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## An Analysis of Structure and Trends in Remittances with Particular Reference to Indo-Gulf Labour Migration

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### Abstract

In recent years, the phenomenon of international remittances has gained substantial attention due to its significant impact on both sending and receiving countries. Remittances are an inevitable consequence of the migration of workers. People move across the countries to find an employment opportunity to save and remit money to their home. Given the ever-growing magnitude of the global remittances, they have become an area of policy discourse in many developing countries. This research paper aims to examine the magnitude of international remittances with particular focus on remittances flowing into India. The study focuses on understanding the scale and significance of these financial inflows. Further, the objective of this study is to analyse the volume, patterns, and characteristics of remittances in the context of Indo-Gulf labour migration. The Indo-Gulf labour migration corridor has witnessed a spectacular surge in the migration of Indian workers to the Gulf Cooperation Council (GCC) countries since the surge in oil prices in mid 1970s. The analysis in the paper is based on the secondary data collected from national and international organisations. The findings of the study reveal that international remittances to India play a substantial role in the Indian economy. The magnitude of remittance inflows into India has witnessed significant growth over the years, reflecting the increasing number of Indian workers migrating to various countries around the world.

**Keywords:** Migration, remittances, indo-gulf, West Asia, GCC

### Introduction

In recent years, the phenomenon of international remittances has gained substantial attention due to its significant impact on both sending and receiving countries. Remittances are an inevitable consequence of the migration of workers. People move across the countries to find an employment opportunity to save and remit money to their home. Given the ever-growing magnitude of the global remittances, they have become an area of policy discourse in many developing countries. Global remittances have increased by about seven percent from ten percent from \$573billion to \$613billion from 2017 to 2018 (World Bank\*). According to an estimate, registered remittances have been more than twice the amount of official development assistance and ten times higher than net private capital transfers to developing countries\*\*. As a proportion of GDP, remittances are estimated to substantially higher in low income developing countries than in other developing countries. Though in nominal terms the top recipients are large countries like China, India and Mexico but as a percentage of GDP more remittances have flowed to low-income countries.

i). These estimates of remittances are based on the methodology developed by Ratha and Shaw, 2007, South-South Migration and Remittances. The remittance data is for 2017, disaggregated using host country and

origin country incomes, and estimated migrant stocks from 2017.” World Bank.

ii). Kapur and McHale, 2003 <sup>[6]</sup>

This research paper focuses on analyzing the structure and trends of remittances, with a specific emphasis on the Indo-Gulf labour migration corridor. The Indo-Gulf labour migration corridor has witnessed a spectacular surge in the migration of Indian workers to the Gulf Cooperation Council (GCC) countries. These migrants, seeking better employment opportunities and higher incomes, contribute significantly to the remittance flows between India and the Gulf region. Exploring the structure and trends in remittances within this corridor is crucial to understanding the dynamics of this migration pattern and its economic implications for both India and the GCC countries. The primary objective of this study is to analyze the volume, patterns, and characteristics of remittances in the context of Indo-Gulf labour migration.

### Review of Literature on Remittances from International Migration

Globally research on remittance from international labour migration has largely focused on the developmental impact of remittances in a variety of ways, highlighting their potential to alleviate poverty and foster economic growth. There is a vast

body of literature available in this area of research. Ratha, D. (2003) <sup>[10]</sup> in his seminal work *Workers' remittances: An important and stable source of external development finance* discusses the significance of workers' remittances as a stable source of external finance for developing countries. It examines the trends, patterns, and channels of remittance flows, and highlights their role in reducing balance of payment constraints and financing development projects. Yang, D. (2011) <sup>[11]</sup> in 'Migrant remittances' provides an overview of the literature on migrant remittances. It discusses various topics, including the determinants of remittance flows, their macroeconomic impacts, and the potential for leveraging remittances for development. López-Córdova, E., & Olmedo, A. (2006) <sup>[8]</sup> analyses the relationship between international migration, remittances, and development in the Latin American region. It examines the economic and social impacts of remittances on both households and economies. Maimbo, S. M., & Ratha, D. (2005) <sup>[9]</sup> in the World Bank report, 'Remittances: Development impact and prospects, give an overview of remittances, their impact on development, and prospects. It highlights the potential of remittances as a source of financial capital and discusses policy recommendations for leveraging remittances for development purposes. Ammassari and Black (2001) <sup>[3]</sup> in their study on Ghana produced a lucid analysis of intercontinental migration, consequences of such migration on domestic labour markets and the effects of remittances on Ghanaian economy. They have also addressed the return migration and its consequences along with all types of capital flows associated with the international migration.

