

## *Remittances from Overseas Indians: Modes of Transfer, Transaction Cost and Time Taken\**

*This study, based on the sample survey of the bank branches across the major centres in India, reveals that electronic wires/ SWIFT transfers are the most dominant and efficient mode of remitting money. The cost of remittances across various modes of transfers have come down significantly in the current survey as compared to the earlier survey conducted in July 2006. North America continues to be the most important source region of remittances to India. A major portion of remittances received are utilized for family maintenance. There has been sharp decline in the proportion of remittances invested in land/ property/ equity shares in the current survey as compared to the findings of the previous survey of July 2006.*

### **Introduction**

Workers' remittances have remained an important source of external finance for India since last three decades. These flows have not only been a dominant component of India's invisibles, their trend has also been stable over the years as in the case of many other developing countries. Even at the back of global financial crisis, remittances remained relatively resilient, unlike capital flows which registered a sharp reversal. As per the latest estimates released by World Bank (2009b), the remittance flows to developing countries are expected to be a shade lower at US\$ 317 billion in 2009, as against US\$ 338 billion in 2008.

Remittances essentially represent household income received from foreign

\* Study was prepared in the Division of International Finance, Department of Economic Analysis and Policy (DEAP), Reserve Bank of India, Mumbai. The Survey work was undertaken by the Regional offices of DEAP and Foreign Exchange Department (FED) viz. Ahmedabad, Bangaluru, Bhubaneswar, Chandigarh, Delhi, Guwahati, Hyderabad, Jaipur, Kochi, Kolkata and Patna, and the Division of International Finance, DEAP, CO, Mumbai. Logistic support for survey work was provided by the Financial Market Monitoring Unit, DEAP, CO, Mumbai.

economies arising mainly from the temporary or permanent movement of people to those economies. Remittances in the context of India's balance of payments include funds that flow through formal channels, such as banking, postal, money changers and transfers in kind. According to the Compiler's Guide of the IMF, remittances are derived from mainly two components in the balance of payments – (i) personal transfers and (ii) compensation of employees. In India, private transfers, which are termed as personal transfers by the IMF, are considered as remittances and the compensation of employees data are separately presented under income account.

As remittances grew in size over the years, authorities set out to fine tune conceptual framework and compilation procedure of these flows. With a view to track the micro aspects of remittances such as the modes of transfer, transaction cost, speed of delivery, frequency of transfers and how the remittances are utilized, Reserve Bank of India had conducted a survey in July 2006 and the results of the survey were published in the November 2006 issue of the RBI monthly Bulletin as part of the article on Invisibles in India's Balance of Payments.

A similar survey has been conducted in November 2009 focusing on the following aspects of remittances to India:

- Mode of money transfers,
- Cost and efficiency of the existing systems,
- Sources of inward remittances,
- Utilisation of remittances received,
- Impact of global recession on remittances at the regional level.

Survey was conducted through a sample survey<sup>1</sup> of the bank branches across major centres in India - Ahmedabad, Bangaluru, Bhubaneswar, Chandigarh, Delhi, Hyderabad, Jaipur, Kolkata, Mumbai, Patna, Kochi and Ranchi. From this sample information, all-India averages have been estimated assigning different weights to each centre based on its share in remittances. Section I of the study analyses the instruments and current arrangement for remittance transfers. Size and the frequency of remittance transfers are discussed in Section II. The cost and the speed, which are vital dimensions of remittances, are examined in Section III. Section IV and V attempt to explore the source regions of remittances and the utilisation pattern of remittances, respectively. The observations with regard to the impact of remittance flows in the light of global financial crisis are explained in Section VI, while suggestions received from the respondents to further improve the flow of remittances are presented in Section VII. The main conclusions of the study are summarised in Section VIII.

