GPFI

Global Partnership for Financial Inclusion

G20 National Remittance Plan 2019

India

Background

- India is the top recipient of remittances in the world with flows of USD 79 billion, accounting for around 3 per cent of GDP in 2018. The upsurge in remittances in 2018 was mainly driven by stronger economic conditions in the United States and a pick-up in oil prices, which had a positive impact on outward remittances from some Gulf Cooperation Council (GCC) countries.
- Remittances in 2018 grew by about 14 per cent in India.
- As per RBI Survey 2018, about 82 per cent of the total remittances received in India, originated from United Arab Emirates (UAE), the United States (US), Saudi Arabia, Qatar, Kuwait, the United Kingdom (UK) and Oman. It is estimated that more than half of remittances receivedwere used for family maintenance (i.e., consumption), followed by deposits in banks (20 per cent) and investments in land property and shares (8.3 per cent).
- In the Indian context, remittance played an important role, being a durable form of current receipts in balance of payments and become one of the largest sources of external financing. The G20 has prioritized the issue of cost of remittances in its agenda and is encouraging appropriate policies at the country level.
- Authorized Dealer (AD) banks in India operate through different schemes of payment transfers, ranging from traditional modes like cheques and drafts to more advanced, easier and faster transmission channels like online direct transfers (i.e., wire transfers), the Society for Worldwide Inter-bank Financial Telecommunication (SWIFT) transfers and Rupee Drawing Arrangements (RDAs). The RDA is the most preferred mode accounting for 75.2 per cent of remittances, particularly from the GCC countries. The second most popular channel is the SWIFT, followed by direct transfers and cheques and drafts.
- As per the latest report of of World Bank on Remittance Prices Worldwide, the average cost of sending USD 200 to India stands at 5.38% in Q3 2019, which is the second lowest among G20 countries. The global average is 6.84% in Q3 2019. The average cost of sending USD 200 to India has declined from 9.1 per cent in 2013 to 5.6 per cent in 2018 (from 4.9 per cent to 3.3 per cent for sending US$500). The average cost of sending remittances to India, on weighted average basis, appears to be comparable with the global target under Sustainable Development Goal (SDG).

Call to action on Remittances

- India has taken several measures to liberalize the remittance scheme to drive competition and thereby reduce costs. As an innovative step with the potential to reduce the cost of remittance transfers, India’s central bank has facilitated the receipt of foreign inward remittances directly into the bank accounts of beneficiaries under the Money Transfer Service Scheme (MTSS).
- Cross-border remittances coming to India are also an integral part of the Financial Inclusion policy in India. In this endeavour, Pradhan Mantri Jan-Dhan Yojana (PMJDY), the Government of India’s comprehensive national mission on financial inclusion was launched in August 2014 to ensure access to various financial services including remittances facility from migrant labour.

2019 Country plan for reducing remittance transfer costs

1. **Increase remittance market competitiveness, including through improvements to the regulatory environment**

- India is committed to reducing the cost of remittance transfers in line with the SDG targets.
- The renegotiating exclusive partnerships and letting new players operate through national post offices, banks, and telecommunications companies could remove entry barriers, increase competition, and lower remittance prices.
- The limit on outward remittances by non-bank entities (through AD Category-I banks in India) involving small value transactions (not exceeding USD 5,000 per transaction) has been enhanced to USD 10,000 per transaction for overseas education, within the overall ceiling under Liberalised Remittance Scheme (LRS) of USD 250,000.

2. Improve financial system infrastructure and pursue policies conducive to supporting innovation and harnessing emerging technologies.

- India's central bank - Reserve Bank of India (RBI) undertook an exercise to benchmark India's Payment Systems in a mix of advanced economies, Asian economies and the BRICS nations to highlight the strengths and weaknesses of the payments ecosystem in India. The analysis included cross border personal remittances. It is expected that mobile and internet-based payments would grow exponentially in India in the near term and play a major role in remittance transfers.
- A High-Level Committee on Deepening of Digital Payments in India recommended that with a view to easing remittances into India and to help Indian travellers make payments abroad, the National Payments Corporation of India (NPCI) may put together an internationalization plan for Indian payment systems such as RuPay and BHIM UPI. This would further demonstrate that the technology is world class for both inward and outward remittances. A good level of cross-border integration of payment systems should translate into cross-border payments being settled more efficiently and safely, which could result in relatively lower costs and faster transactions.
- There exists scope for enhancing global outreach of the payment systems, including remittance services, through active participation and co-operation in international and regional fora by collaborating and contributing to standard setting. In this connection, the RBI is intending to facilitate establishing network-to-network connectivity between financial switches and ensuring smooth transaction flows, security certification, etc. between Royal Monetary Authority of Bhutan and the NPCI.

3. Improve transparency and consumer protection of remittance transfers.

India is committed to improve transparency and protect the consumer.