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INTERNATIONAL MIGRANTS FROM INDIA AND REMITTANCES

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ABSTRACT

Globalisation has significantly influenced the international migration of people. It is estimated that there were 258 million international migrants in 2017. The largest number of international migrants resides in the USA followed by followed by Saudi Arabia, Germany, Russian federation and United Kingdom. India tops the list of with 16.59 million people living outside the country followed by Mexico. Indians have diversified global presence with gulf countries residing more than half of total international migrants from India. International migration involves not only movement of people across borders, but also flows of resources like capital, knowledge, skill etc. International migrants send remittances to their families and communities of origin. Remittances are an important source of family and national income and also are the largest source of external financing. The world bank estimated that officially recorded remittances to the developing world reached $466 billion in 2017 while global remittances including those to high income countries reached $613 billion (World Bank Report, 2017). The top five remittance recipient countries are India, China, Philippines, Mexico, Nigeria and Egypt. The remittance growth to India maintained its global leadership in 2017 with $69 billion inward remittances (World Bank Report, 2017). The present paper is an attempt to throw light, with the help of existing secondary data, on trends of remittance inflows in India and its role in the development of nation.

Keywords: International migration, Globalisation, India

INTRODUCTION

In the present world of globalization, millions of international migrants send billions of dollars in remittances to their countries of origin. Remittances are an important source of families of international migrants and national income and also the largest source of external financing. Remittances have grown rapidly during last decades. The rise in remittances goes hand in hand with rising cross border migration. More people are moving out of their mother lands being

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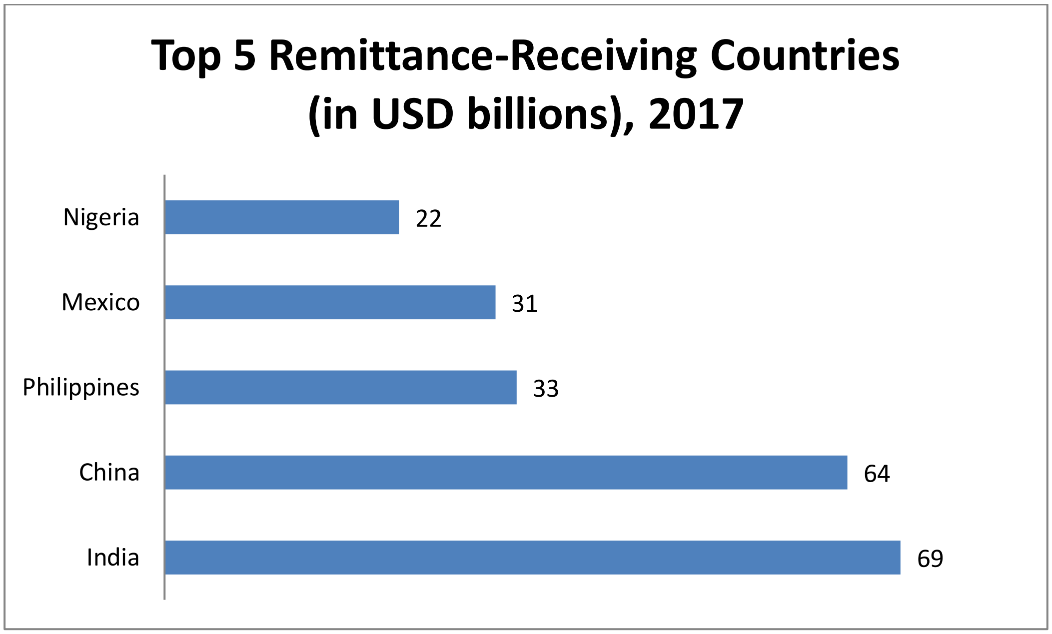
pushed by lack of job opportunities, low wages, political instability, social insecurity and extreme geographical conditions, pulled by available employment opportunities, high wages, political stability, migration friendly policies, shortage of skilled labour and abundance of natural resources in developed countries of the world. It is estimated that there were 258 million international migrants in 2017. Remittances are main benefit of international migration. International migration, with the help of remittances, can contribute positively to the development of the country including economic growth and poverty reduction, social empowerment and technological progress (Singh & Hari, 2011). World Bank estimated that remittances to the developing world reached $466 billion in 2017 while global remittances including those to high income countries reached $613 billion (World Bank Report, 2015).