### **Section I: Instruments and Arrangements for Remittance Transfers**

The main instruments used by the migrant workers to send remittances to India include Electronic Wires/SWIFT, Drafts, Cheques, Debit/Credit cards, Money Orders and Direct Transfers to Bank Accounts. Apart from these instruments, few banks recently provide online remittance transfer facilities which are both

<sup>1</sup> The questionnaire of the survey is given in Annex.

cost effective and less time consuming. For example, State Bank of India is facilitating SBI EXPRESS REMIT to remit to India from USA / UK with services 24 X 7 without visiting any branch/bank. This facility is provided with best conversion rates and nil or nominal transaction fee. Similarly, ICICI Bank also provides web based wire transfer facilities called Power Transfer to remit money to India in as short a time as 48 hours. It eliminates the errors associated with a normal wire transfer by giving remitters a printed wire instruction form and a tracking number to track the remittance online.

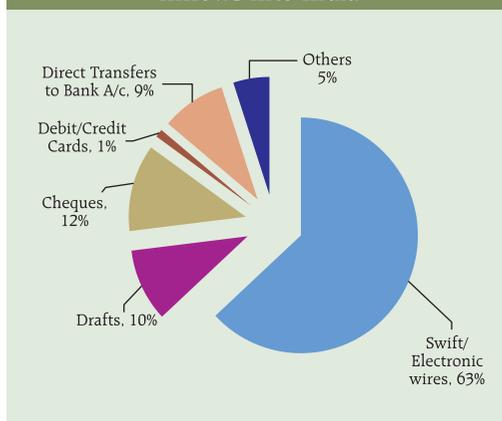
The survey, based on the information received from major Authorized Dealers (ADs) branches spread across 12 cities reveals that electronic wires/SWIFT has been used as a dominant mode of transferring remittances from abroad by the overseas Indians (Chart 1). Although it is argued that the SWIFT/wire transfer is a costlier means of transfer for small value remittance transactions and more cost effective for the higher value trade and other transactions, a higher use of this mode can

be attributable to a relatively wider network of the Indian bank branches abroad to provide electronic fund transfer and less penetration of money transfer operators (MTOs). The higher use of swift *vis-à-vis* the other modes of transfers can also be attributed to the minimum time taken in remitting the funds as compared to other means of transfer. The traditional banking modes of remittance transfer *i.e.*, drafts and cheques continue to be other major means of remitting money to India. All India average share of remittance transfer through drafts and cheques works out to 22 per cent.

While there is no major variation across the centres, in terms of the share of remittances through different instruments, the remittance through the direct transfer to bank account has been significantly large in two major receiving centres, viz., Kochi (30 per cent) and Ahmedabad (18 per cent) (Table 1).

According to the survey, the instant transfer of money through 'direct transfer to bank accounts' is gaining popularity. This is operated through the special arrangement with overseas correspondent banks or using automated clearing house (ACH) facility in countries such as the US. In the Gulf Region, Indian banks are very few and services provided by other banks situated in this region for remitting money to India is somewhat limited. Hence, Private Exchange Houses (PEHs) have come up in this region to facilitate remittances. Banks in India have entered into Rupee Drawing Arrangements (RDA) with PEHs in the Gulf Region and also in Singapore and Hong Kong. The tie ups are with the agencies such as UAE Exchange Centre, Al-Fardan Exchange, UAE, Bahrain/Oman/Gulf Exchange Company, Kuwait-

Chart 1 : Instruments used for Remittances Inflows into India



**Table 1: Instruments used for Sending Remittances to India  
(Percentage Share in total Remittances)**

Centre	SWIFT/ Electronic Wires	Drafts	Cheques	Debit/ Credit Cards	Money Orders	Direct transfers to Bank Account	Others	Total
1	2	3	4	5	6	7	8	9
Ahmedabad	51	9	12	2	—	18	8	100
Bangaluru	64	11	17	—	—	5	3	100
Bhubaneswar	85	3	3	—	—	8	1	100
Chandigarh	63	11	15	—	1	7	3	100
Delhi	72	6	8	—	—	9	5	100
Hyderabad	65	12	17	—	—	4	2	100
Jaipur	56	—	13	2	1	9	19	100
Kochi	21	24	25	—	—	30	—	100
Kolkata	54	11	20	—	1	4	10	100
Mumbai	67	8	10	1	—	8	6	100
Patna	64	7	19	—	—	3	7	100
Ranchi	74	5	6	2	—	2	11	100
<b>All India</b>	<b>63</b>	<b>10</b>	<b>12</b>	<b>1</b>	<b>—</b>	<b>9</b>	<b>5</b>	<b>100</b>

India International Exchange Co., Mustafa Sultan Exchange Co. At present, around 35 banks have entered into 200 RDA's with Exchange Houses. The use of such formats is rising significantly in the case of Kerala. Many of the bank branches of north-eastern regions, as revealed by the survey, have made arrangements with Western Union Money Transfer to facilitate remittance into India. Xpress Money, Remit 2 India, Money Gram etc. are also being used for easy flow of remittances in the northern region.

