

INDIA'S REMITTANCES: ECONOMY

NEWS: Why India is getting more remittances from Advanced Economies than the Gulf

WHAT'S IN THE NEWS?

India's remittance landscape has shifted, with over 50% now coming from advanced economies like the US and UK, overtaking traditional Gulf sources due to skilled migration and higher wages. Decline in GCC contributions is linked to Covid-19 impacts and nationalisation policies like Saudisation.

India's Remittances: A Macro Overview

- India's remittance inflows more than doubled from **\$55.6 billion in 2010-11 to \$118.7 billion in 2023-24**, making it the top remittance-receiving country globally.
- The pattern of remittance inflows has shifted significantly from traditional Gulf sources to advanced economies (AEs), reflecting changes in migration trends and global economic conditions.

Key Shifts in Country-wise Remittance Sources

- **United States (US):**
 - Became the top remittance source for India in FY21.
 - Its share increased from **23.4% in FY21 to nearly 28% in FY24**.
 - Driven by a rise in skilled migration, especially in STEM, finance, and healthcare sectors.
- **United Kingdom (UK):**
 - Along with the US, the combined share of these two countries rose to **40% in FY24**, up from **26% in FY17**.
- **United Arab Emirates (UAE):**
 - Still the second-largest contributor, but its share dropped to **19.2% in FY24**, down from **26.9% in FY17**.
 - UAE remittances primarily come from low-skilled or blue-collar workers in construction, tourism, healthcare, and hospitality.
- **Singapore:**
 - Its share grew from **5.5% in FY17 to 6.6% in FY24**, its highest recorded.
- **GCC Countries (Saudi Arabia, UAE, Qatar, Oman, Bahrain, Kuwait):**
 - Their collective contribution has declined significantly.

- Reasons include the impact of **Covid-19**, job losses, salary cuts, and **nationalisation policies** like **Saudisation/Nitaqat** that reduce foreign workforce opportunities.

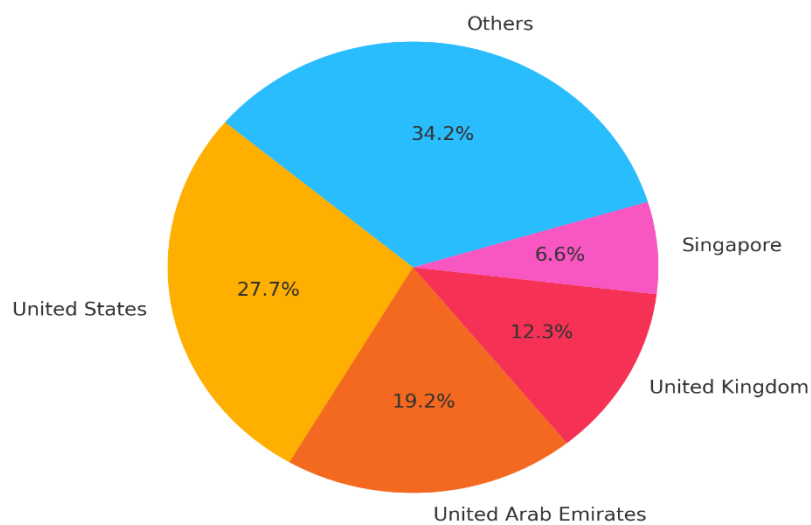
Trends in Advanced Economies (AEs)

- AEs now account for **over 50% of India's total remittances**, overtaking the GCC bloc.
- Besides the US and UK, **Canada, Australia, and Singapore** also show rising shares.
- These countries offer **higher wages**, better working conditions, and stronger currencies (e.g., US Dollar), resulting in **higher per capita remittances**.

Remittance Characteristics

- **Size Distribution:**
 - **28.6% of total remittances** were of high-value transfers exceeding **₹5 lakh**.
 - **40.6%** were small-value transfers of ₹16,500 or less.
- **State-wise Distribution:**
 - Major recipient states include **Maharashtra, Kerala, and Tamil Nadu**.
 - States like **Haryana, Gujarat, and Punjab** received less than 5% each.

India's Remittances by Source Country (2023-24)



Reasons for the Shift

- **Decline in GCC Contributions:**
 - Economic distress during Covid-19.
 - Job losses and salary cuts.
 - Nationalisation efforts such as **Saudisation** aimed at reducing dependency on foreign workers.
- **Rise in AE Contributions:**
 - Skilled Indian migrants in high-paying sectors.
 - High minimum wages and purchasing power in countries like the US and UK.
 - Rising numbers of Indian **students** abroad, who send remittances to support families or repay loans.

Future Trends and Concerns

- **Tightening immigration policies** in AEs due to rising rightwing politics may hinder permanent migration.
- This could cause migrants to **remit more** to India as a risk management strategy rather than invest in host countries.
- **India's demographic advantage** positions it as the leading global labor supplier till at least **2048**, making migration and remittance management a long-term strategic need.

Policy Recommendations

- Enhance **skill harmonisation** between Indian and destination country standards to ease job placements.
- Protect **low-skilled workers** from exploitation and prevent **forced deskilling** abroad.
- Actively pursue **bilateral and multilateral agreements** to regulate migration and expand overseas employment opportunities.
- These efforts can secure **consistent remittance flows** and improve the **economic welfare of migrant families**.

Understanding Remittances

- Remittances are **financial transfers** made by individuals living abroad to their families or dependents in their home country.
- These are commonly sent by:
 - **Blue-collar workers** (e.g., in construction, hospitality).
 - **Skilled professionals** (e.g., engineers, doctors, IT experts).
- **Economic Impact:**
 - Boosts foreign exchange reserves.
 - Supports household consumption and investments in health, housing, and education.
 - Helps in financing **current account deficits** in developing countries like India.
- **Transfer Channels:**
 - Formal: **Banks, Money Transfer Operators (MTOs)** (e.g., Western Union), and **digital platforms** (e.g., Wise, Remitly).
 - Informal: Hawala or hand-carrying (discouraged due to lack of regulation).

Source: <https://indianexpress.com/article/explained/why-india-is-getting-more-remittances-from-advanced-economies-than-the-gulf-9925685/>