

India to receive a record \$100 billion in remittance in 2022

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In news– According to World Bank Migration and Development Brief India is expected to India to receive a record \$100 billion in remittance in 2022.

What is remittance?

- Remittance is derived from the word 'remit' which means 'to send back'. Remittance refers to money that is sent or transferred to another party, usually overseas.
- They are the private savings of workers and families that are spent in the home countries.
- The World Bank defines it 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.

Key highlights-

- In its *Migration and Development Brief*, the World Bank has said **India's remittance will grow 12 per cent from 7.5 per cent in 2021**, resulting in \$100 billion flow as compared to \$89.4 billion in 2021.
- It **attributed the feat to the large share of Indian migrants earning relatively high salaries** in the United States, United Kingdom and East Asia.
- However, the report has noted that despite reaching a historic milestone at \$100 billion and retaining its **position as the top recipient of remittances globally**,

India's remittance flows are expected to account for only 3 per cent of its GDP in 2022.

- Led by strong performances in India and Nepal, the World Bank has predicted that remittance flows to South Asia this year will grow 3.5 per cent to reach \$163 billion in 2022.
- This is, however, a slowdown from the 6.7 per cent gain of 2021, reflecting the impact of an amalgam of external global shocks (inflation, slowing demand) in destination and source countries alike, as well as domestic factors.
- The overall remittance growth in South Asia reflects a disparity in individual country results; while India has gained 12 per cent and Nepal 4 per cent, other countries have reported an aggregate decline of 10 per cent, the report states.
- The report also says that despite global challenges in 2022, remittances to low- and middle-income countries will grow by 5% to \$626 billion.
- According to World Bank the factors responsible for high remittance for India are 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.

Predictions for 2023-

- **The growth of remittance flows into South Asia in 2023 is expected to slow to 0.7 per cent.**
- The year 2023 will stand as a test for the resilience of remittances from white-collar South Asian migrants in high-income countries.
- Remittance flows in India, specifically, are predicted to decrease due to inflation and an economic slowdown in the United States.
- Decline in economic growth in the Gulf Cooperation Council (GCC) countries coupled with a fall in oil prices will further pull remittance flows down to all

South Asian countries.