## Section II: Size and Frequency of Remittances

The size and frequency of remittances reflect upon the utilization pattern. Frequent remittances of a lesser amount indicate that the remittance is used mostly for family maintenance. However, less frequent and high size of remittances may be directed towards the investment purposes rather than for the family maintenance needs. The

average size of remittance reflects on a number of factors such as the average earning level of the migrants and their skill category, duration of stay (generally an inverse relationship between the duration of stay and the propensity to remit), economic activity in the host country.

The important observations in respect of size and frequency of remittances are set out below (Table 2):

- The average size of individual remittance of Rs.50,000/- and above is relatively higher as such remittances accounted for 42 per cent of the total value of remittances.
- The centres such as, Ahmedabad, Bhubaneswar, Chandigarh, Delhi and Jaipur receive more than 40 per cent of their total remittances in individual lots of Rs. one lakh and above.
- Relatively lower value transactions (*i.e.*, less than Rs.50,000/-) are concentrated

**Table 2: Size of Remittances sent by Overseas Indians  
(Percentage share in total Remittances)**

Centre	Above 1 lakh	50,000- 1,00,000	20,000- 50,000	10,000- 20,000	5,000- 10,000	1,000- 5,000	Below 1,000	Total
1	2	3	4	5	6	7	8	9
Ahmedabad	50	20	14	7	4	4	1	100
Bangaluru	16	23	26	10	7	10	8	100
Bhubaneswar	60	15	20	3	2	—	—	100
Chandigarh	41	18	9	6	11	10	5	100
Delhi	46	12	15	9	9	6	3	100
Hyderabad	36	15	13	8	10	14	4	100
Jaipur	43	28	7	5	4	10	3	100
Kochi	24	18	20	20	16	2	0	100
Kolkata	23	24	26	14	7	3	3	100
Mumbai	27	13	13	13	18	5	11	100
Patna	9	22	15	18	12	13	11	100
Ranchi	24	33	24	12	4	2	1	100
<b>All India</b>	<b>27</b>	<b>15</b>	<b>15</b>	<b>13</b>	<b>15</b>	<b>6</b>	<b>9</b>	<b>100</b>

in centres such as Bangaluru, Kochi, Kolkata, Mumbai, Patna and Ranchi.

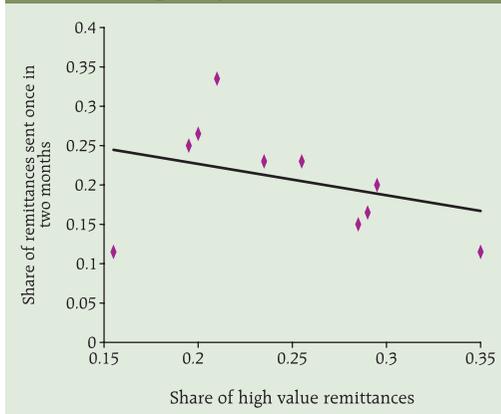
- Remittances with an average size of less than Rs.20,000/- constitute 43 per cent of the total remittances.
- About 15 per cent of the total remittances are of an average size of less than Rs.5,000/-.

The survey results indicate that about 65 per cent of the total remittance inflows are received with a frequency of at least once a quarter, while 53 per cent of the total remittances are received with a frequency of two months (Table 3). Further, 42 per cent of the total remittances are received at monthly frequency, while 13 per cent of the total remittances are received once a year.

