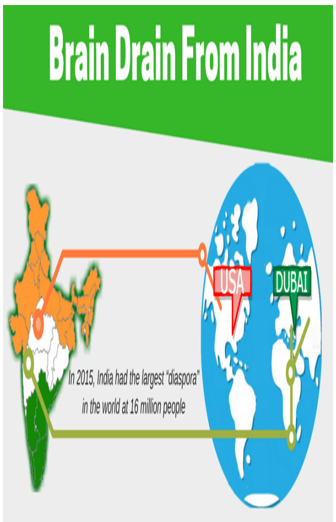
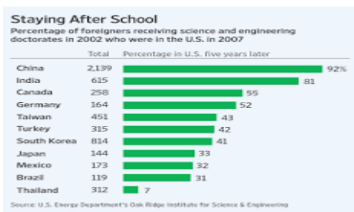
Brain Drain Threatens Indian Economy

A ‘brain drain’ occurs when an economy loses its most highly skilled and competent individuals in the labour force to other countries, perhaps due to political turmoil present within a nation or more favourable economic opportunities elsewhere. This occurrence is more prevalent in developing countries for example India- labour often dispersed to more developed economies such as the United Kingdom. This can often end to a corresponding reduction in economic growth, as well as limitations to the innovative capacities in an economy given it is essentially an outflow of skilled workers from a less stable economy to that of stability. However the impacts on firms’ profitability is significant- plummeting revenue due to less able factors of production affect the ability of producers to invest a larger proportion of profits back into the business. Moreover the government will receive less tax revenue, perhaps inhibiting one’s ability to fulfil public interest. According to the United Nations, 18 million Indians are currently studying or employed in foreign countries. The issue of brain drains in India can be dated to back to the 1960s, in the aftermath of the second world war, where Indian specialists routinely left the country for further economic opportunities in western societies. The lack of a holistic view with regards to development has contributed to the overall emigration rate. 23,000 people with assets worth over $1 Million have also emigrated, costing the Indian Government billions in tax revenue, given the permanent transition of capital abroad. given that India’s female labour force participation is as low as 22.8% due to the structural oppression that women face in society. Therefore many factors are nudging Indians towards renouncing their citizenships, which acts as a detriment to the prosperity of the economy, with a loss of $17 Billion of revenue per year.

Despite the vast loss, there is still hope for higher returns on investment, superior standards of living and better career prospects. This is because the individuals who work abroad send home monetary remittances, increasing the foreign exchange reserve of the country. It was found that India received $87 billion in 2021, typically from High-income countries as remittances. This improves the balance of payments while also encouraging investment in education from which these migrants benefitted initially.



> “The best-trained minds don't stay in the country, they go abroad."



Could India Reduce Their Brain Drain

- Reversing a brain drain can be tricky, particularly when it is to the extent of India’s. Initially, the Indian government thought to impose a ‘Brain Drain Tax’, to tax the income earned in the host country and transfer it to the source country as compensation for the ‘loss caused’. However currently they are conducting a National Skill Development Mission, aiming to train people across the country in order to create convergence across sectors. Moreover, India can implement various measures to combat this economic issue, such as:
- Legal reforms of competitive wages to increase the standard of living, different taxation policies and ensure improved working conditions
- Social reforms through rural development in under-achieving areas of the country (making education and employment more accessible to a wider demographic)
- Offering placement in their country for graduates to be employed to increase incentives to stay

Overall, India should direct their focus to diminish the effects of their ‘Brain Drain’, in order to emerge as a developed nation, however, the negative effects may last longer than expected, as they have suffered a huge loss over the years