International Remittances: A lifeline for Development

Dr.Abdul Azeez, Dr.Mohamed Riyazh Khan, Dr.Gaurav Aggarwal
Lecturer, Senior Lecturer
University of Technology and Applied Sciences

In the history of humanity, migration has been a significant issue. Due to trade liberalization, the relaxation of restrictive laws, the growth of transportation infrastructure, the expansion of communication systems, and the blending of world cultures, the rate of worldwide migration has been tremendous in recent years. As a result, both the policy makers in the nations that supply and receive labor are quite concerned about international migration. The benefits of international movement in the form of remittances to the economies of various less developed nations should be noted, even when countries are concerned about the leaking of intelligence through migration. Remittances from migrants who work abroad are crucial for both their families and the country of origin's balance of payments. Remittances provide a major contribution to the welfare of migrant households, but they also have a sizable impact on the GDP and foreign exchange earnings of developing nations. After foreign direct investment (FDI), remittances are now around three times as valuable as official development assistance (ODA) sent to low-income countries, and they are the second-largest source of outside cash for developing nations. For countries experiencing shocks, remittances have proven to be the least unstable source of financial flows, and they are one of the main sources of insurance for many developing nations. According to data gathered by the World Bank, when a nation faces political or economic challenges, its residents who live and work abroad assist their countrymen and women by sending more money home. In light of this, the current study explores many facets of international remittances and their contribution to financing for international development.

Key words: **International migration, Remittances, Economic impact, Development finance.**

Since the beginning of time, migration has been a process in human history. Millions of people have left their native countries due to global political, economic, and social forces. These variables can be divided into two categories: "push" variables and "pull" variables. The push factors are wars, social unrest, natural disasters, and political uncertainty. The main drivers of migration have been things like jobs, higher salaries, better living conditions, and better working conditions.

After the industrial revolution and colonialism, there was a significant shift in the migration tendency. According to Kondapi, a system known as the export of indentured labor was made possible by the abolition of slavery in the British Empire in 1834 and the severe shortage of agricultural workers that resulted for employment in the sugar plantations of Mauritius, British Guyana, Trinidad, and Jamaica (See Zachariah et al., 2003, pp. 50). In a similar vein, the industrial revolution attracted laborers from underdeveloped nations to work in the textile, chemical, and engineering sectors in the majority of European nations.49 (Singh, 2001).

As a result of the oil boom in the Persian Gulf in the 1970s, large numbers of people from Africa and Asia moved to Arab countries. The impact of all these changes has caused a paradigm shift in the global labor market. The pace of worldwide migration has recently been accelerated by the liberalization of commerce, the abolition of restrictive regulations, the improvement of communication networks, the growth of global cultural integration, and the construction of transportation infrastructure.

Although the recent process of globalization has helped to produce riches and lifted millions of people out of poverty, it has not yet significantly reduced the gap between the rich and the poor, and in some situations, economic inequality is rising. A significant portion of the world's population still endures unfavorable economic, social, and political situations in developing nations. These facts have caused a lot of people to search outside of their own country for better employment prospects. Due to a scarcity of human resources, many affluent nations find it challenging to maintain their current levels of economic production. International migration will thus play a role in the continuing economic growth of these industrialized nations. International migration will thus play a role in the continuing economic growth of these industrialized nations. In these nations, migrants are helping to bridge the labor supply and demand gap.

According to the United Nations, 272 million people, or 3.5% of the world's population, resided outside of their place of birth in 2020, up from 150 million people, or 2.8% of the world's population, in 2000 (see Table 1). The majority of migrants reside in industrialized nations like the United States, Europe, and the Middle East. In 2019, Europe and Asia each hosted around 82 million and 84 million international migrants, respectively. In 2017, 68 per cent of migrant workers were residing in high-income level countries – an estimated111 million people. An additional 47 million migrant workers (29%) were living in middle-income countries (IOM,2020).Women make up nearly half of all migrants (see Table 1).Nearly half (48%) of migrant women reside in affluent countries, while just 49% do so in poor nations. In Latin America and the Caribbean, North America, Oceania, Europe, and the former USSR, there are more female international migrants than male ones (GCIM, 2006).