**Table 3: Frequency of sending Remittances by Overseas Indians  
(Percentage share in total Remittances)**

Centre	Once in a Month	Once in 2 Months	Once in 3 Months	Once in 6 Months	Once in a Year	Others	Total
1	2	3	4	5	6	7	8
Ahmedabad	19	4	25	20	27	5	100
Bangaluru	43	14	23	6	13	1	100
Bhubaneswar	44	10	5	12	16	13	100
Chandigarh	25	15	18	17	21	4	100
Delhi	21	12	21	14	24	8	100
Hyderabad	32	14	17	12	14	11	100
Jaipur	28	10	16	14	32	—	100
Kochi	45	22	16	7	10	—	100
Kolkata	31	15	20	8	10	16	100
Mumbai	44	9	9	7	13	18	100
Patna	14	9	16	12	32	17	100
Ranchi	20	10	16	16	15	23	100
<b>All India</b>	<b>42</b>	<b>11</b>	<b>12</b>	<b>8</b>	<b>13</b>	<b>14</b>	<b>100</b>

Chart 2 : Relationship between size and frequency of remittances



A cross-section analysis of the relationship between the size of remittances and the frequency of sending remittances reveals an inverse relationship between the size and the frequency (Chart 2). This broadly indicates that the centres, which receive remittances of smaller magnitude, receive them more frequently and are generally meant for family maintenance.

### Section III: Speed and Cost of Remittance Transfers

There are two important aspects of remittances such as (i) time taken to deliver remittances from senders to the recipients, and (ii) cost of remitting the funds paid by both sender and the recipient. As the cost of sending remittances is determined by the remitting overseas financial institution, these are difficult to obtain. The cost that can be gathered from the resident recipient institutions relate mainly to the charges paid by the recipient at the receiving end relating to handling charges of banks.

#### *Speed of Remittance Transfers*

The time taken to deliver the remittances may vary depending on the geographical location of the sender and the recipient, and the modes of transfer used. While the time taken in delivering remittances is important concern for the remitter, sometimes, the decision on the time efficiency is also influenced by the higher costs associated with quicker delivery. The major findings emerged from the analysis of the survey results are given below (Table 4).

- Swift and direct online transfers are the most time efficient means of remitting money as they depend on electronic/ telegraphic transfer of funds. The average time taken in delivering such funds to India is mostly 1-3 days.
- Remittances made through cheques and drafts are the most time consuming. The maximum time taken in remitting funds through these instruments can be as long as 30 days.
- Remittances made through money orders are also time consuming and reported to be taking 3 to 30 days.
- Transfers made through debit/credit cards are less time consuming (1-4 days) as these are some form of electronic transfers.

#### *Cost of Sending Remittances*

The cost of remittances can be of two types: (a) explicit cost – amount charged on remitting money and (b) hidden cost – the implicit charge in the form of exchange rate charged on conversion of foreign currency into domestic funds. It is often argued that small remittance transactions for family maintenance are offered less favourable

Table 4: Time Taken to deliver Remittances

(No. of days)					
Centre	SWIFT/ Electronic Wires	Drafts	Cheques	Debit/Credit Cards	Money Orders
1	2	3	4	5	6
Ahmedabad	1-3	7-30	15-30	1-4	—
Bangaluru	1-3	1-30	3-30	3-4	—
Bhubaneswar	1-2	7-25	14-25	2	—
Chandigarh	2	20	16	—	—
Delhi	1-2	7-21	14-28	—	—
Hyderabad	2	6	13	—	10
Jaipur	1-2	1-30	3-45	1	4
Kochi	2	5	22	—	30
Kolkata	1-4	3-30	30	1	3
Mumbai	1-5	2-30	4-30	2	1-15
Patna	1-7	1-30	3-30	—	—
Ranchi	0-4	2-30	10-30	—	—
<b>All India</b>	<b>1-7</b>	<b>1-30</b>	<b>3-45</b>	<b>1-4</b>	<b>1-15</b>

exchange rate and the cost on this account can be exorbitant for some countries with less developed exchange markets. However, in the Indian context, it is understood that the exchange rates applied for conversion into domestic funds are reasonably transparent and do not constitute the cost in any significant measure. In case of transfer of funds from the Gulf countries that are remitted through exchange houses, conversion into rupees is made at the point of origin and the recipient in India does not bear any exchange risk.

