LOK SABHA

UNSTARRED QUESTION NO. 431

TO BE ANSWERED ON FRIDAY 03, 2017 / Magha 14, 1938 (Saka)

Decline in Remittances

QUESTION

431. SHRI K. ASHOK KUMAR:

Will the Minister of **FINANCE** be pleased to state: -

(a) whether according to a World Bank Report remittances to India fell by 5% in 2016, if so, the details thereof;

(b) whether the Government is studying the said report of the World Bank to take appropriate action to ascertain the reasons for the decline in remittances to India; and;

(c) if so, the details thereof?

ANSWER

MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI ARJUN RAM MEGHWAL)

(a) Yes Sir. In the data released in October 2016, the World Bank projected a decline of 5 percent in remittance flows in 2016. However, the latest World Bank data has officially recorded that remittance inflows to India during January-September 2016 declined by 10.6 percent compared to the same period in the previous year.

(b) & (c): The projected fall in the remittances is due to various global cyclical and structural factors. Subdued income conditions in source countries, particularly in the gulf region due to downward spiral in oil prices have continued to weigh down on remittances. The World Bank data and press release have also attributed the decline in remittances in India to the following structural factors: -

i. de-risking behavior of large international commercial banks (that is, closure of bank accounts of money transfer operators) to avoid money-laundering and other financial crimes;
ii. labor market 'nationalization' policies in some GCC countries to generate more employment for native workers and discourage recruitment of migrant workers; and
iii. high cost of sending remittances.

Most of the factors cited above are global in nature. However, Government of India along with the Reserve Bank of India has taken several measures to streamline the process of flow of remittances to India, thereby reducing the cost of sending remittances to India. Some of these measures are as follows: -

i. Removal of the exclusivity clause under MTSS, as it was impeding the ability of other Money Transfer Operators to expand their agent network in India.
ii. Increasing the number of remittances from 12 to 30 in a year under MTSS.
iii. Expanding the scope of the RDA to include all FATF countries (as against the earlier permitted jurisdiction of GCC, Singapore & Malaysia).
iv. Crediting into the KYC compliant bank accounts of any bank under the RDA (as against the earlier stipulation of Partner Bank).
v. Facilitating the RDA channel for payment of various utility bills.
vi. Relaxation of collateral requirements for RDA arrangements under speed Remittance procedure.

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