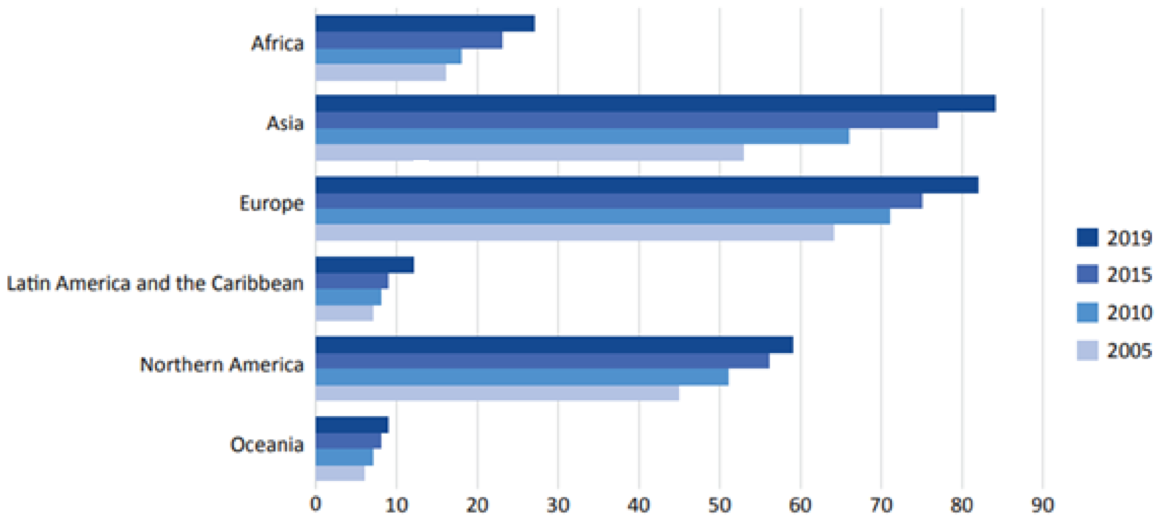
Table 1. Key facts and figures from the World Migration Reports, 2000 and 2020

	2000 report	2020 report
Estimated number of international migrants	150 million	272 million
Estimated proportion of world population who are migrants	2.8%	3.5%
Estimated proportion of female international migrants	47.5%	47.9%
Estimated proportion of international migrants who are children	16.0%	13.9%
Region with the highest proportion of international migrants	Oceania	Oceania
Country with the highest proportion of international migrants	United Arab Emirates	United Arab Emirates
Number of migrant workers	-	164 million
Global international remittances (USD)	126 billion	689 billion
Number of refugees	14 million	25.9 million
Number of internally displaced persons	21 million	41.3 million
Number of stateless persons	-	3.9 million
Number of IOM Member States*	76	173
Number of IOM field offices*	120	436+

Source: IOM,2020

By continent, in 2019, Europe and Asia each hosted around 82 million and 84 million international migrants, respectively – comprising 61 per cent of the total global international migrant stock combined (see figure 1). These regions were followed by North America, with almost 59 million international migrants in 2019 or 22 per cent of the global migrant stock, Africa at 10 per cent, Latin America and the Caribbean at 4 per cent, and Oceania at 3 per cent. Country wise, United Arab emirates has highest proportion of international migrants(see table 1).

International migrants, by major region of residence, 2005 to 2019 (millions)



Source: IOM,2020

International Migration and Remittances

Remittances are one of the main effects of migration. Remittances' contribution to the economic growth of underdeveloped nations has recently received a lot of attention. Several researchers and organizations have performed extensive investigations to determine the amount of remittances and how migrant households in the destination countries use them. The statistics on the amount of remittances has been continuously released by international organizations including the United Nations and International Monetary Fund. Remittances are commonly understood to be the portion of migrants' earnings that is paid back to their country of origin. Cash or in-kind remittances are both acceptable (Solimano, 2003).However, the term "remittances" is typically used to refer only to the cash transfers made by immigrants to their families back home. Remittances are a reflection of local labor participating in the global economy and are used to partially account for the relationship between economic growth and integration (Adison, 2004). Remittances from employees supply developing nations, especially the poorest, with important financial resources, according to a World Bank assessment (World Development Finance, 2005). Remittances from migrants who work abroad are crucial for both their families and the country of origin's balance of payments. The gross domestic product and foreign exchange revenues of emerging nations are greatly boosted by remittances. The choice to remit, however, is based on a number of factors. The occupation of emigrants is a significant factor in determining the quantity of remittances sent home, in addition to demographic factors including age, sex, marital status, number of dependents, and connections to relatives in the country of origin.