IMPORTANCE OF THE STUDY, ITS OBJECTIVES AND METHODOLOGY

An estimated about 258 million people live outside their countries (United Nations Report, 2017). The number of international migrants is expected to rise in the near future. Now Question arises why study about International migrants from India and remittances inflow? In 2017, India was the largest country of origin of international migrants, estimated at over 16. 95 million are spread across different countries of the world (United Nation Report, 2017). India was the largest remittance receiving country in the world, with an estimates of USD 69 billion in 2017, followed by China (64 USD), Philippines (33 USD), Mexico (31 USD), Nigeria (22 USD) and Egypt (20 USD) (World Bank, 2017). Figure 1 represents the top five recipient receiving countries. Thus, remittances send by international migrants from India provide a lifeline for millions of households in the country. The present assumes significance because of the vast size of International migrants from India and India being the largest remittance receiving country in the world.

Figure 1



Source: World bank data, 2017

The broad objective of the study is to throw light on trends of remittance inflows in India and its role in the development of nation.

Data has been collected from National and International documents such as World Bank, Indian Labour Organisation (ILO), International Organisation of Migration (IOM), and United Nations (UN). All data collected has been analysed in analytical way.

Migratory flows of International Migrants from India:

India tops the list of number of international migrations with 16.5 millions living outside the country followed by Mexico (United Nation report, 2017). Indians are spread across the oceans and in all continents of the world. In 2017, as per United Nation report United Arab Emirates with 3.31 million Indian migrants has the largest number of International migrants from India followed by United States (2.3 million). Out of total 16.5 million, about 8.9 million Indian migrants are residing in gulf nations. Majority of Indians left their motherland due to economic reasons or in search of better employment opportunities and not due to political, social or ethnic factors . The profile of international migrants from India depends on the historical circumstances of emigration to particular destinations as well as prevailing political, cultural, economic and social norms in the recipient country.

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Remittances meaning and concepts:

Remittances represent household income from foreign economies arising mainly from the temporary or permanent movement of people to those economies. Remittances include cash and noncash items that flow formal channels, such as via electronic wire, or through informal channels, such as money or goods carried across borders. They largely consist of funds and noncash items sent or given by individuals who have migrated to a new economy and become residents there, and the net compensation of border, seasonal, or other short-term workers who are employed in an economy in which they are not resident. Remittances are mainly derived from two items in the balance of payments framework: income earned by workers in economies where they are not resident (or from non-resident employers) and transfers from residents of one economy to residents of another.

The two items in the balance of payments framework that substantially relate to remittances are “compensation of employees” and “personal transfers.” A new notion of remittances introduced in the sixth edition of the *IMF Balance of Payments and International Investment Position Manual* (BPM6) is starting to be used by many countries (IMF 2010a). Compensation of employees, unchanged from BPM5, represents “remuneration in return for the labor input to the production process contributed by an individual in an employer-employee relationship with the enterprise.” Compensation of employees is recorded gross, before taxes and other expenses incurred in the economy where the work is performed.

The definition of “personal transfers,” however, is broader than the old “worker’s remittances” – it comprises “all current transfers in cash or in kind made or received by resident households to or from non-resident households.” Therefore, “personal transfers” include current transfers from migrants not only to family members but also to any recipient in their home country. If migrants live in a host country for one year or longer, they are considered residents, regardless of their immigration status. If the migrants have lived in the host country for less than one year, their entire income in the host country should be classified as compensation of employees (Migration and Remittances factbook, 2016).

