THE IMPACT OF COVID-19 PANDEMIC ON THE INFLOW OF REMITTANCE TO INDIAN ECONOMY

Saranya.P.Suresh, Honey Baby, Revathy.k
Calicut University, Calicut University, Calicut University.

Abstract: This paper assesses the effect of COVID-19 pandemic on the inflow of remittance in India. This pandemic has effectively been declined remittance inflow. Situation investigation is determined on remittance of 2019-20 to address the inflow of remittance for assessing the effect of COVID-19 on the economy of India for short, medium, and long period. At present, the remitter nations are locked down, made individuals jobless. This examination demonstrates the adverse consequence of COVID-19 on remittance inflow, precisely on GDP, FDI, Unemployment.

***Keywords*: COVID-19, Remittances, GDP, FDI , unemployment.**

Introduction

Remittance have been essential to the Indian economy and society for quite a long time. It's anything but a significant and dependable wellspring of outside financing and capital collection in a creating economy like India. Remittance is the amount of cash sent by a foreign worker to a person in their home country. The remittance ought to be moved through proper channels, for example, bank drafts, money transfer companies, and others to maximize the inflow of remittances. Casual channels like dealers, companions or traders, friends or relatives without legal status should be avoided. Remittance give a method of poverty reduction and monetary advancement when migrants send money to the home country

The importance of foreign remittance in the economy of India is widely recognized and requires little reiteration. Expanded internal remittance is a shelter for the economy at both micro and macro levels. At the macro level, remittances add to keeping up stable foreign reserves. Remittance helps Indian Rupee hold its worth against the US dollar and structure a huge piece of the GDP. On a micro level, remittances have shown a positive impact on healthcare, entrepreneurship, education, and the overall economic development of recipient families.

Covid pandemic decreases the inflow of remittance, many Indian workers get back to India and others are struggling to adapt with lockdowns in maximum parts of the world. As the Covid-19 pandemic and economic crisis continues, Migrants are enduring more noteworthy wellbeing dangers, joblessness and the measure of cash traveler laborers ship off home is projected to decay 14% by 2021 contrasted with the pre-Covid-19 levels in 2019. Rising unemployment in the face of tighter visa restrictions on migrants and refugees is likely to result in a further increase in return migration, according to the latest estimates published in the World Bank's Migration and Development Brief (World Bank). The chief variables driving the decrease in remittance include weak economic growth and employment levels in migrant-hosting countries, weak oil prices, and depreciation of the currencies of remittance-source countries against the US dollar.

This study analyzes the impact of COVID-19 pandemic on remittance inflow in India. The remaining parts of the study are as follows; section 2 discusses the review of related literature of the existing studies focusing on the remittance, GDP, FDI, section 3 focuses on the data and scenario analysis, and finally section 4 presents the concluding remarks along with recommendations.

Review of literature

The review of literature guides the researchers for getting a better understanding of the methodology used, limitations of various available estimation procedures and data bases, and lucid interpretation and reconciliation of the conflicting results. There are many type of research on the impact of remittances. Since the paper focuses on GDP, FDI, Unemployment, Digital banking service, this section will review the appropriate and related studies to get a better idea of the selected topic.

Das, Bijoy Chandra, Sutradhar, Soma Rani (2020) conducted a study on The impact of COVID-19 Pandemic on the Inflow of Remittances: Perspective of Bangladesh. This paper particular investigated The Impact of COVID-19 Pandemic on the Inflow of Remittances in Bangladesh. Here thirty top remittance countries used to analysis for better understanding of fluctuating remittance inflow, three scenarios of declining remittance amounts are also considered in this study. The study indicates the negative effect of COVID-19 on remittance inflow, ultimately on GDP growth. The study does present the ways to accelerate the remittance growth i.e. digitalization payment system, universal financial access with sending and receiving country

Comes et al. (2018) explained the connection between remittances, foreign direct investment, and economic growth, using panel data from seven countries from Central and Eastern Europe covering the period 2010–2016. The empirical result show the positive effect of remittances and foreign direct investments on economic growth for all selected states.

Meyer and Shera (2017) studied the various impacts that remittances have on the economic growth of six high remittances receiving countries, Albania, Bosnia Herzegovina, Bulgaria, Romania, Macedonia and Moldova using panel data set over the period 1999–2013. Regression results show a positive and significant contribution of remittances in the economic growth of the selected six countries.