The occupational status of workers abroad is one of the key factors. Low-status workers who endure subpar living conditions in their destination nation do not frequently travel with their family. Because of this, they have a high inclination to save from their income, and they typically send these funds to their relatives in the nations where they were born and raised when migrants were not there. The families of workers with greater occupational status typically move to the country where they work, so they are not required to send their money back home.

The choice to remit is influenced by a number of macroeconomic policy factors. The factors influencing whether or not emigrants remit money include interest rates, currency rates, and income tax. The applicability of these factors also affects the decision made by immigrants over how to send their savings through formal and informal channels.

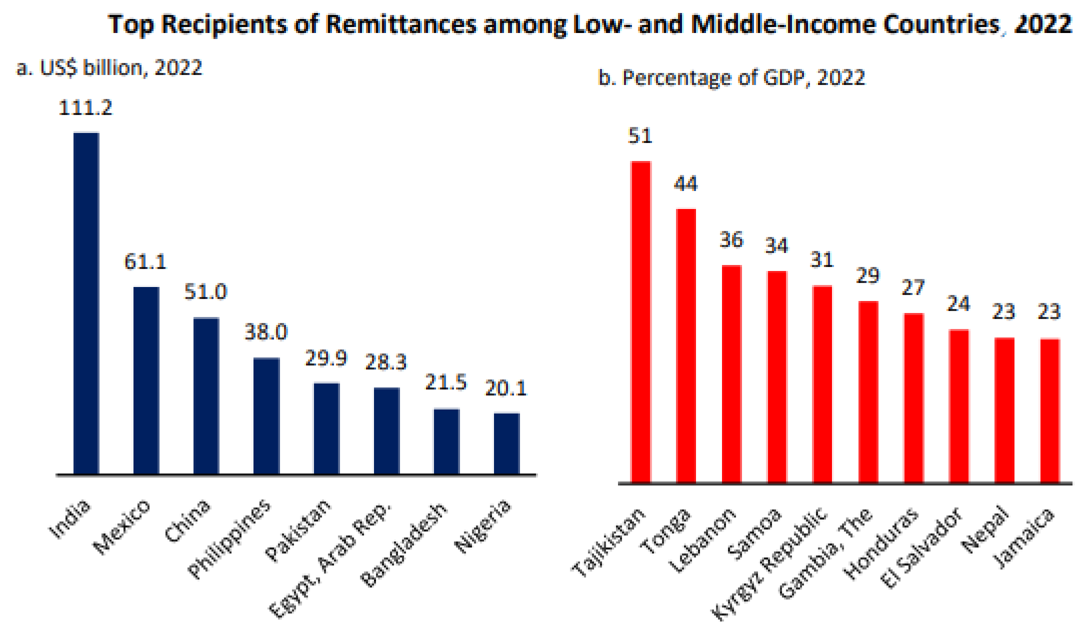
There are many advantages to sending money back to your country of origin. Remittances may enhance income distribution and quality of life in ways that other economic development initiatives cannot, particularly if low-skilled laborers leave their home countries. Most research on the uses of remittances discovered that remittances are spent on current consumption, health, and education, resulting to an improvement in emigrant households' living standards when compared to non-emigrant households. Ballard looks at how remittances affect the economies of Pakistan and India. He examined the effects both nationally and locally and discovered that people living in migratory areas have greater standards of living than people living in non-migrant areas.

Savings held by migrants in banks are used as a source of funding for loans to clients who reside elsewhere (Ballard, 2005). In his study, Zarate studies the size of remittance flows as well as the consumption habits of households in Mexico that receive remittances. According to him, remittances affect entire communities rather than just migrant households (Zarate, 2005).Remittances increase migrant families' household income back home, raise living conditions, encourage savings, and overall promote national economic expansion.(Azad, 2005)

The impact of remittances on the balance of payments of the countries of origin is the most significant result. Remittances help labor-sending nations' current account positions and ease foreign exchange bottlenecks. The stream of foreign exchange revenues sent by immigrants working abroad has grown more important to the balance of payments of many third-world countries that export labor. Remittances are a significant source of foreign currency for labor-sending countries that are used to cover import liabilities, strengthen the sustainability of the recipient country's external sector, improve the balance of payments, and create foreign exchange reserves (Azad, 2005).

