

REMITTANCES: ECONOMY

NEWS: U.S., U.K. replace Gulf nations as top source of remittances into India: RBI Bulletin

WHAT'S IN THE NEWS?

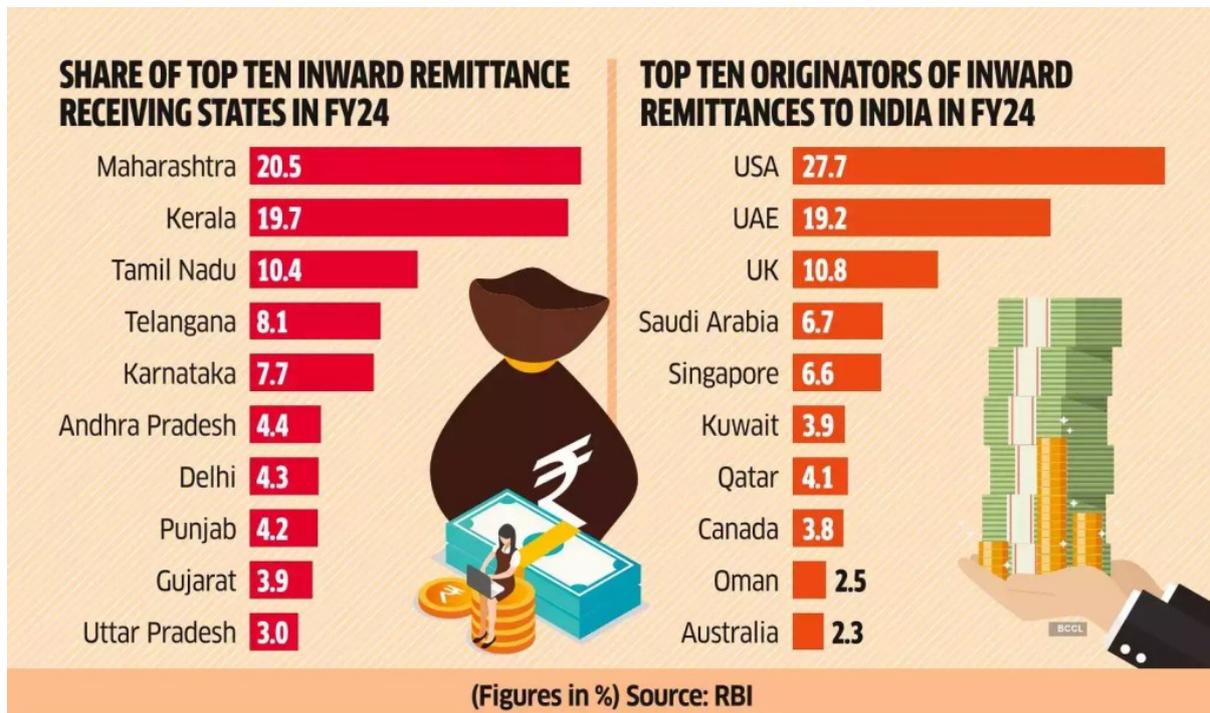
India remains the world's largest recipient of remittances, with key contributions from the US, UAE, and GCC countries. The RBI's 2023-24 report highlights trends and projections, with remittances expected to reach \$160 billion by 2029, playing a vital role in India's economy and poverty alleviation.

What are Remittances?

- **Definition:**
 - **Remittances** refer to the transfer of money or goods from **migrants** to their families and friends in their home countries. These transfers are often a vital source of income for individuals or households in low- and middle-income nations.
 - While remittances primarily involve **money**, they can also include goods, and the recipients typically rely on these transfers for various household needs, including food, healthcare, education, and housing.
- **Role in the Economy:**
 - **Current Account and Balance of Payments (BoP):** Remittances form part of the **transfer payments** category in the **current account** of a country's **Balance of Payments (BoP)**. The **BoP** is a record of all transactions between a country's residents and the rest of the world, covering trade in goods, services, income, and transfers over a specified period, usually a year.
 - **Transfer Payments:** These are monetary transfers received by a country's residents without any goods or services being exchanged. They include **gifts**, **remittances**, and **grants**. They are typically provided by governments, international organizations, or individuals abroad.
- **Significance of Remittances:**
 - **Increase Household Disposable Income:** Remittances directly increase the **disposable income** of recipient households, which can be used to improve their quality of life and reduce their reliance on government aid or local income sources.
 - **Poverty Reduction:** One of the most significant benefits of remittances is their impact on **poverty alleviation**. These transfers are especially important in rural and underserved regions, where access to economic opportunities may be limited. By providing a reliable source of income, remittances help reduce poverty and support economic stability for families.
 - **Investment in Human Capital:** Families receiving remittances are often able to invest in their **children's education** and improve their access to

healthcare, thus enhancing their human capital and improving long-term prospects for their communities.

