methodology

The study employed the following two research methods:

1.Survey of Malayali Diaspora

A survey of 155 diaspora members was conducted across 15 countries. The project team reached out to diaspora members through the Loka Kerala Sabha and Kerala cultural organizations outside of Kerala. The survey asked nine questions, estimated to take 5 to 10 minutes to complete. The survey asked about remittance and donation history, investment preferences, investment concerns, and willingness to invest in a Kerala Diaspora Development Bank.

2.Key informant interviews

The project includes interviews with five public-finance experts drawn from academia, the civil service, and politics. All experts reside in Kerala. The interviews obtained insights about state and central government responsibilities for Kerala's public finance challenges, policy solutions to increase government revenue, tax evasion, and barriers to implementing a Kerala Diaspora Development Bank.

Study limitations

1. The survey received 155 responses and a larger sample size would have given a more accurate measure of diaspora willingness to support a development bank. For example, the survey did not get participation from Southeast Asian countries, which have a sizeable Malayali diaspora. The challenge in receiving more responses may be survey fatigue. The Malayali diaspora is often asked to participate in research studies, which may have caused a lack of interest in participating in this research.

2. The survey does not ask any identifying information but does ask demographic questions, including income level. Some diaspora members may not be comfortable participating in a survey that asks for their income level.

3. It is difficult to determine the sincerity of willingness to invest if the person does not have to pay. To mitigate this limitation, the survey asks about income level, as well as history of sending remittance and donating to charitable causes. This considers the respondents' ability and sincerity to invest in Kerala.

What does the diaspora think?

A diaspora-supported development bank is only possible with adequate support from the Malayali diaspora. A survey was employed to understand the opinions of the Malayali diaspora regarding supporting a development bank in Kerala. This chapter discusses the survey results.

Who participated in the survey

The Kerala Diaspora Development Bank project survey received a total of 155 responses from over 15 countries. The most represented countries were the United Kingdom (22%), United Arab Emirates (15%), and the United States of America (9%). The Gulf region countries, which host a significant number of Malayali migrant workers, represented 35% of all respondents. In terms of gender, 70% of respondents were male and 28% female.

Furthermore, 67% if respondents have a university degree, which indicates the high skill level of Kerala's migrants. The survey responses also highlight the strong financial ties between the Malayali diaspora and Kerala. According to the survey, 76% of the participants regularly send remittances (annually or multiple times in a year), and 58% regularly donate to NGOs annually or more.

Diaspora interest in supporting a Kerala Diaspora Development Bank

When asked, should the government of Kerala borrow from its diaspora, only 22% responded ‘No’. The remaining respondents marked either ‘Yes’ (38%) or ‘Not Sure’ (41%). Interestingly, males were more likely to oppose the idea of Kerala borrowing from its diaspora, where 27% of males answered "No," but only 7% of females answered “No”.

The value in borrowing from the diaspora is that they are willing to substitute some financial returns for social returns of supporting the development of Kerala. In other words, if they are willing to loan money at a low or even no interest rate. And, when asked, 41% of respondents said they would consider providing a loan at a low interest rate or no interest rate. A slightly higher 49% said they would not consider providing a loan at a low or no interest rate. Among those who responded ‘No’, they may consider providing a loan based on certain conditions. Specifically, when asked the reason they would not provide a loan around 22% responded it depends on how the money is being spent; 20% responded it depends on the level of interest; and 13% responded it depends on when the loan will be repaid. However, the biggest reason for saying no is that 34% cannot afford to reduce remittance sent to family members.

The survey also asked if a Kerala Diaspora Development Bank were to exist today, whether they would be willing to provide a loan, and if so, for how much. Around 46 percent (72 respondents) said they would loan the money for a total of ₹2,23,76,189 INR ($US 237,158). The median and average loan per respondent was ₹100,000 INR ($US 1,056) and ₹258,444 INR ($US 2,730), respectively.[3] Among respondents who indicated that they would not provide a loan through a Kerala Diaspora Development Bank, the most common reason was a lack of available funds. Approximately 50% reported that they did not currently have the financial capacity to provide a loan. Of those respondents, 78% were aged below 40 years, while 21% were above 40 years of age.