It is often difficult to find out the cost of remitting money as the cost is paid by the remitter to the overseas MTO or the correspondent bank. The cost of transfer also has two elements (i) the cost paid by the sender while remitting money (ii) the cost paid by the receiver domestically in the form of handling charges. The latter includes the charges levied by the receiving bank when the beneficiary is customer of another domestic bank. Charges are also

levied when the receiver is in remote locations where the funds are delivered by the receiving bank by making a rupee demand draft. Some studies have estimated the cost of remitting funds from UK to India at 6 per cent (World Bank, 2005)

An attempt was made to collect the charges levied on bank to bank transfer of funds from locations such as US to India<sup>2</sup>. Information was collected from ten commercial banks which had their overseas branches or the correspondent relationship with the remitting overseas banks. As summarised in Table 5, the following are the main points emerging on the cost of remitting through banks:

- Swift is the costlier means of transferring funds *vis-à-vis* drafts and cheques. While the cost of sending up to US \$ 500 from US to India is less than

<sup>2</sup> Here handling charges by the receiving banks and implicit charges in the form of differential exchange rates used for conversion not considered.

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1 per cent to 5 per cent in the case of SWIFT, it is much lower at less than 2 per cent in the case of drafts/cheques.

- There is a strong tapering effect in the cost structure of remitting funds to India. The cost of remitting more than US \$ 500 to US \$ 1,000 works out much lower in the range of 0.25-2.5 per cent for SWIFT, less than or equal to 1 per cent of funds transfers in the case of drafts/cheques.
- Time efficiency and cost elements associated with different modes of transfer reveal an inverse relationship between the speed and the cost of transfer.
- Besides the above mentioned charges paid on remitting funds from overseas locations, the handling charges imposed domestically on rerouting funds to deliver to non-customers or remote locations are found to be in the range of 0.1-0.6 per cent of the total value of funds.
- The cost of remittances across various modes of transfers have been lower in the current survey as compared to the previous one, reflecting increasing competition and introduction of fast money transferring infrastructure.
- Between the survey periods, the cost of remittances to India has come down significantly. In the case of SWIFT, cost has declined from the range of 2.5-8.0 per cent to 0.1-5.0 per cent. Similarly, the cost of transfer of funds through

**Table 5: Instrument-wise Cost of Remitting Funds: A Select Case of Some Banks**

(US dollar)						
Bank	SWIFT		Drafts		Cheques	
	<=500	<=1000	<=500	<=1000	<=500	<=1000
1	2	3	4	5	6	7
State Bank of India	1 to 25 (0.2-5.0%)		2 to 10 (0.4-2.0%)	10 (1.0%)	0.5 to 6 (0.1-1.2%)	1 to 6 (0.2-1.2%)
BOI	5 (1%)					
PNB	3 to 7 (0.6-1.00%)		5 to 8 (1-2 %)	5 to 8 (<1%)	0.5 (0.1%)	1 (0.1%)
Axis Bank	1 to 20 (1 to 4 %)	(< 2%)			5 to 8 (1-1.6%)	5 to 8 (< 1%)
Oriental Bank of Commerce	5 (1%)	5 to 20 (0.5 to 2%)			5 (1.0%)	10 (1.0%)
Indian Overseas Bank	1 to 8 (0.2 to 1.6%)	2 to 8 (0.2 to 0.8%)	5 (1%)	10 (1%)	1.25 (0.25%)	2.5 (0.25%)
Canara Bank	1 (0.2%)	2 (0.1%)				
ICICI	2.5 (0.5%)	2.5 (0.25%)	2 (0.4%)	2.5 (0.25%)	2.5 (0.5%)	2.5 (0.25%)
Standard Chartered Bank	1.25 (0.25%)	2.5 (0.25%)	1.25 (0.25%)	2.5 (0.25%)	1.25 (0.25%)	2.5 (0.25%)
Kotak Mahindra Bank	10 to 25 (2 to 5%)	10 to 25 (1.0-2.5%)	5 (1%)	10 (1%)	10 (2%)	10 (1%)

**Note:** Figure in bracket represent the cost as percentage of the funds remitted.

draft declined from the range of 0.5-2.0 per cent to 0.25-2.0 per cent. The cost of transfer of funds through cheques too contracted from the range of 0.4-2.0 per cent to 0.1-2.0 per cent.