Orozco (2005) examines the effects of remittances on trade, tourism, transportation, and telecommunications and notes that migrants have developed into a new market for home country products. Although the majority of research come to the conclusion that the majority of remittances are spent on housing, it is also noted that remittances used for housing have the potential to generate employment in the construction industry. At the same time, consumer spending can boost other domestic industries, and remittances spent on essentials like entertainment, healthcare, and education would benefit the economy. (Singh, 2001)

When compared to previous instances, the amount of remittances sent by the estimated 281 million international migrants worldwide in 2020—or 3.6% of the world's population—has greatly increased. Remittance flows are predicted to increase globally by a modest 1% to $840 billion in 2023 (Ratha, 2023). from an estimated 5% increase to $ 831 billion in 2022. According to Raha (2023), unrecorded flows through informal channels are thought to be at least 50% bigger than reported flows. India received 111 billion dollars in remittances in 2022, followed by Mexico (61 billion), China (51 billion), the Philippines (38 billion), and Pakistan (30 billion) (Ratha, 2023) .



Source: World Bank–KNOMAD staff; World Development Indicators; IMF Balance of Payments Statistics.
Note: GDP = gross domestic product.

Remittances experienced strong growth in 2022, following a 10.6 percent gain in 2021, despite sluggish development and high inflation in several countries, which may have lowered migrant workers' real salaries. The Gulf Cooperation Council (GCC) oil boom, which raised migrants' salaries, massive money transfers from the Russian Federation to countries in Central Asia, a robust labor market in the United States and OECD countries, and other factors all bolstered remittances (World Bank 2023). Remittances are now roughly three times as valuable as official development assistance (ODA) given to low-income countries after foreign direct investment (FDI). Additionally, they are the second-largest outside source of funding for developing countries Zardoub&Sboui, 2023). Remittances, according to Kapur's observation, are now the least unstable source of financial flows for shock-prone countries and are the main source of insurance for many developing nations (Kapur, 2005)

Development through Remittances

Although the economic drivers of migration have long been understood, the impacts of migration on the economic development of both the nations of origin and destination have only recently come into sharper focus. Remittances are currently the most concrete and possibly least contentious link between migration and development (Ratna D. 2007). At both the micro and macro levels—development of households, communities, and nations—remittances are significant.

Remittances have become the most affordable source of development financing for countries, even though they can help individuals' standards of living by meeting their housing, education, health, and self-esteem needs at the household level. General studies have claimed that remittances give small businesses and entrepreneurship the capital they need. 2007 (Ratha D.). The relationships between current remittance usage and "development" and consumption in the future are depicted in the figure below. Remittances may provide future revenue streams for consumption if they were invested or saved rather than spent now. According to the literature that is currently accessible, there are five categories that can be used to categorize the spectrum of productive investment portfolios: (1) savings strategies; (2) location-specific capital ventures; (3) human capital resource investments; (4) diversified microeconomic investments; and (5) Support, upkeep, and sustenance of the community. The amount of savings or investments made with the current inflow of remittances relies on the amount of remittances received, the sources of other income, and the spending habits of the sender and his household. The remittances that are saved in banks and other financial institutions can enhance the amount of credit that is available in the country that receives the remittances and can finance entrepreneurs, both of which have a beneficial effect on development. When migrants or members of their household invest the remittances in successful companies, the influence on development does grow. When immigrants do invest, their emotional ties to their (often marginal) home regions can help offset such areas' drawbacks in the eyes of merely profit-seeking investors. (Jorgen Carling, 2004). For instance, migrants from Kerala, India's southernmost state, have contributed to development in a number of areas, including housing, transportation, town planning, educational and religious institutions, amenities, and other infrastructural facilities (Begum M and Azeez A, 2005).