- **Source of Foreign Currency:** Remittances are a key **source of foreign currency** for many developing countries, helping to stabilize their **foreign exchange reserves**. This can reduce reliance on external debt and improve the **country's financial position**.
- **Stabilizing the Balance of Payments:** Remittances contribute to a country's **balance of payments** by providing a stable source of foreign currency. This helps in **mitigating trade deficits**, providing economic resilience during times of economic distress.



Remittances to India: Key Trends in the 2023-24 RBI Report

- **Largest Sources of Remittances:**
 - **United States:** The **US** has been the largest contributor to India's remittances in **2023-24**, accounting for **27.7%** of the total remittance inflow. The substantial share from the US is attributed to the significant number of **Indian migrants** working in high-paying **white-collar jobs**, including in **management, business, science, and technology** sectors. The **higher wages** earned in the US compared to other regions explain the larger remittance amounts despite a smaller number of migrants compared to countries like the UAE.

- **United Arab Emirates:** The UAE ranks second, contributing **19.2%** of the remittances. The UAE is a major destination for **Indian migrant workers**, particularly in the **construction industry, healthcare, and hospitality** sectors. The large base of **blue-collar workers** in these sectors contributes to the substantial remittance flow from the UAE.
- **Top Remittance Countries:** The US, UK, Singapore, Canada, and Australia together accounted for more than **50%** of India's remittances in 2023-24. These countries have significant Indian diaspora populations, with established workforces in **high-skilled** sectors, further enhancing the remittance inflow to India.
- **Gulf Cooperation Council (GCC) Nations:**
 - The **Gulf Cooperation Council (GCC)** countries—UAE, Saudi Arabia, Kuwait, Qatar, Oman, and Bahrain—contributed **37.9%** of India's remittances in 2023-24. This is a reduction from **46.7%** in **2016-17**, indicating a shift in migration trends and remittance sources.
 - Historically, the **GCC nations** have been the largest contributors to Indian remittances due to their **large numbers of migrant workers**, particularly in **blue-collar** jobs. The decline in the share could be due to factors such as the increasing diversification of Indian migration destinations and the growing number of migrants in **developed countries** like the US and Australia.
- **Regional Distribution of Remittances:**
 - **Maharashtra** remains the largest recipient of remittances in India, followed by **Kerala** and **Tamil Nadu**. These states have large populations of **migrants** working overseas, and the funds sent back are crucial for local economies, especially in rural areas where remittances are often used to support **basic living expenses, education, and healthcare**.

Reasons Behind Remittance Trends:

- **UAE's Dominance:**
 - The UAE remains a major hub for Indian **migrant workers** primarily involved in **blue-collar jobs** such as those in the **construction industry**, followed by **healthcare, hospitality, and tourism** sectors. The high concentration of Indian workers in these sectors contributes to the large volume of remittances sent from the UAE.
 - As a major destination for **low-cost labor**, the UAE is a vital source of remittances, and its economic growth over the years has resulted in an **increase in job opportunities** for Indian workers, further boosting remittance flows.
- **US Contributions:**

- **Indian migrants** in the **United States** predominantly work in **white-collar sectors**, such as **management, business, science, and arts**. The higher income levels in these fields result in larger remittance amounts being sent back to India, despite the relatively smaller number of Indian migrants compared to Gulf countries.
- The **skilled nature of jobs** in the US means that Indian migrants earn higher wages, which translates into **larger remittance amounts**, despite being fewer in number compared to workers in the Gulf.

World Bank Data on Remittances:

- **India's Share in Global Remittances:**
 - India's share of the global remittance market has increased significantly, rising from **11% in 2001** to approximately **14% in 2024**. This increase reflects India's growing role as the world's largest recipient of remittances, driven by the size of its migrant workforce and the continued rise in remittance inflows.
- **Record Remittance Inflow:**
 - In **2024**, India received **\$129 billion** in remittances, setting a record as the **highest ever for any country** in a single year. This highlights the **vital role** of remittances in India's economy, contributing significantly to household incomes and financial stability.
- **Future Projections:**
 - The World Bank projects that India's remittances will continue to grow, with estimates indicating that the country will receive around **\$160 billion** in remittances by **2029**. This continued growth signifies the importance of **remittances** as a stable and growing financial inflow that supports India's economy and provides crucial income for millions of families.

Conclusion:

- **Remittances** remain a vital source of income for **India**, providing **poverty alleviation**, improving **human capital**, and stabilizing the **balance of payments**. The trends observed in the **2023-24 RBI report** demonstrate how remittance flows from countries like the **US, UAE, and GCC** nations play a central role in India's **economic structure**.
- The **growth in remittances** is expected to continue, providing essential **financial support** for families, improving their quality of life, and contributing to **economic stability**. As India's share in global remittances continues to rise, **migration** and **remittance flows** will remain crucial to India's **economic resilience**.

Source: <https://www.thehindu.com/incoming/developed-economies-replace-gulf-countries-as-top-source-of-remittances-into-india-rbi-bulletin/article69350067.ece>