### Conceptual Note on International Remittance

'Workers' remittances are the value of the monetary transfers sent home from workers living abroad for more than one year'. There is divergence in the definition of remittances due to variation in the definition of international migrant. "When migrants send home part of their earnings in the form of either cash or goods to support their families, these transfers are known as workers' or migrant remittances."

IMF has adopted a wider definition of remittances. "Personal transfers consist of all current transfers in cash or in kind made or received by resident households to or from other non-resident households. Personal remittances = personal transfers + net compensation of employees + capital transfers between households. Total remittances = personal remittances + social benefits<sup>1</sup>."

In India international remittance inflows have been classified in the current account of the Balance of Payment account of the Reserve Bank of India (RBI) as the private transfers. RBI defines, "remittances as direct transfers through official channels and funds domestically withdrawn from non-resident rupee deposit accounts. Apart from that, gold and silver brought through declared passenger baggage and personal gifts, donations to charitable or religious institutions in India also included in the category of 'private transfers'. These transfers are considered as unrequited receipts. In other

words, private transfers as defined in India can take different forms like money transferred by emigrants from abroad through 'formal' channels or through regulated institutions and channels (e.g. bank and non-bank financial institutions and private money transfer operators), semi-formal channels like cash carried in person and declared in-kind transfers."

### Global Remittance Flows

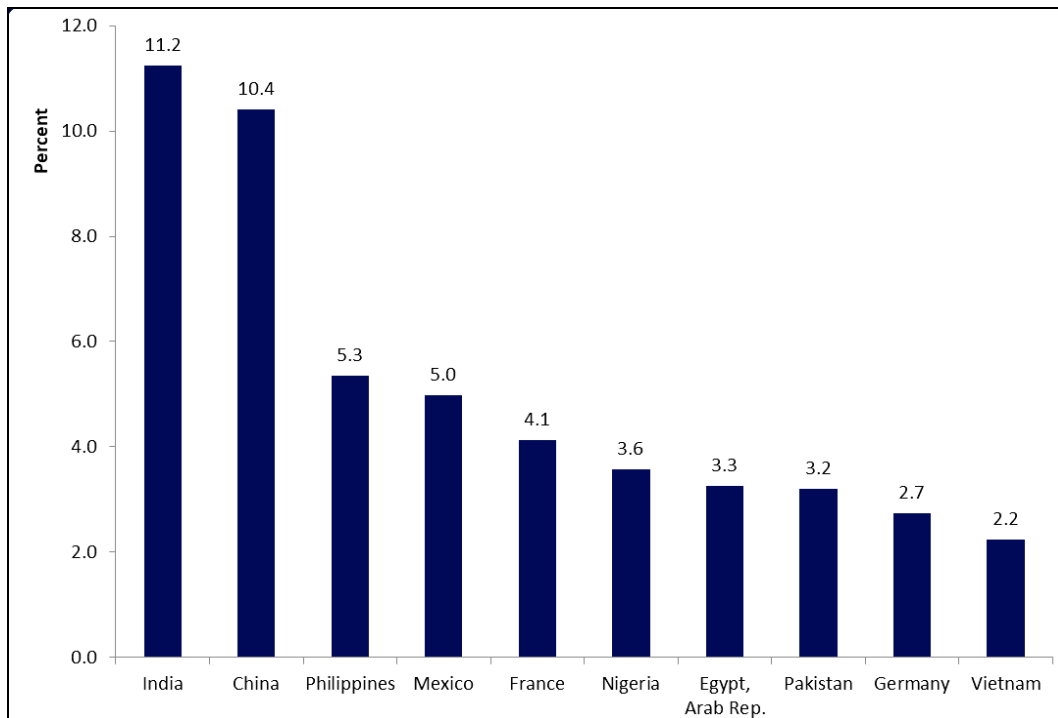
Region wise, Latin American and the Caribbean countries have been the major recipients of remittances in nominal terms but relative to size of GDP South Asia has been the largest recipient &. From the aspect of income redistribution, the impact of remittances has been more equitable than any other international transfers. Workers' remittances are more evenly spread across the countries than the capital transfers. Remittances sent to developing countries have increased manifold since 1990. Among the source countries USA and Saudi Arabia have been the largest sources of workers' remittances to the under developed countries. Other major sources are Germany, Belgium, and Switzerland. Magnitude of the two major streams of global remittances for the year 2016 is presented in the Table-1. Developed countries are classified as Global North while developing countries have been clubbed in the category of Global South. About 63 percent of the global remittances originate from the Global North and flow towards the Global North (29.1 percent) and Global South (70.1 percent).

