



Remittance Inflow

For Prelims: [World Bank](#), [Remittances](#), [Foreign exchange](#), [Organisation for Economic Co-operation and Development](#), [Organisation for Economic Co-operation and Development](#), [Gulf Cooperation Council](#), [National Payments Corporation of India](#), [E-commerce](#)

For Mains: Remittance Trends Across the Globe, Factors Affecting Remittance Flows to India.

Why in News?

According to the [World Bank's](#) latest **Migration and Development Brief**, India, which saw a record-high of **USD 111 billion in remittances in 2022**, is expected to experience **minimal growth of just 0.2% in remittance inflows in 2023**.

- The main reasons for this are the slower growth in OECD economies, especially in the high-tech sector, and the **lower demand for migrants in the GCC countries**.
- Overall, remittance growth is projected to be slower globally, with **Latin America and the Caribbean showing the highest growth while South Asia lags behind**.

What are Remittances?

- **Remittances are money transfers that migrants send to their families and friends in their home countries.**
 - They are an **important source of income and foreign exchange** for many developing countries, especially those in South Asia.
- Remittances can help **reduce poverty, improve living standards, support education and health care**, and stimulate economic activity.

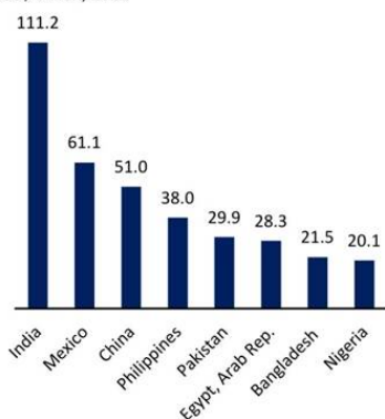
What are the Remittance Trends Across the Globe?

- The top five recipient countries for remittances in 2022 were **India, Mexico, China, the Philippines, and Pakistan**.
- Remittance flows to **low- and middle-income countries (LMICs)** are projected to **moderate to 1.4% in 2023**, with **total inflows estimated at USD 656 billion**.
- **East Asia and the Pacific region may witness a decline in remittance growth** due to tight monetary stances, limited fiscal buffers, and global uncertainty surrounding geopolitical events.
- Remittances to **Europe and Central Asia are anticipated to grow by 1%**, influenced by a high base effect, **weakened flows to Ukraine and Russia**, and a **depreciating Russian ruble**.
- Remittances in the **Middle East and North Africa** may recover with declining oil prices, particularly for countries like **Egypt**.
- Remittance growth rates for **East Asia and Pacific**, as well as **Sub-Saharan Africa**, are **projected to be around 1% in 2023**.

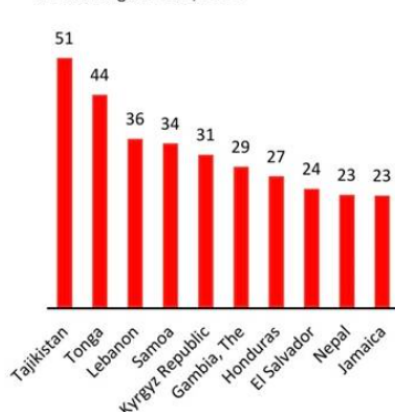
- Remittance inflows played a **vital role in funding current account and fiscal shortfalls in countries like Tajikistan, Tonga, Lebanon, Samoa, and the Kyrgyz Republic.**

Top Recipients of Remittances among Low- and Middle-Income Countries, 2022

a. US\$ billion, 2022



b. Percentage of GDP, 2022



Note: GDP = gross domestic product.

What are the Factors Affecting Remittance Flows to India?

▪ Top Sources of Remittances for India

- Approximately **36% of India's remittances originate from high-skilled Indian migrants in three high-income destinations: the US, United Kingdom, and Singapore.**
- The post-pandemic recovery led to a tight labor market in these regions, resulting in wage hikes that boosted remittances.
- Other high-income destinations for Indian migrants, such as the [Gulf Cooperation Council \(GCC\) countries](#), experienced favorable economic conditions, including high energy prices and curbed food price inflation, which increased remittance inflows.

▪ Factors Affecting Remittance Flows to India:

- **Slower Growth in OECD economies:** The [Organisation for Economic Co-operation and Development \(OECD\)](#) is a grouping of **38 high-income democratic countries.** These countries are **major destinations for high-skilled and high-tech Indian migrants, who account for almost 36% of India's remittances.**
 - The World Bank expects that the growth of these economies will moderate from **3.1% in 2022 to 2.1% in 2023 and 2.4% in 2024.**
 - This could affect the demand for IT workers and lead to a diversion of formal remittances toward informal money transfer channels.
- **Lower Demand for Migrants in GCC countries:** **GCC** is a political and economic alliance of six Middle Eastern countries—**Saudi Arabia, Kuwait, the United Arab Emirates, Qatar, Bahrain, and Oman.**
 - These countries are the **single largest destination for less-skilled South Asian migrants, who account for about 28% of India's remittances.**
 - The World Bank expects that the growth of these countries will slow from **5.3% in 2022 to 3% in 2023 and 2.9% in 2024.**
 - This is mainly due to the declining oil prices, which have dented their fiscal revenues and public spending.

What are the Ways to Enhance Remittance Inflow in India?

- **Unified Payment Interface:** UPI can enable real-time fund transfers, allowing remittances to be sent and received instantly. This eliminates the **need for lengthy processing times associated with traditional remittance methods**, providing recipients with quicker access to funds.
 - In January 2023, The [National Payments Corporation of India \(NPCI\)](#) allowed **NRIs living in 10 countries to use UPI using their international mobile numbers.**
 - The ten countries include **Singapore, Australia, Canada, Hong Kong, Oman, Qatar,**

USA, Saudi Arabia, United Arab Emirates, and the United Kingdom.

- **Artificial Intelligence (AI)-Driven Risk Assessment:** India can utilize [AI algorithms](#) to analyze transaction patterns, detect potential fraud, and assess risk factors associated with remittance transfers.
 - This approach can enhance security and help prevent illegal activities, ensuring compliance with regulations.
- **Integration with E-commerce Platforms:** India can collaborate with [e-commerce](#) platforms to integrate remittance services directly into their platforms.
 - This enables recipients to utilize remittance funds for online purchases or bill [payments](#), enhancing financial inclusion and expanding the scope of remittance utilization.

Source: IE

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