Azam (2015)examined the role of remittances in fostering economic growth in Bangladesh, India, Pakistan and Sri Lanka and found the positive impact of remittances on economic growth in all countries.

Besides these studies, Barajas et al. [2009] concluded that workers' remittances do not have any impact on economic growth in developing countries by employing the panel dataset of 84 countries over the period from 1970 to 2004.

Rao and Hassan (2011) conducted a study on 40 high remittance recipient countries using a System GMM panel data analysis. The exact outcome communicates the direct growth effects of remittances and the growth effects of the channels through which remittances may affect growth by treating as conditioning variables. The study finds that remittances indirectly facilitate economic growth by increasing the ratio of Broad Money (M2) to GDP.

Conversely, Chami et al.(2005) included 113 countries in their research and concluded that remittances have a negative impact on GDP growth using panel data of 29 years over the period 1970–1998. They found a negative correlation between the remittance's growth and economic growth. They identified the role of remittances as an altruistic which is not profit driven.

Objectives of study

- To study the factors influencing remittance inflow
- To identify how these factors are related to remittance during COVID-19

Data processing

Impact of COVID-19 pandemic on remittance inflow in India.

The assessment of the Impact of COVID -19 on remittance in Indian economy has been operationally defined as the following key factors

- FDI
- GDP
- Digit banking service include NEFT, RTGS, Mobile transaction
- Unemployment

a. Impact of FDI Inflow and Remittance

Table 1: Impact of FDI Inflow and Remittance

Year	2015	2016	2017	2018	2019	2020
FDI Inflow	55559	60220	60974	62001	74390	67542
Remittance	68910	62744	68967	78790	83332	83149

Source: (RBI 2020, WORLD BANK 2020)

FIGURE 1 presence the relationship between Remittance and FDI. Where India had receives the highest amount of remittance and FDI in the year 2019. Covid 19 negatively hit the flow of remittance in the same way it also affects FDI. The gap between remittance and FDI inflows is expected to widen further in 2020 as FDI inflows decline more sharply than those of remittances. The global lockdown measures affected the implementation of existing investment projects. Lower corporate profits due to the pandemic are likely to have reduced reinvested earnings which account for a significant portion of FDI. India will need more liberalized FDI regime to fill the void created by decreasing remittances.

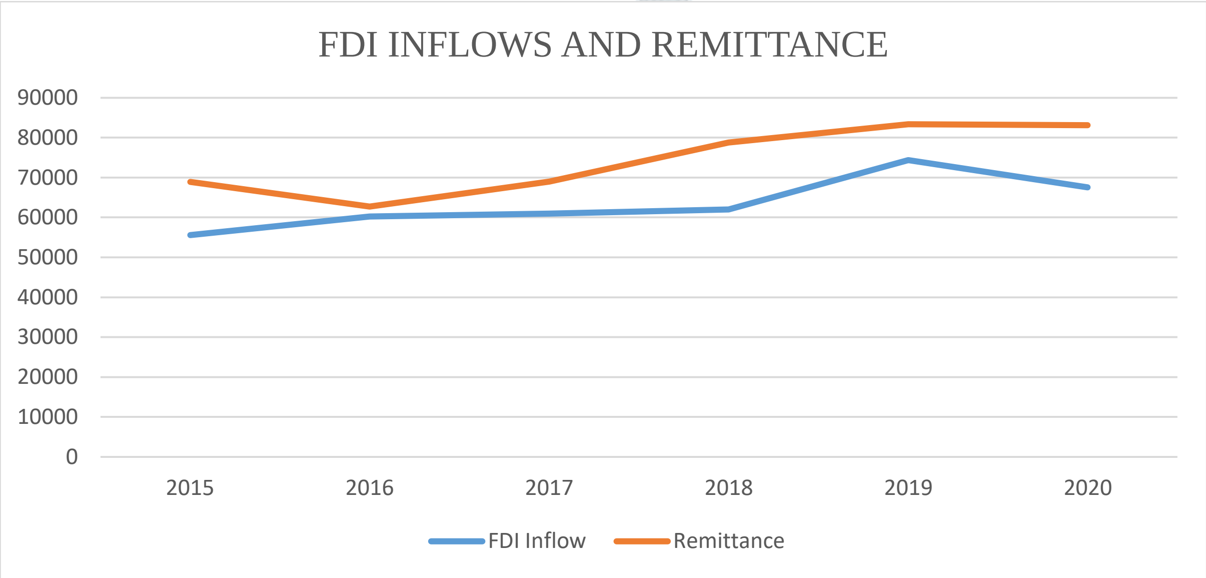

Figure 1: Impact of FDI Inflow and Remittance

Source: (RBI, 2020, WORLDBANK, 2020)