Personal remittances are defined as current and capital transfers in cash or in kind between resident households and non-resident households, plus compensation of employees, less taxes and social contributions paid by non-resident workers in the economy of employment, less transport and travel expenditures related to working abroad. According to the new definition, personal remittances are the sum of two main components: “compensation of employees” and “personal transfers” (see the table 1). Personal remittances also consist of a third item: “capital transfers between households,” but data on this item are difficult to obtain and hence reported as missing for almost all countries.

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Table 1

Total remittances: a+b+c+d			
Personal remittances: a+b+c			
a	**b**	**c**	**d**
Personal transfers (standard component in BPM5)	Compensation of employees less taxes, social contribution, transport, and travel	Capital transfers between households	Social benefits

Source: International Transactions in Remittances: Guide for Compilers and Users, IMF 2009.

Although the residence guideline in the IMF manual is clear, the rule is often not followed for various reasons. Many countries compile data based on the citizenship of the migrant worker rather than on their residency status. Further, data are shown entirely as either compensation of employees or personal transfers, although they should be split between the two categories if the guidelines were correctly followed. For example, India shows very little compensation of employees, but large personal transfers, although it is well known that India supplies a large number of temporary information technology workers to the United States and to European countries. The distinction between these two categories appears to be entirely arbitrary, depending on country preference, convenience, and tax laws or data availability. Because of the difficulty in classification, countries have often classified personal transfers as either other current transfers or transfers from other sectors. In some countries, notably China, remittances may have been misclassified as foreign direct investment. In the case of India and many other countries, remittances may have been classified as nonresident deposits, especially those in local currency terms.

According to RBI, remittances include two flows: inward remittances and local withdrawals from Non-Resident Indian (NRI) deposit accounts. The term NRI popularly refers to members of the Indian diaspora, including Indian citizens living abroad and people of Indian origin. Inward remittances are direct transfers of funds from one person abroad to another in India, typically through a bank or wire transfer agency. Such transfers are generally understood to provide family support.

Indian banks created NRI deposit accounts exclusively for NRIs. These deposit schemes, which the government of India authorized in the 1970s, have been used to attract foreign capital when the Indian government felt the need to shore up foreign-exchange reserves. To make the accounts attractive, NRI depositors are given the choice of holding deposits in foreign currency

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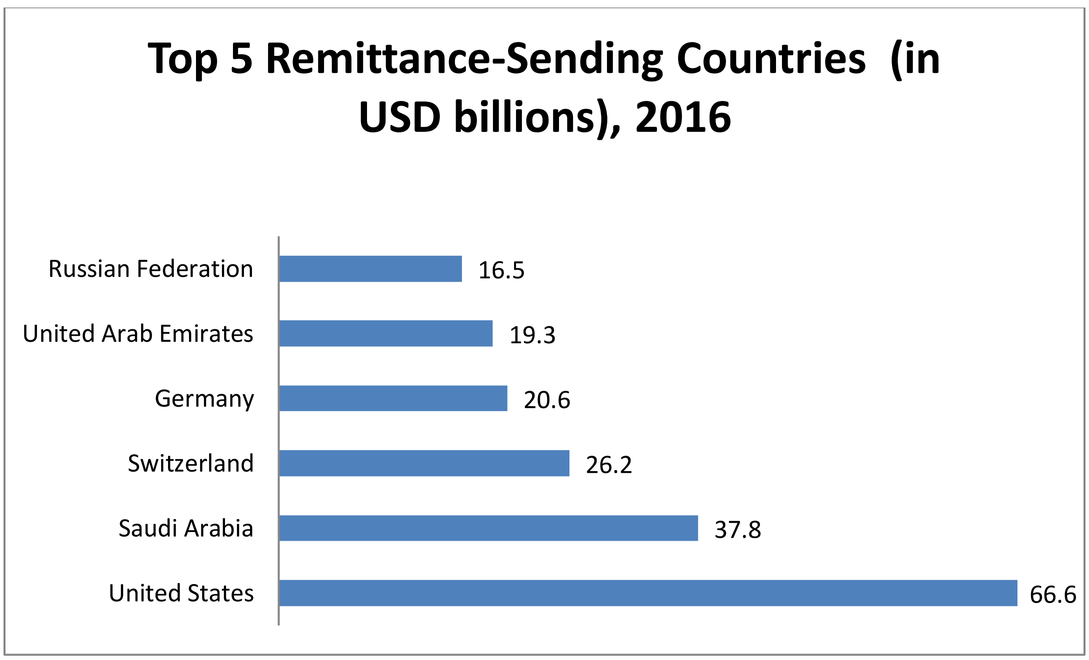
denominations or in Indian rupees. Depositors in foreign denominations can repatriate their principal and interest in foreign currency when they choose. Thus, repatriable deposits are treated like a debt.

