



Trends in Remittances Inflow

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

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

Source: [BS](#)

Why in News?

According to the latest report by the [World Bank](#), the **growth in remittances to India** is likely to **halve in 2024** compared to **2023**.

- This slowdown is attributed to "**reduced outflows from [GCC \(Gulf Cooperation Council\)](#) countries**, amid declining oil prices and production cuts.

What are Remittances?

▪ About:

- Remittances are the **funds or goods that migrants send back to their families** in their **home country** to **provide financial support**.
 - 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.
- **India sent out 18.7 million emigrants in 2023**.

▪ Growth of Remittances:

- India received **USD 120 billion** in remittances in **2023** with growth at **7.5%**.
- It is forecasted to grow at **3.7% in 2024** to reach **USD 124 billion**, while the growth estimate for **2025 is 4%** and it is expected to reach **USD 129 billion** by 2025. [//](#)

- In developed economies like the **US, UK, and Singapore**, **lower inflation and strong labour markets** have benefited **skilled Indian professionals**, resulting in **increased remittance inflows** to India.
- **High employment growth** and a **general decrease in inflation** in **Europe** contributed to the **increase in remittances worldwide**.
- **Diversified Migrant Pool:**
 - India's migrant pool is no longer concentrated solely on high-income countries. A significant portion resides in the [Gulf Cooperation Council \(GCC\)](#), offering a buffer during economic downturns in either region.
 - Favorable economic conditions in GCC, including **high energy prices** and **curbed food price inflation** have positively impacted employment and incomes for Indian migrants, especially those in **less-skilled sectors**.
 - **India and the United Arab Emirates (UAE)** signed a pact in 2023 to establish a [Local Currency Settlement System \(LCSS\)](#) to promote the use of the **Indian rupee (INR)** and **UAE Dirham (AED)** for cross-border transactions further boosting remittance flows.
- **Improved Remittance Channels:**
 - Initiatives like [Unified Payment Interface \(UPI\)](#) have **enabled real-time fund transfers**, allowing remittances to be sent and received instantly.
 - The [National Payments Corporation of India \(NPCI\)](#) has allowed NRIs to use UPI in several countries including Singapore, Australia, Canada, Hong Kong, Oman, Qatar, USA, Saudi Arabia, United Arab Emirates, and the United Kingdom, Sri Lanka, Bhutan, Mauritius, France, Nepal.

How can Remittance Inflow in India be Increased?

- **Boosting Financial Inclusion:** World Bank data indicates only **80% of Indians have bank accounts**. Expanding formal financial services, especially in rural areas can facilitate easier remittance transfers through a wider network of bank branches, ATMs, and digital platforms.
- **Reducing Remittance Costs:** As per [World Bank](#) data, India has **high remittance costs (5-6%)**.
 - Introducing **competition between remittance service providers** and **promoting digital channels** can **lower transaction costs**, while **government incentives** for formal channels can boost adoption.
- **Enhancing Remittance Infrastructure:** Upgrading payment systems and leveraging new technologies like **blockchain** can streamline the remittance process.
 - The Reserve Bank of India's Centralized Payment System such as [Real Time Gross Settlement \(RTGS\)](#) and [National Electronic Funds Transfer \(NEFT\)](#) is a step towards this goal.
- **Targeted Diaspora Engagement:** Increased government engagement with the Indian diaspora through programs like [Pravasi Bharatiya Divas](#) and the Know India Programme can strengthen connections.
 - Offering attractive investment options and tax breaks, as suggested by the [International Monetary Fund \(IMF\)](#) data can incentivize higher remittance inflows.
- **Promoting Economic Stability:**
 - Implementing sound macroeconomic policies, improving the ease of doing business, and

addressing corruption is crucial for diaspora confidence which can create a more attractive environment for remittance flows .

Drishti Mains Question:

Analyze the factors influencing remittance inflows to India and discuss the policy measures that can be implemented to enhance their contribution to the Indian economy.

UPSC Civil Services Examination, Previous Year Questions

Q1. Which of the following constitute Capital Account? (2013)

1. Foreign Loans
2. Foreign Direct Investment
3. Private Remittances
4. Portfolio Investment

Select the correct answer using the codes given below:

- (a) 1, 2 and 3
(b) 1, 2 and 4
(c) 2, 3 and 4
(d) 1, 3 and 4

Ans: (b)

Q2. With reference to digital payments, consider the following statements: (2018)

1. BHIM app allows the user to transfer money to anyone with a UPI-enabled bank account.
2. While a chip-pin debit card has four factors of authentication, BHIM app has only two factors of authentication.

Which of the statements given above is/are correct?

- (a) 1 only
(b) 2 only
(c) Both 1 and 2
(d) Neither 1 nor 2

Ans: (a)

Q3. Which of the following is a most likely consequence of implementing the 'Unified Payments Interface (UPI)'? (2017)

- (a) Mobile wallets will not be necessary for online payments.
(b) Digital currency will totally replace the physical currency in about two decades.
(c) FDI inflows will drastically increase.
(d) Direct transfer of subsidies to poor people will become very effective.

Ans: (a)

Mains

Q. 'Indian diaspora has a decisive role to play in the politics and economy of America and European Countries'. Comment with examples. (2020)

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