Remittances can increase a nation's credit standing, facilitating access to global capital markets (Ratha D. 2007). Remittances of currency that are accurately recorded might raise a country's risk rating. As a result, these nations would be able to borrow money on international markets for less money because to the improvement in their risk rating. Through the securitization of anticipated remittance flows, banks in remittance-relieving nations can obtain long-term funding from international markets at a lesser cost. Remittances, in the opinion of Solimano (2003), are today the second most significant external source of financing for developing nations, after foreign direct investment. Remittances can boost a country's credit position and open up access to international capital markets (Ratha D. 2007). A country's risk rating could be increased by accurately recorded remittances of currency. Due to the improvement in their risk rating, these countries would thereafter be able to borrow money on global markets for less money. Banks in remittance-relieving countries can get low-cost long-term finance from international markets by securitizing expected remittance flows. According to Solimano (2003), remittances are currently the second most important external source of financing for developing countries, right behind foreign direct investment. The governments of the countries that receive remittances have been working to maximize the benefits for development from migrant remittances for decades. Through their studies, international organizations including the World Bank, IMF, ILO, IOM, UN, and others have advocated a number of policy initiatives to use remittances for developmental efforts. The table supplied in 5 provides a summary of these regulations.

Table 2. A list of policy measures to enhance the development impact of remittances.

Objective	Measure
Capturing a share of remittances for Development purposes	Taxation of emigrants Duties or levies on remittances transfer Voluntary check-off for charitable purposes (on transfer forms)
Stimulating transfers through formal Channels and / or stimulating capital availability	Remittance bonds Foreign currency accounts Premium interest rate accounts Promoting / enabling transfers through microfinance Institutions (MFIs) Promoting financial literacy / banking the unbanked
Stimulating investment of remittance	Outreach through MFI infrastructure Outreach through migrants' service bureaus Tax breaks on imported capital goods SME schemes(financial,infrastructural,or innovative)*1 Training programmes
Outreach to migrant collectives / Hometown associations (HTAs)*2	Matched funding Public-private ventures Competitive bidding for development projects

Sources: Carline J (2004)

Notes:1. Schemes to support small and medium enterprises.

2. Migrant collectives can also benefit from policies for stimulating the investment of remittances, listed above.

Remittances offer small and medium-sized business owners an accessible source of cash in an environment that is favorable for investment and economic growth. This reduces the need for borrowing and fosters entrepreneurship, which improves remittance management. Therefore, it is crucial that governments of countries that receive remittances establish a variety of policies to encourage the use of remittances for productive investments. According to Brown P.C. (1994), remittances are employed for investment and might be motivated by investment when opportunities present themselves. Even if the immigrant has the required entrepreneurial potential, it cannot be expected that they will put their capital at risk in the domestic economy when there are much safer alternatives elsewhere if the general investment climate in this remittances relieving economy is not favorable to entrepreneurial ventures. Measures to promote the transfer and investment of remittances must be paired with macroeconomic policies in the countries of origin that are favorable to economic growth and competitiveness, according to the report released by GCIM(2005). Consequently, a favorable investment environment is likely to ensure that a greater portion of remittances is invested in both human and physical capital. Remittances encourage financial development as well, which might further progress.

Conclusion

Migration has impacted economic development and enriched several cultures and civilizations throughout. International migration continues to be a significant factor in national, regional, and global politics in the new world of globalization, where states, communities, economies, and cultures in various regions are increasingly integrated and interdependent. The percentage of people who were born abroad residing in industrialized nations has dramatically expanded over the past 30 years; today, these nations account for 60% of all migrants. In 2004, there were over 191 million foreign migrants, or 3% of the world's population, sending home remittances of roughly US$160 billion. With 35 million immigrants, or 20 percent of all immigrants worldwide, the United States of America is the largest host country. China and India are the two main nations that initiate international migration. The majority of global remittances are split between these two nations. China and India each contribute 21.3 and 21.7 dollars to the total amount of remittances. The remittances that migrants send back home influence national and household development. Remittances at the home level aid in lowering poverty, raising living standards, and pursuing higher education. Macro economically, remittances might be used for business ventures and profitable investments, which would enhance the number of job opportunities and per capita income in the recipient nations. Additionally, remittances aid in strengthening the foreign exchange reserves and current account positions of labor-sending nations. The stream of foreign exchange revenues sent by immigrants working abroad has grown more important to the balance of payments of many third-world countries that export labor.

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