**Table 1:** South-South and North-South Flow of Remittances in 2016 (Million \$)

Destination Countries	Developing Countries		Developed Countries		Total	
	Million	%	Million	%	Million	%
Developing Countries	185626 (88.4)	41.9	24475 (11.6)	18.8	210101 (100)	36.6
Developed Countries	257566 (70.9)	58.1	105958 (29.1)	81.2	363524 (100)	63.4
Total	443192 (77.3)	100	130433 (22.7)	100	573625 (100)	100

**Source:** Calculated from World Bank's Bilateral Migration Statistics

Developing countries (Global South) also contribute about 36.6 percent in the Global remittances but bulk of them originates in the GCC countries and Singapore. Out of the \$210 billion remittances originated in the Developing countries in year 2016, eighty eight percent destined to other developing countries and remaining went towards the Global North. Thus, out of the \$573 billion global remittances 77.3 percent were sent to the developing countries from Global North and Global South. The remaining 22.7 percent went towards the developed countries from the Global North and Global South.



**Fig 1: Top Ten Remittance Receiving Countries in 2017 (Percent Share in Global Remittances)**

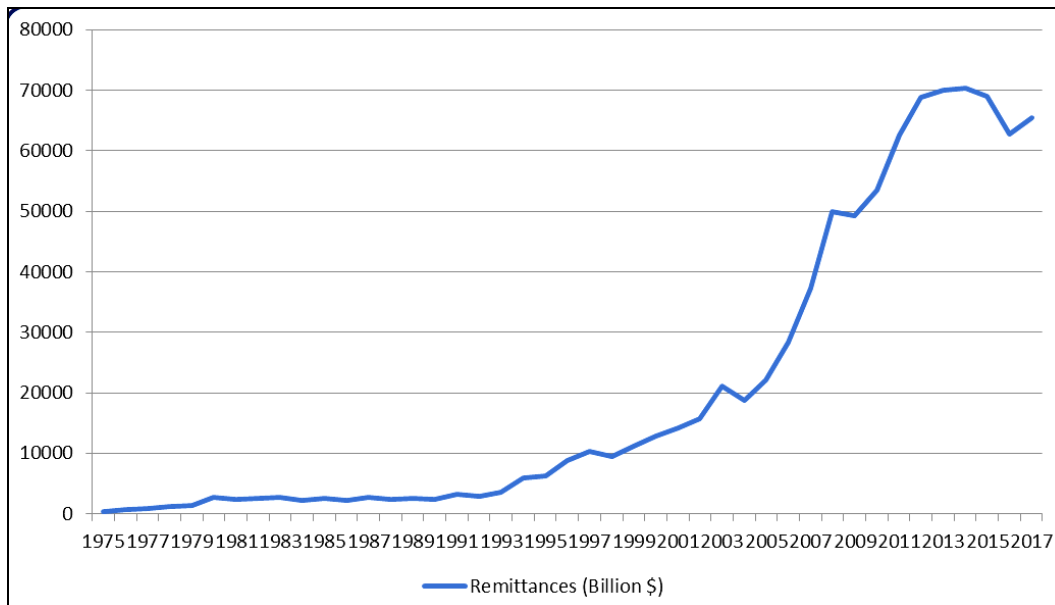
Figure-1 shows the top ten remittance receiving countries of the world in year 2017. India has remained at the top among the recipients of the global remittances except for a few years when China surpassed it. India and China have moved almost in tandem in terms of the remittance receipt. Philippines is another emerging country among the recipient countries. Filipino workers are also giving a tough competition to Indian emigrants in the GCC countries because they possess not only job specific skills but also soft skills. As a proportion of nominal GDP remittances are 2.6 percent and 8.8 percent of the GDP of India and Philippines. Among other major recipient countries Mexico, France, Nigeria Egypt and Pakistan are very prominent.