On the other hand, RBI treats funds that NRIs locally withdraw from rupee-denominated deposits as remittances; to RBI these transactions cease to be a liability and assume the form of "unrequited transfers."The relationship between the two components of the remittance flow is important for understanding remittances in India today.

Source Regions of Remittance Flows in India:

High-income countries are the main source of remittances in the world. The United States is by far the largest, with an estimated USD 66.6 billion in recorded outflows in 2016. Saudi Arabia ranks as the second largest, followed by the Switzerland, Germany, United Arab Emirates, and Russian Federation (Figure 2).

Figure 2



Source: World Bank 2016 Bilateral Remittance Matrix

RBI estimates that 38 percent of remittances in India originate in Gulf countries, 34 percent in the North America, 12 percent in Europe followed by East Asia including Japan, South America, Africa, Australia and Newzealand (Figure 3).

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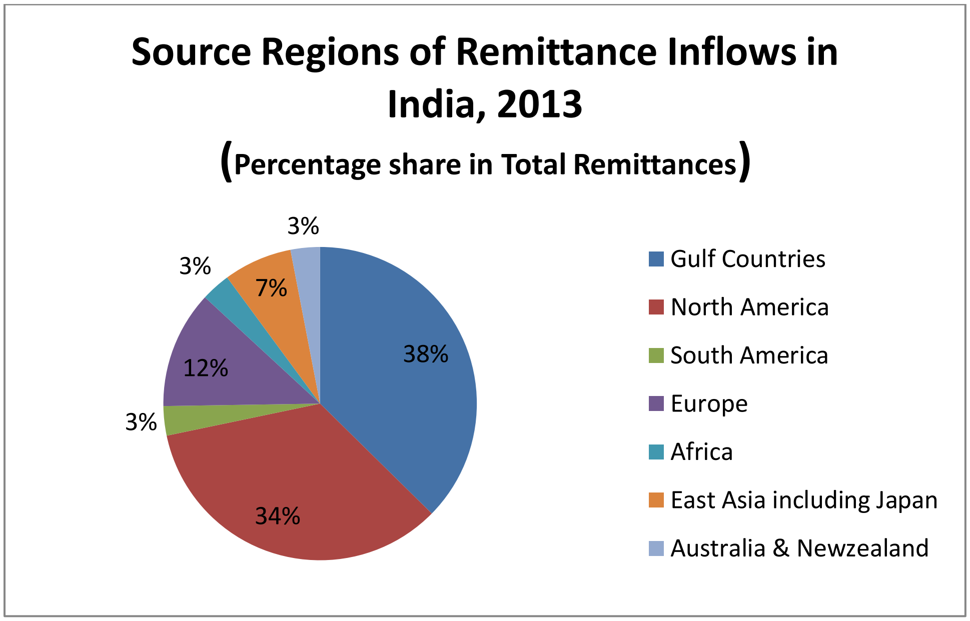
Figure 3



Source: Reserve Bank of India, RBI Bulletin, December 2013.