Table 2: Remittance Inflow and GPD

YEARS	2015	2016	2017	2018	2019	2020
MigrantRemittance Inflows(US$billion)	68.91	62.74	68.96	78.79	83.33	83.14
GDP (%)	3.28	2.73	2.6	2.9	2.9	3.1

Source: (RBI 2020, WORLDBANK 2020)

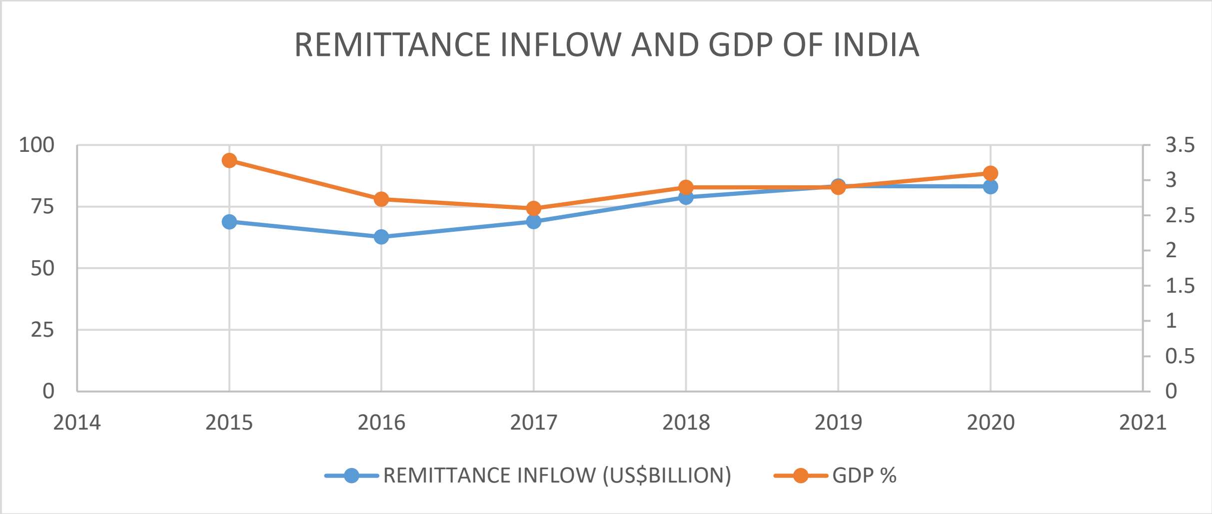

Figure 2: Remittance Inflow and GDP

Source: (RBI 2020, WORLDBANK 2020)

Remittance is both positively and negatively related to the economic growth of any developing country like India. At the aggregate level, the inflow of remittance affects the economic growth positively through the current account deficit, increasing foreign exchange reserve, stabilizing exchange rate, improving financial market and increasing the production activities. Results of the analysis show that remittance contribution to GDP is lower in the year 2020 and has a negative effect on GDP but overall economic growth of the country is higher.

DIGITAL BANKING SERVICE

The pandemic has been a catalyst for digital growth across the money transfer sector. The requirement for worldwide computerized remittance is relied upon to build attributable to worldwide limitations on development. Also, customers are turning towards digital wallets as it is the most effective, quickest, and convenient way of transfer money overseas since the lockdown began. Also, governments must support remittance infrastructure, including recognizing remittance services as essential, reducing the burden of remittance fees on migrants, incentivizing digital money transfers, and mitigating factors that prevent customers or service providers of digital remittances from accessing banking services (worldbank). From the below table it can be inferred that the level of NEFT(National Electronic Fund Transfer), RTGS(Real-time gross settlement) and Moblie transaction has increased in the year 2021. This show that Internet technology can help reduce the cost and effort associated with sending money back home.