#### **Trends and Pattern of Remittance Flows to India**

India not only stood first in the remittance receipts but the magnitude of remittances in India also been ever-growing. This uptrend has been presented in the Figure-2. Instead of a long growth story, first major spurt in remittances was witnessed in the country in the late 1970s when the Indian emigration to GCC countries began at a large scale. Second major spurt occurred in early 1990s when the country was struggling to meet its burgeoning current account and tremendous fiscal stress. These remittances grew very sharply after mid noughties. Since then, remittances rose manifold. Indian remittance grew about 4.6 times between 1980 and

2000 and increased 5.3 times from year 2000 to year 2015. Thus, over a period of thirty-five years, from 1980 to 2015, Indian remittances grew twenty-five times (Figure-2). This increase is not only a substantial but also unparalleled. In the last three years after reaching a peak level of \$ 68.9 billion Indian remittances are falling at a fast pace. Relative to the 2015 level remittance receipt in year 2016 and 2017 fall short of 9 percent and 5 percent respectively. Two such sharp dip in the growth of remittances receipt is seen in the Figure-2. First, in the early years of 1990s due to Gulf war and second, in the early years of noughties due to the economic slowdown. The present decline should be seen in the hindsight of the falling Indian labour migration to the GCC countries from year 2015 onwards.

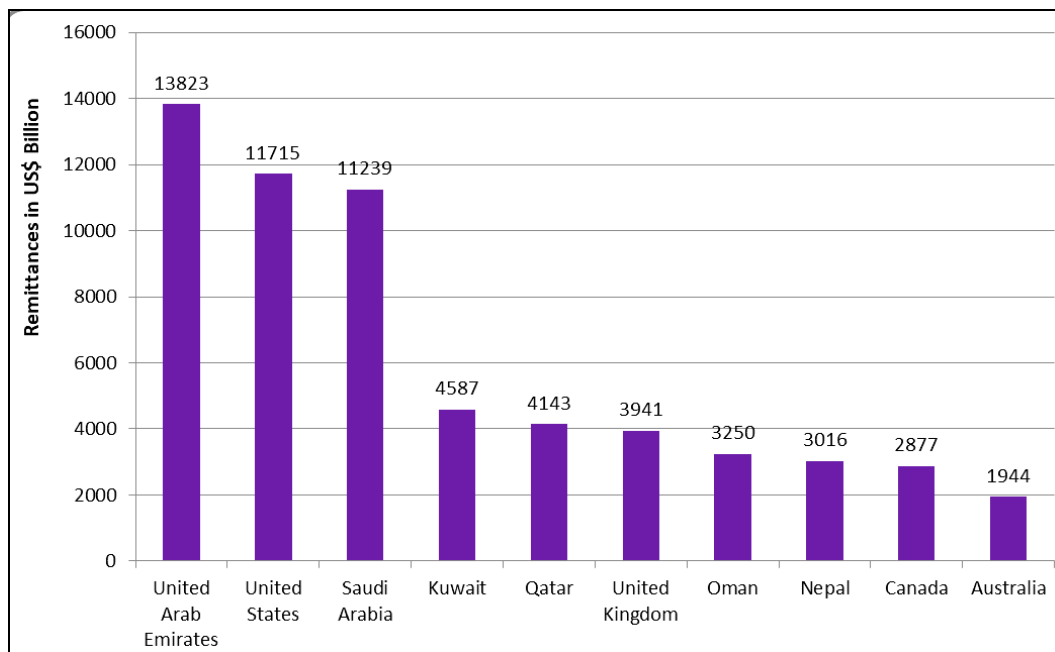
Table A1 in the Appendix shows an outline of the private transfer receipts in the Balance of Payment which is treated as remittance in India as per the definition of the RBI (RBI definition of the remittances broadly conforms to the IMF definition. IMF's personal transfers are rechristened by the RBI as private transfers which are treated as remittances in India). It includes cash transfer plus in-kind decaled transfers by the emigrants. The data on the private transfers, in contrast with the World Bank's figures, shows a fall in remittance receipts only in two years 2004-05 and 2016-17. The definitional divergence has caused little difference in the trends.



**Fig 2:** Trends in the Remittance Receipts in India 1975-2017 (MillionUS \$)

Remittance flew into India from 136 countries of the world. However, the magnitude of the remittance is strong from about twenty-five countries and very strong from top ten countries. Figure 4 presents the top ten sources of remittances to India in the year 2017. UAE is the single largest contributor

with \$ 13823 million followed by USA (\$11715 million) and Saudi Arabia (\$11239 million). Kuwait, Qatar, UK, Oman and Nepal are other significant sources of remittances to India (Kumar, 2018)<sup>[7]</sup>.