Trends in Remittance inflows in India:

India continues to retain its position, as a leading recipient of remittances in the world, with an estimated USD 72.2 billion in 2015, followed by China (USD 63.9 billion), and the Philippines (USD 29.7 billion)' (World Bank, 2015). In 1990-1991, for instance, RBI reported that remittances from overseas Indians were a modest USD 2.1 billion. They have risen steadily in the last 15 years (figure 5). The figures rose to $12.3 billion in 1996-1997, and then jumped to almost $22 billion in 2003-2004. Between 2000-2001 and 2003-2004, remittances almost doubled. With a small dip in 2016, remittances continue to rise.

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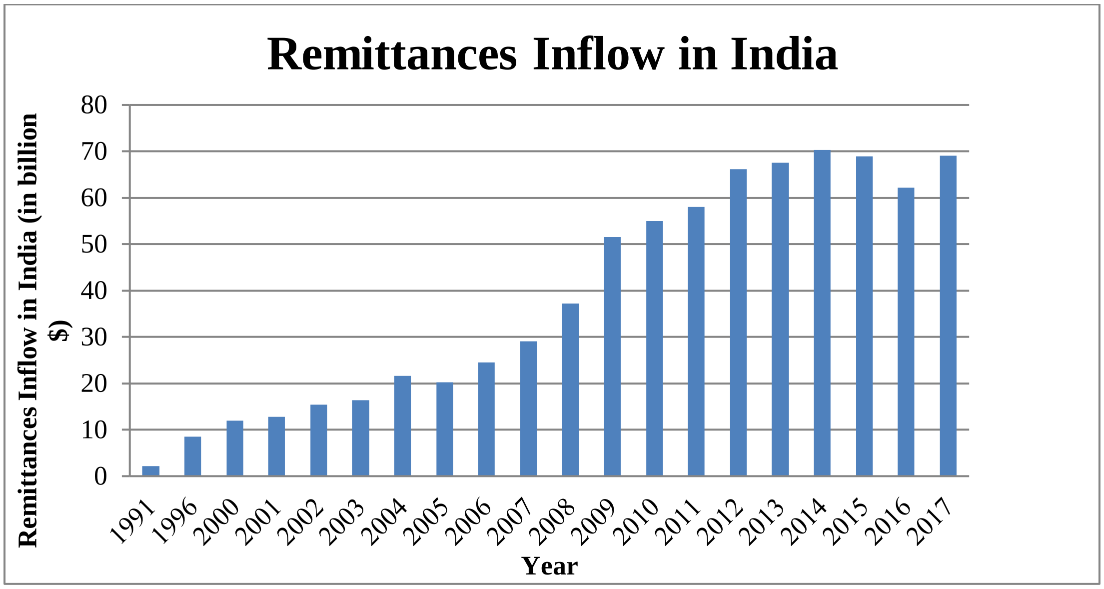
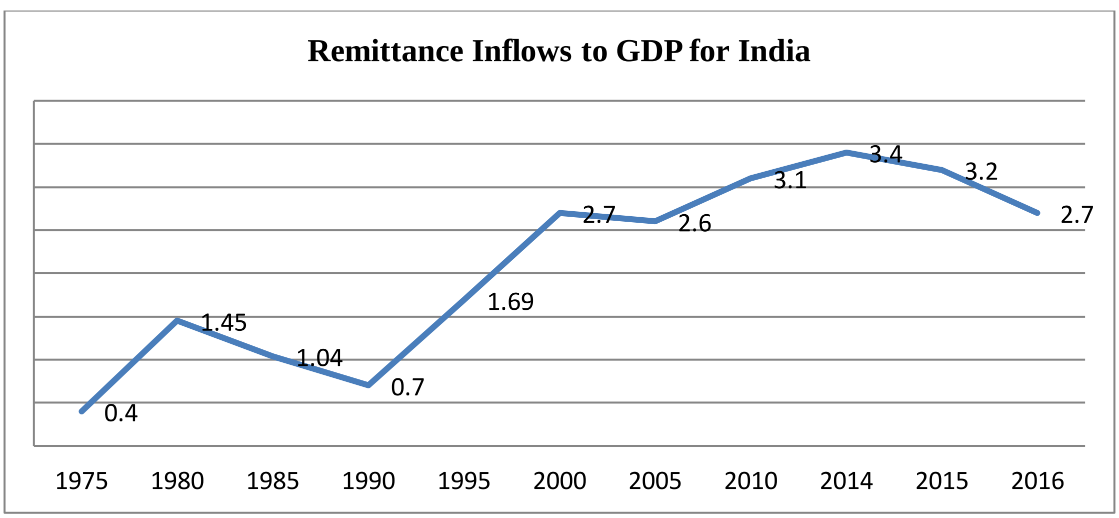
Figure 5



