Remittances to India

Why in news?

In its Migration and Development Brief, the World Bank has said that India is expected to receive a record 100 billion dollar in remittance in 2022.

What is remittance?

> *According to the World Bank's* Migration and Development Brief*, India is the top remittance recipient, with around 87 billion dollars received in 2021.*

- The World Bank defines remittance as the sum of worker's remittances, compensation of employees, and migrants' transfers as recorded in the IMF Balance of Payments.
- Workers remittances are current transfers by migrant who are considered residents in the source.
- Remittances are a vital source of household income for low and middle income countries.

What are the findings of the World Bank report?

> *The RBI Remittances Survey, 2021 shows that the four leading countries -the US, the United Arab Emirates (UAE), the UK and Singapore account for as much as 54% of India's remittance inflows.*

- **India** - The World Bank has said India's remittance will grow **12%** from 7.5% last year, resulting in 100 billion dollar flow.
- Reason - Large share of Indian migrants earning relatively high salaries in the United States, United Kingdom and East Asia.
- Despite reaching 100 billion dollar and retaining its position as the top recipient of remittances globally, India's remittance flows are expected to account for **only 3% of its GDP** in 2022.
- **South Asia** - The World Bank has predicted that remittance flows to South Asia in 2022 will grow 3.5%, a **slowdown** from the 6.7% gain of 2021.
- This reflects the impact of an amalgam of external global shocks (inflation, slowing demand), as well as domestic factors.
- The overall remittance growth in South Asia reflects a **disparity** - while India has gained 12% and Nepal 4%, other countries have reported an aggregate decline of 10%.

Why is remittance to India so high this year?

- **Shift in destination and qualification -** There has been a gradual shift in destinations for Indian migrants aided by a structural shift in qualifications that helped them move into the highest-income-earner-category, especially in services.
- Migrants moved from largely low-skipped, informally employment in the Gulf Cooperation Council (GCC) countries to a dominant share of high-skilled jobs in high-income countries.
- During the Covid-19 pandemic, Indian migrants in high-income countries benefited from work-from-home and large fiscal stimulus packages.
- **Price support policies** - Despite Indian migrants in the GCC returning to India during the pandemic, price support policies kept inflation at bay and demand for labour increased with higher oil prices, which in turn increased remittances for Indian labourers.
- **Wage hikes** - Remittances to India were enhanced by wage hikes and a strong labour market in the United States and other OECD (Organisation for Economic Co-Operation and Development] countries.
- **Inflation targeting** - In the GCC destination countries, governments ensured low inflation through direct support measures that protected migrants' ability to remit.
- **Depreciation of Indian rupee** - Depreciation of Indian rupee to the US dollar may have proven to be advantageous for Indian migrants and increased remittance flows.
- **Post pandemic improvements** - The vaccinations and the resumption of travel helped migrants resume work, increasing remittance to the country.

What is predicted in 2023?

- **South Asia -** The growth of remittance flows into South Asia in 2023 is expected to slow to 0.7%.
- Reasons - Decline in economic growth in the GCC coupled with a fall in oil prices.
- **India** - Remittance flows in India are predicted to decrease due to inflation and an economic slowdown in the United States.

References

1. The Indian Express | Remittance to India set to cross $100-billion mark
2. Moneycontrol | 4 countries account for 54% of remittances to India

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