Characteristics of those who responded ‘Yes’

Among those who were in favour of loaning money to support development in Kerala, they were most likely to be from Malappuram (17%). This may be because the Malappuram district has the highest poverty level in Kerala (Rajesh, 2023) Additionally, emigrants from Malappuram represents the highest number of returning emigrants. In 2023, Malappuram had the highest number of returning emigrants at over 350,000 representing 20% of all returning Kerala emigrants (Rajan, 2024; 2025)

[3] the externality of a ₹1 trillion INR loan was not counted

The most preferred type of development initiatives were economic development, sustainability, and poverty alleviation. It is worth noting that there was significant support for all the different project categories which suggests it's good to have multiple initiatives to attract the maximum amount of loans.

Table 1: The types of development projects survey respondents prefer (based on survey question #3b responses)

Category	Count	Percent
Economic Development	38	28.6%
Environmental/sustainability	30	22.6%
Poverty Alleviation	26	19.5%
Transportation Infrastructure	23	17.3%
Healthcare	14	10.5%
Other	2	1.5%
Total	**130**	**100%**

Characteristics of those who responded ‘No’

Respondents residing in Oman (21%), the United Kingdom (15%), and the United Arab Emirates (12%) accounted for the largest shares of respondents who opposed Kerala borrowing directly from its diaspora to fund development projects. Additionally, 42% of respondents who opposed diaspora borrowing were from either Kannur or Kozhikode, the two northernmost districts of Kerala.Respondents not in favour of lending money do have strong financial ties to Kerala with 88% stating they send remittance on a regular basis and 64% donating to NGOs.

The trust factor

Approximately 66% of respondents had concerns about loaning money to Kerala. The top concerns were corruption and funds not being used effectively. As described earlier a theoretical Kerala Diaspora Development Bank would have diaspora oversight to gain the confidence of lenders. And 55% of respondent’s would be more comfortable lending money if the diaspora can provide oversight.

Table 2: Respondents major concerns for loaning to a development bank (based on survey question #5b responses)

Response	Count	Percent
Corruption	68	29%
Funds not being used effectively	62	26%
Political Interference	50	21%
Not being repaid the loan	46	20%
Other	9	4%
Total	**235**	**100%**

What do experts think?

For the Kerala Diaspora Development Bank to be viable, the diaspora must have confidence that their loans will be repaid. This means it is crucial that the Kerala government have the fiscal capacity to repay loans. However, the State currently faces severe fiscal challenges. The most striking indicator of the crisis is that, in 2024, the State was forced to postpone salary and pension payments for its own employees. (Onmanorama, 2024). This chapter offers insights into Kerala's fiscal difficulties and how the fiscal health can be improved. The insights were obtained from key informant interviews of five economists from Kerala.

Kerala government responsibility for fiscal issues

Four out of five experts interviewed felt there has been inadequate investment to support economic development. Kerala requires investments to develop infrastructure, a manufacturing sector, and adopt modern technology. More effectively supporting economic development can increase the State's tax base and government revenue which would improve the state's fiscal health.

Three respondents highlighted that Kerala has focused on providing quality public services such as education and health. As a result, many Malayali are well-educated and go abroad to pursue job opportunities. In fact, one participant described Kerala's economic model as export-oriented human capital.

Central government responsibility for fiscal issues

Four out of five experts were critical of the Central Government for being responsible for Kerala's fiscal problems and economic situation. These experts were critical of two Central Government (i.e. federal) policies: tax devolution and state borrowing limits. The Finance Commission of India sets the guidelines for tax devolution (i.e. tax redistribution to states). This formula includes six weighted criteria, with population accounting for just 15%[4] (Finance Commission of India, 2025). The relatively low weight assigned to population poses a challenge for Kerala in addressing its demographic needs. As a result, more developed and better-performing states like Kerala receive a smaller share of the revenue.

Second, the Fiscal Responsibility and Budget Management Act (2003) places a cap on state borrowing to 3% of the Gross State Domestic Product. This hinders Kerala's ability to meet infrastructure and

[4] The criterion for devolution includes income distance (45%), Area (15%), population (15%), demographic performance (12.5%), forest and ecology (10%), tax and fiscal efforts (2.5%).

economic investment needs. These respondents felt these federal policies are responsible for high deficits and insufficient investment in Kerala.