Source: World Bank 2016 Bilateral Remittance Matrix

It is generally assumed that in a large economy like India's, the impact of remittances is negligible. But, compared with some important economic and fiscal indicators, their relative importance is significant. In 2016, remittances represent 2.7 percent of the country's GDP — a sharp rise from 0.4 percent in 1975 (Figure 6).

Figure 6



Source: World Bank, 2016

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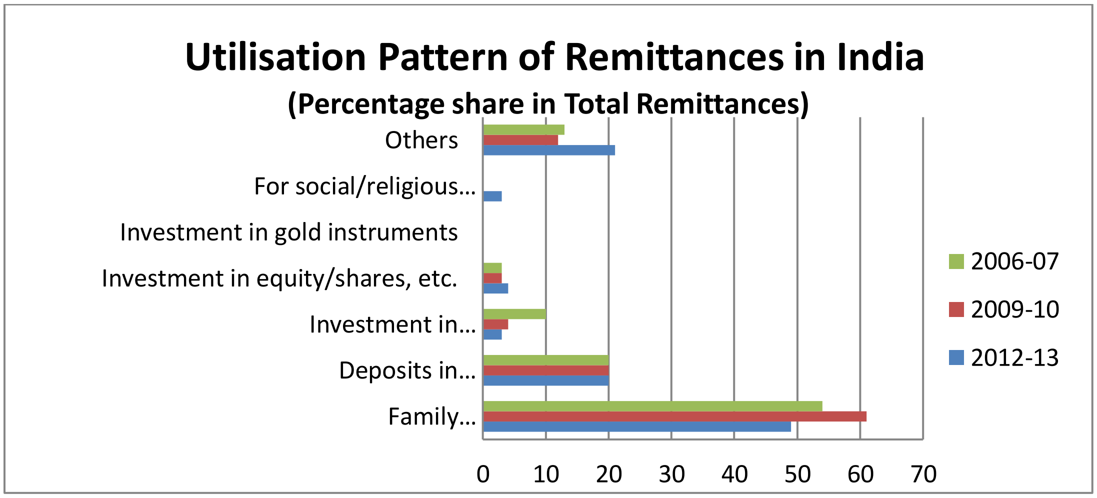
Utilization of Remittances in India:

A predominant portion of the remittances received are utilised for family maintenance i.e. to meet the requirements of migrant families regarding food, education, health etc. (Figure 7) The use of remittances for investment purposes has gradually increased.

Figure 7



Source: Reserve Bank of India, RBI Bulletin, December 2013.

CONCLUSION

The above discussion indicated that migration played crucial role for the development of any national economy. The International migrants from India, largest in the world after estimated at over 16.5 million, are spread across different countries. India was the largest remittance receiving country in the world, with an estimates of USD 69 billion in 2017, followed by China (USD 64 billion), and the Philippines (USD 33 billion)' (World Bank, 2017). The migratory flows include highly skilled professionals, workers and students with higher educational qualifications migrating to developed countries, particularly to the USA, UK, Canada, Australia and New Zealand, as well as, unskilled and semi-skilled workers going mostly to the Gulf countries and Malaysia, following the oil boom in the Gulf countries. Remittances send by international migrants from India provide a lifeline for millions of households in the country. India has clearly achieved a large sustained level of remittances. Thus, International Migration from India has proven responsive to incentives.

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