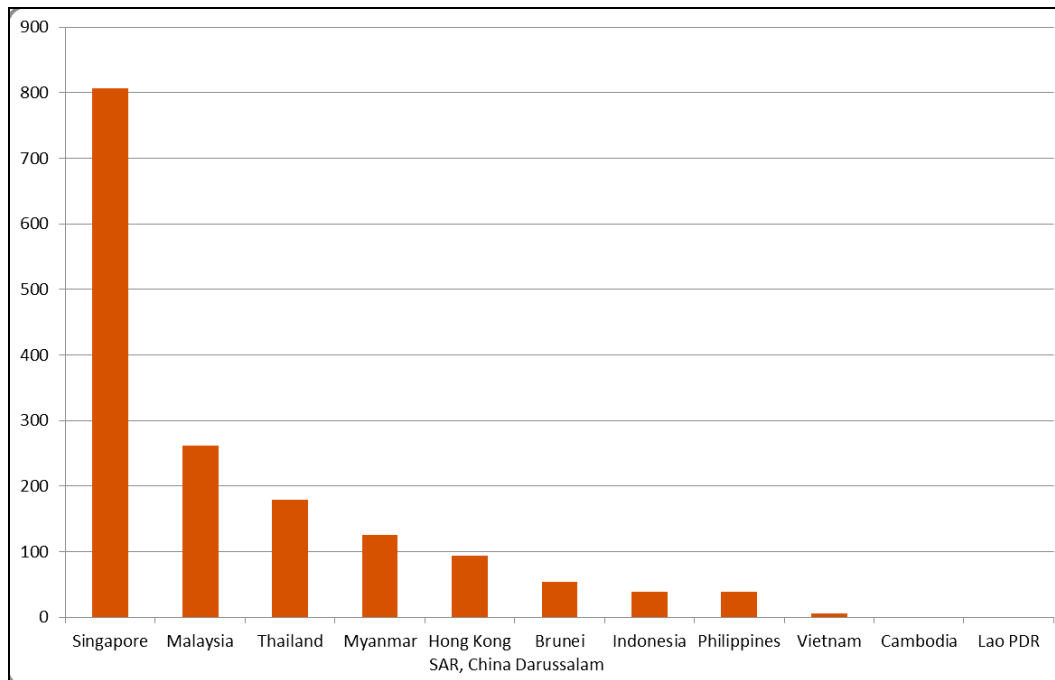


**Fig 3:** Top Ten remittance Sources for India in Year 2017 (US\$ Billion)

**Indian Remittances from East Asia**

Inflows of remittances to India from ASEAN region accelerated with the boom in economic activities in

Singapore, Malaysia and Thailand in 1990s. Afterwards these inflows slowed down temporarily from late 1990s to early years of noughties due to economic crisis (Figure-4).



**Fig 4:** Remittances to India from ASEAN countries in year 2016-17 (Million US \$)

There is no controversy regarding the source and reasons of these heavy inflows of remittances as the presumption of rapid economic growth in NICs during 1990s and a reasonable growth in last decade are widely accepted.

**Indian Remittances from West Asia**

In terms of the magnitude West Asia is the single largest region from where largest amount of remittances are sent to India. Gulf region is the most significant within the West Asia

for Indian remittances. This is particularly true due to two reasons. First, the stock of Indian emigrants is largest in this region and second, the majority of emigrants are temporary. Table-2 shows that among the top ten source countries for remittances to India five countries are from the GCC. UAE, Saudi Arabia, Kuwait and Qatar are among the top five remittance sending countries. USA is the only exception in the list of top five countries. Table-2 shows wide divergence within the GCC countries as source of remittances.

**Table 2:** Remittances Inflow in India from GCC Countries and World in Year 2017 (Million US\$)

Source of Remittances Country/World	Remittances Received	Remittances as a % of GCC Total	Remittances as a % of World Total
Bahrain	1336	3.5	1.9
Oman	3250	8.5	4.7
Qatar	4143	10.8	6.0
Kuwait	4587	12.0	6.7
Saudi Arabia	11239	29.3	16.3
UAE	13823	36.0	20.0
Total GCC	38378	100.0	55.6
World Total	68968		100.0

**Source:** World Bank’s Bilateral Remittance Estimates for 2017 using Migrant Stocks, Host Country Incomes, and Origin Country Incomes (millions of US\$) (April 2018 Version)

