RBI's 6th Remittances Survey

Prelims: Economic development | Current events of national and international importance.

Why in news?

Recently Reserve Bank of India (RBI)'s 6th Round of India's Remittances Survey, was released.

- A remittance is money that's sent from one party to another and it usually refers to an **overseas transfer** but it can also be domestic.
- **Outward remittance** – It means the transfer of money from India to another country or region.
- **Inward remittance** – It means the transfer of funds into India from outside India.
- In India, inward remittances are **exempted from tax**.
- **Highest remittances –** In 2023-24 the inward remittances are $118.7 billion.
- It surpassed **FDI inflows** and financed **over half of India's merchandise trade deficit**.
- It reinforces the stabilizing role of remittances in India's **external sector**.

Inward remittances bring in Forex, increases purchasing parity of households and economic growth.

- **Shift in source countries** – Advanced Economies (AEs) now dominate remittance sources,
  - **U.S. share -** 27.7% (up from 23.4% in 2020-21).
  - **U.S., U.K., Canada, Australia, Singapore -** Combined 51.2%.
  - **GCC countries -** Declined to 37.9%.
- It reflects shift from low-skilled Gulf migrants to high-skilled professionals and students in AEs.
- **Rise in large-value transactions –** Rs 5 lakh+ transfers formed 29% of total remittance value but just 1.4% of transactions.
- **Growth of digital remittances** – Digital channels used in **73.5%** of remittance transactions.

Average cost of sending $200 to India is 4.9% (below global avg. 6.65%, above SDG goal of 3%).

- **Uneven digital adoption** – High digital use in UAE (76.1%) & Saudi Arabia (92.7%).
- **Low digital use** in Canada (40%), Germany (55.1%), Italy (35%).

- **Regional disparities in india – Maharashtra, Kerala, Tamil Nadu** form 51% of total remittances.
- **Bihar, UP, Rajasthan** contributes less than 6%.

Policy Recommendations

- Enhancing **digital remittance infrastructure** and reduce costs of sending.
- Promoting **financial literacy and asset creation** among remittance-receiving households.
- Designing **state-specific skilling and migration support** systems.
- Introducing **remittance-linked investment products** for long-term developmental benefits.

Reference

The Hindu| RBI's 6th Remittances Survey