One respondent also explained state governments have limited taxation powers which restrains them from improving their fiscal health[5]. Another respondent even described India's fiscal system as being colonial because it is based on the 1935 Government of India Act.

Policy solutions to increase government revenue

The experts provided a variety of policy ideas to help increase government revenue. The ideas ranged from increasing existing taxes such as the tax on home construction to introducing new taxes such as a profession tax. Two respondents felt Kerala should collect more non-tax revenue which could be in the form of user fees for certain public services. Another respondent felt that Kerala should create an aggressive resource mobilization strategy.

Addressing tax evasion

The experts had mixed opinions on whether Kerala has a tax evasion problem. Three experts felt tax evasion is a serious problem in Kerala. This was attributed to a lack of trust in the government, poor tax administration, and complexity in GST registration. One respondent explained that GST registration is a burden for many small businesses which creates a high compliance cost. Two experts felt tax evasion has been declining thanks to improved tax administration.

Political and legal challenges

Four out of the five experts identified the largest impediment to implementing a Kerala Diaspora Development Bank is the Central Government's restrictions on borrowing. This includes the 3% of GSDP borrowing limit nor off-budget borrowing. Further, this initiative will require clearance from the Reserve Bank of India. To simply put, whether Kerala can pursue this opportunity is a decision of the Central Government. One respondent did emphasize successful implementation will require having high trust among the diasporas. Creating concrete investment projects can help get buy-in.

[5] The federal GST replaced the following State taxes: Value-Added Tax, Sales Tax, Entry Tax, Luxury Tax, and Entertainment *Tax* (World Bank, 2018).

Key Takeaways

The studies key takeaways include:

1. The current federal system is a barrier to implementing a Kerala Diaspora Development Bank. India would need to reform its federal system that would give more fiscal autonomy to states. The lack of fiscal autonomy prevents Kerala from realizing the full potential of diaspora support.

2. A sufficient proportion of the Malayali diaspora would be willing to loan to a Kerala Diaspora Development Bank at a favourable interest rate. Almost 46% of survey respondents would be willing to provide a low or no interest loan which would total ₹22.38 million INR (approximately $US 237,000).

3. Most respondents expressed concerns about lending money, mainly due to the potential for corruption or funds being used ineffectively. However, allowing for diaspora oversight reduces concerns.

4. Respondents expressed support for a variety of project types, with economic development being the most preferred. However, there was also significant backing for other types of development initiatives.

5. The study identified several areas for further research that could deepen understanding of diaspora interests, these include:
   - The reasons for indecisiveness about the establishment of a Diaspora Development Bank among those that responded they were ‘Not Sure’ if they would be willing to support.
   - Is the employment type of diaspora members an influential factor in their decision to support a diaspora-supported development bank?
   - Willingness to support development in Kerala among migrants who have acquired citizenship in their host country.
   - The differences in interests among people from the various regions/districts of Kerala.

Conclusion

Remittance is a major source of funds for Kerala. Channeling even a portion of these funds towards public investments can bring great benefits to the region. The value in borrowing from the diaspora is the opportunity to appeal to the heart and not just the head. Specifically, their willingness to provide loans at relatively favourable rates because they value the intangible benefits of supporting their homeland.

This paper explored the potential of a diaspora development bank that can channel remittances from the diaspora towards investments for development. The paper also considered the major barriers in the successful implementation of a diaspora-supported development bank. A survey of over 150 diaspora members across 15 countries suggests there is sufficient support from the Malayali diaspora community, but legal barriers exist.

India's fiscal system does not grant state governments autonomy over fiscal policy. The Central Government does not allow state governments to borrow off-budget and places a borrowing limit. This prevents Kerala from fully realizing the opportunity afforded by Malayali diaspora remittance. However, Kerala has been able to implement a diaspora loan scheme within existing constraints, namely, the Pravasi Chitty scheme, which is a financial savings scheme for Malayalees living outside Kerala. Policy makers can draw lessons from Pravasi Chitty on what can be done under the current legal environment/framework.