Indian emigrants in UAE remitted 36 percent of total GCC remittances to India which was 20 percent of the global Indian remittances in 2017. Corresponding figures for Saudi Arabia were estimated to be 29.3 and 16.3. Thus, these two countries collectively sent over 36 percent of the total remittances to India. Among the remaining four countries of the GCC Qatar and Kuwait remitted 10.8 and 12 percent of total GCC remittances to India. Bahrain and Oman together contributed 12 percent of total GCC remittances to India. Table 3 shows a comparison of biggest remittance sending developed countries

with the GCC countries. USA, UK, Singapore, Australia and Canada are five major developed countries where from the combined contribution of the Indian emigrants is estimated to be \$21363 million remittances to India in the year 2017 which is 31 percent of world remittances to India. In comparison with them the Indian emigrants in the six GCC countries remitted \$38378 million to India in 2017 which is more than 55 percent of the global remittances to India for that year. Remittances from the rest of the world remained merely 13 percent of the global remittances to India.

**Table 3:** Inflow of Remittances in India in 2017: Comparison of GCC with Five Major Source Countries (Million US\$)

Source of Remittances Country/World	Remittances Received	Remittances as a % of World Total
United States	11715	17.0
United Kingdom	3941	5.7
Singapore	886	1.3
Australia	1944	2.8
Canada	2877	4.2
Total of Five Countries	21363	31
GCC Total	38378	55.6
Rest of the World	9227	13
World Total	68968	100.0

**Source:** World Bank's Bilateral Remittance Estimates for 2017 using Migrant Stocks, Host Country Incomes, and Origin Country Incomes (millions of US\$) (April 2018 Version)

**Table 4:** Top 10 Recipients of International Remittances in 2017

S. No.	Country	US \$ Billion	Share in Global Remittances
1	India	68968	11.2
2	China	63860	10.4
3	Philippines	32808	5.3
4	Mexico	30600	5.0
5	France	25372	4.1
6	Nigeria	21967	3.6
7	Egypt, Arab Rep.	19983	3.3
8	Pakistan	19665	3.2
9	Germany	16833	2.7
10	Vietnam	13781	2.2

**Source:** World Bank's Bilateral Remittances Statistics

**Table 5:** Remittance Receipts in India (Billion US \$)

Year	US \$ Billion	Share in Global Remittances in 2015
1975	430	4.5
1976	643	5.8
1977	935	5.6
1978	1,161	5.2
1979	1,441	5.1
1980	2,761	7.7
1981	2,302	6.6
1982	2,622	7.3
1983	2,662	7.3
1984	2,293	6.5
1985	2,472	7.2
1986	2,243	5.5
1987	2,663	5.5
1988	2,317	4.4
1989	2,610	4.8
1990	2,382	3.7
1991	3,294	4.9
1992	2,896	3.9
1993	3,527	4.7
1994	5,855	6.8
1995	6,224	6.4
1996	8,763	8.5
1997	10,334	8.8
1998	9,477	8.3
1999	11,122	9.1

2000	12,845	10.1
2001	14,229	10.1
2002	15,707	9.6
2003	21,015	10.7
2004	18,753	8.3
2005	22,125	7.9
2006	28,334	8.7
2007	37,217	9.5
2008	49,977	11
2009	49,204	11.5
2010	53,480	11.6
2011	62,499	11.9
2012	68,821	12.6
2013	69,970	12.2
2014	70,389	11.8
2015	68,910	11.9
2016	62744	10.9
2017	65380	11

Source: World Bank

**Table 6:** Top Sources of Remittances for India in 2017

S. No.	Source	Billion \$
1	United Arab Emirates	13823
2	United States	11715
3	Saudi Arabia	11239
4	Kuwait	4587
5	Qatar	4143
6	United Kingdom	3941
7	Oman	3250
8	Nepal	3016
9	Sri Lanka	1265
10	Singapore	886
11	Italy	612
12	New Zealand	341
13	Malaysia	287
14	Thailand	197
15	South Africa	188

Source: World Bank's bilateral remittances statistics

### Conclusion

In conclusion, global remittance flows have garnered significant attention in the literature due to their far-reaching economic, social, and developmental impacts. Remittances have been found to contribute to poverty reduction, household income, consumption levels, and act as a stabilizer for output fluctuations in recipient countries. The literature has also highlighted the positive effects of remittances on investment, infrastructure development, and educational opportunities within receiving communities. Of particular interest is the Indo-Gulf remittance corridor, which refers to the flow of remittances between India and the Gulf Cooperation Council (GCC) countries. This corridor has witnessed substantial remittance flows over the years, as millions of Indian workers migrate to the Gulf region for employment opportunities. Research specific to Indo-Gulf remittances has explored various aspects, including the economic and social implications for both sending and receiving countries.

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