Table 3: Bankwise Volumes in NEFT/RTGS/MOBILE TRANSACTIONS

Name of Banks	**NEFT**			**RTGS**			**Mobile Transaction**		
	April 2020	April 2021	% change	April 2020	April 2021	% change	March 2020	March 2021	% change
Federal Bank	1308409	2288684	.74	40158	143472	2.57	4839776	5685086	.17
HDFC	11339961	25057340	1.2	1020360	2798568	1.74	120519634	253168512	1.10
SIB	619285	1123065	.813	22516	84727	2.76	5388391	12077154	1.24
PNB	9675339	18496671	.9117	177135	665566	2.75	50806161	351154340	5.91
Bank of India	7050907	9864079	.39	113986	303722	1.66	69785214	173634604	1.48

Source: (NPCI, Statistics))

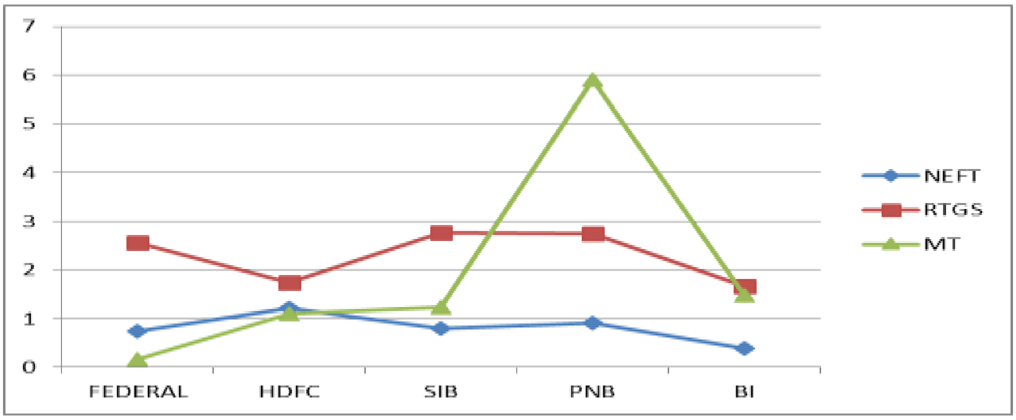

Figure 3: Bankwise Volumes in NEFT/RTGS/MOBILE TRANSACTIONS

Source :(NPCI, Statistics) https://www.npci.org.in/statistics

UNEMPLOYMENT RATE

The outbreak of COVID-19 has negatively impacted the employment sector, the fall in remittance flows following the loss of migrant jobs in leading host countries has been among the many adverse effects of the COVID crisis on developing countries. The rate of jobless growth could severely impact India's economy which depends heavily on the middle-class population, engaged primarily in salaried jobs and entrepreneurship. While GDP growth in India had been falling since the beginning of last year, the coronavirus shock in 2020 had an overwhelming impact on India's economy and jobs. The pandemic and resulting lockdown uncovered the delicacy of India's proper occupation market, which has fallen.

Table 4: Unemployment Rate

Apr 2021	7.97
Mar 2021	6.50
Feb 2021	6.89
Jan 2021	6.52
Dec 2020	9.06
Nov 2020	6.50
Oct 2020	7.02
Sep 2020	6.68
Aug 2020	8.35
Jul 2020	7.40
Jun 2020	10.18
May2020	21.73
Apr 2020	23.52

Source: Centre for Monitoring Indian Economy (CMIE)