The study also considered a wide array of factors to understand viability of a Kerala Diaspora Development Bank. A critical factor is the trust (or lack thereof) among the diaspora community. While almost most respondents were willing to loan money for development purposes, there was also scepticism about whether this initiative could have integrity. For a diaspora-supported development bank to be successful, a high priority should be placed on obtaining and keeping the diaspora's trust. This can be done by allowing diaspora members to provide oversight on investments and loan repayments. This can also be a mission-oriented development bank with specific projects where it is relatively easy to understand, track progress, and measure outcomes.

Many Indian states advocate for India to be a decentralized federation with strong state governments. The Government of Kerala can help make the case for decentralization even stronger. A decentralized India that grants states fiscal autonomy would give Kerala the authority to pursue the opportunity to systematize remittance through a Development Bank.

After all, Kerala is well positioned to successfully implement this innovative concept. The Malayali diaspora is well-organized and already provide substantial remittances. The Loka Kerala Sabha (World

Kerala Assembly) is an ideal body to provide oversight and facilitate a relationship between diaspora investors and a development bank.

In closing, this study provides insight into an innovative, if not unconventional, policy idea for Kerala to achieve economic and social development. Hopefully, Kerala's policy decision-makers also recognize how the collective power of the Malayali diaspora can help transform Kerala's future, fostering both economic growth and social development.

This study finds that the Malayali diaspora is willing to help build Kerala's future if a clear path is provided, the question is whether the government is willing to create that path.

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Appendix A: Level of interest by country of residence

Respondents interest in the diaspora loaning money to support development in Kerala (based on survey question 3 responses) broken down by country of residence.

Country of Residence	No		Not Sure		Yes		Total
	Count	% of total	Count	% of total	Count	% of total	
Australia	0	0.0	7	11.1	2	3.4	9
Bahrain	1	3.0	0	0.0	0	0.0	1
Canada	3	9.1	2	3.2	5	8.5	10
Germany	2	6.1	5	7.9	0	0.0	7
Kuwait	0	0.0	3	4.8	0	0.0	3
Netherlands	2	6.1	3	4.8	1	1.7	6
New Zealand	2	6.1	1	1.6	1	1.7	4
Not mentioned	0	0.0	4	6.3	2	3.4	6
Oman (Muscat)	7	21.2	3	4.8	3	5.1	13
Others (specify)	1	3.0	4	6.3	5	8.5	10
Qatar (Doha)	4	12.1	2	3.2	3	5.1	9
Saudi Arabia (Riyadh, Jidda)	0	0.0	1	1.6	4	6.8	5
Switzerland	0	0.0	1	1.6	0	0.0	1
United Arab Emirates *	4	12.1	9	14.3	10	16.9	23
United Kingdom	5	15.2	15	23.8	14	23.7	34
United States of America	2	6.1	3	4.8	9	15.3	14
Grand Total	33	100.0	63	100.0	59	100.0	155

Appendix B: Level of interest by district

Respondents interest in the diaspora loaning money to support development in Kerala (based on survey question 3 responses) broken down by home district.

District	No		Not Sure		Yes		
	Count	% of total	Count	% of total	Count	% of total	Total
Alappuzha	1	3.0	0	0.0	3	5.1	4
Ernakulam	0	0.0	8	12.7	3	5.1	11
Idukki	2	6.1	5	7.9	2	3.4	9
Kannur	7	21.2	4	6.3	2	3.4	13
Kasargod	1	3.0	0	0.0	1	1.7	2
Kollam	2	6.1	3	4.8	3	5.1	8
Kottayam	4	12.1	11	17.5	5	8.5	20
Kozhikode	7	21.2	3	4.8	3	5.1	13
Malappuram	0	0.0	5	7.9	10	16.9	15
Palakkad	0	0.0	0	0.0	1	1.7	1
Pathanamthitta	2	6.1	6	9.5	5	8.5	13
Thiruvananthapuram	4	12.1	7	11.1	9	15.3	20
Thrissur	0	0.0	3	4.8	7	11.9	10
Wayanad	3	9.1	8	12.7	5	8.5	16
Total	33	100.0	63	100.0	59	100.0	155