Remittances to India take a hit as migrant workers return from Gulf amid Covid-19

The inward remittances into India remained flat at $83 billion in 2020

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The World Bank, in its latest Migration and Development Brief, said despite Covid-19, remittance flows remained resilient in 2020, registering a smaller decline than previously projected. Credit: Reuters Photo remittances into India remained flat at $83 billion in 2020 (a mere drop of 0.2% over 2019), according to a World Bank report.

In 2019, the inward remittance into India, the largest recipient country in South Asia, stood at $83 billion. Much of the decline was due to a drop in remittances from the United Arab Emirates. An estimated 1.2 million migrant workers out of 4 million from Kerala returned from the Gulf Cooperation Council (GCC) countries in 2020 after the global pandemic left them jobless, the World Bank's Migration and Development Brief reveals. These workers contribute 30 per cent of Kerala's income.

The remittances from the United Arab Emirates fell by 17 per cent, which somewhat offset resilient flows from the United States and other host countries.

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According to the World Bank, the South Asian region saw a surge of returning migrant workers last year due to the health and global economic consequences of the Covid-19 pandemic with low-skilled workers taking the hardest hit.

China, which received $59.5 billion in remittances in 2020 against $68.3 billion in the previous year, stood behind India in terms of global remittances for 2020, the World Bank said.

In Pakistan, remittances rose by over 17 per cent to a record high of $26.1 billion; remittances from Saudi Arabia increased by over 46 per cent, from European Union countries by 25 per cent, and from the United Arab Emirates by 19 per cent.

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Remittances trends

Inward remittance flows to South Asia rose by about 5 per cent in 2020, driven by a surge in flows to Bangladesh and Pakistan. Bhutan and Sri Lanka also posted strong gains last year, while India and Nepal experienced a small drop in remittances.

For 2021, it is projected that remittances to the region will slow slightly to 3.5 per cent due to a moderation of growth in high-income economies and a further expected drop in migration to the GCC countries, the World Bank report said.

The decline was smaller than the one during the 2009 global financial crisis (4.8 per cent). Also, remittances did not decline as much as FDI flows to LMICs, excluding flows to China, fell by over 30 per cent in 2020. As a result, remittance flows to LMICs (excluding China) surpassed the sum of FDI and overseas development assistance in 2020.

“Foremost among the drivers of remittance flows and reasons behind their resilience during the crisis was migrants’ desire to help their families, to send money home by cutting consumption or drawing on savings,” said Dilip Ratha, Lead Economist, Migration and Remittances and Head of KNOMAD.

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Indian economy