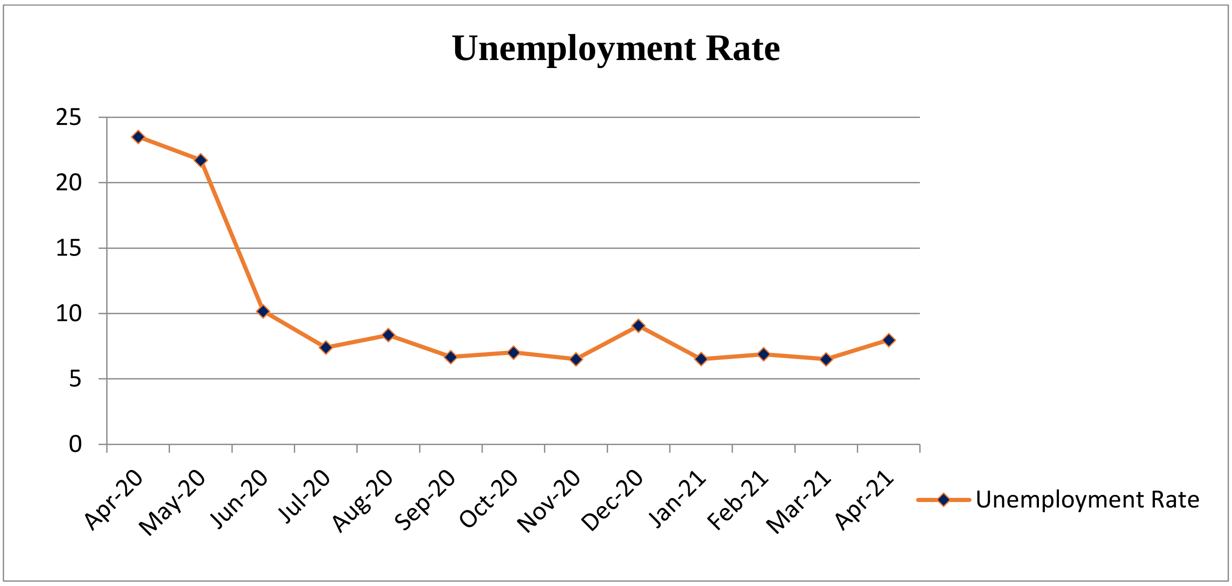

Figure 4: Unemployment Rate

Source: Centre for Monitoring Indian Economy (CMIE)

In April 2021, India saw an unemployment rate of over 8 percent. This was a significant decline from the previous month. A damaging impact on an economy as large as India's caused due a total lockdown was imminent. Social distancing resulted in job losses, specifically those Indian society's lower economic strata.

The Indian unemployment rate went off the charts following the COVID-19 outbreak in the country and subsequent lockdown. According to the Centre for Monitoring Indian Economy, it reached 23.5 percent overall (average of rural and urban rates) in April and in May.

According to reporting by Economic Times, the rate was back down to just 8.5 percent in the third week of June. This is equivalent to the rate at the time before the COVID-19 crisis, when the Indian monthly unemployment rate hovered around 7-8 percent, according to CMIE. The highest rate reached in the five years before the coronavirus pandemic was 9.7 percent in May of 2016.

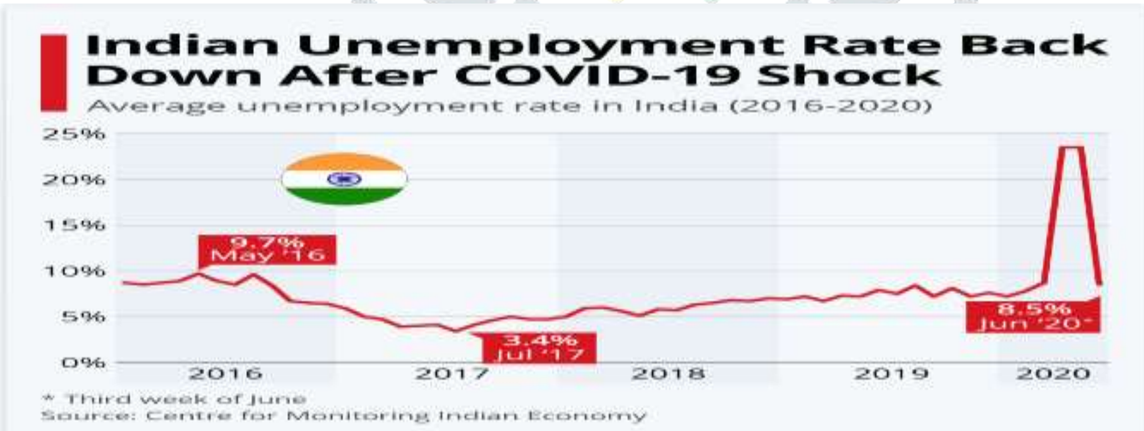

Figure 6:Indian Unemployment Rate

Source: Centre for Monitoring Indian Economy

Conclusion

We all have been affected by the current covid-19 pandemic. As a result of this, the economy has been largely disruptive in terms of economic activity as well as a loss of human lives. This study tries to look at the influences of remittance inflow in the Indian economy during the pandemic and some interesting insights on various aspects of remittance. There is a direct relationship between FDI and remittance, the remittance inflow during the pandemic has been declined and it also affect the FDI in the same manner. The remittance to GDP ratio is lower but the aggregate level of GDP has positively changed and there is a sudden hike in the use of digital banking services. There is an inverse relationship between remittance and unemployment i.e. the greater the drop in remittances the higher was the increase in the unemployment rate, the level of unemployment raised during covid-19 leads to decline in the level of remittance. All these factors, show that remittance inflow declined because of covid-19, the business is closed, and people are being jobless. It decreases the inflow of remittance in India which impacts negatively on the economy.

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