#### Section IV: Source Regions of Remittance Inflows

Based on the earlier survey and the present survey coupled with available information on country profile of Non-resident Indian deposits, the region-wise inflows of private transfers to India is estimated for 2006-07 to 2009-10 (April-September) (Table 6). The remittances received from different destinations broadly reveal the migration pattern, skill content of the migrants and the earning levels.

There was a significant increase in private transfers from Gulf regions, Europe and Africa, while the private transfer receipts from North America and East Asia declined during 2008-09 as compared with that of 2007-08. The major observations in respect of the sources of remittances are as under:

- North America continues to be the most important source region of remittances

to India despite its share in total remittances falling to 38 per cent (44 per cent during the 2006 Survey) (Chart 3). This is in line with the fact that a large proportion of migrants to North America (US and Canada) work in software and other Information and Communication Technologies (ICT) related areas which have relatively higher average earning levels.

- The Gulf region accounts for an average of 27 per cent of the total remittance inflows to India, with major source countries being UAE and Saudi Arabia.

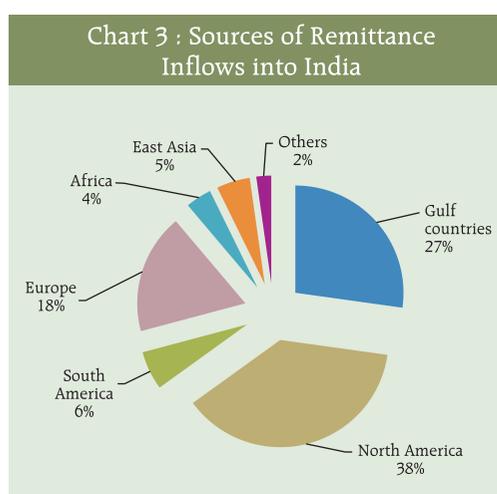


Table 6: Region-wise Distribution of Private Transfers Inflows to India

(US\$ million)								
Period	Gulf Countries	North America	South America	Europe	Africa	East Asia	Others	Total
1	2	3	4	5	6	7	8	9
2006-07	9,012	10,022	1,264	5,239	690	1,749	2,859	30,835
2007-08	12,670	14,242	1,800	7,357	971	2,488	3,979	43,508
2008-09	14,430	13,790	1,891	9,163	1,503	1,952	4,174	46,903
2008 (Apr – Sept)	8,079	7,832	1,080	5,137	851	1,106	2,287	26,371
2009 (Apr – Sep)	8,428	8,174	1,127	5,359	888	1,154	2,384	27,515

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**Table 7: Source Regions of Remittance Inflows**  
(Percentage share in total Remittances)

Period	Gulf Countries	North America	South America	Europe	Africa	East Asia	Others	Total
1	2	3	4	5	6	7	8	9
Ahmedabad	10	55	—	25	7	1	2	100
Bangaluru	24	46	8	13	1	5	3	100
Bhubaneswar	20	27	8	13	14	8	10	100
Chandigarh	15	33	7	30	3	3	9	100
Delhi	19	46	7	18	1	5	4	100
Hyderabad	18	56	8	11	2	2	3	100
Jaipur	27	43	5	6	6	12	1	100
Kochi	50	26	—	18	2	2	2	100
Kolkata	30	35	—	25	—	10	—	100
Mumbai	52	19	6	15	2	2	4	100
Patna	30	37	6	17	2	2	6	100
Ranchi	30	30	3	24	2	9	2	100

- While Kochi and Mumbai receive above 50 per cent of their remittances from Gulf region; Ahmedabad, Bangaluru, Chandigarh, Delhi, Hyderabad and Kolkata received more than 60 per cent of their inward remittances from North America and Europe together (Table 7). These variations in sources of remittances are reflective of underlying migration pattern.

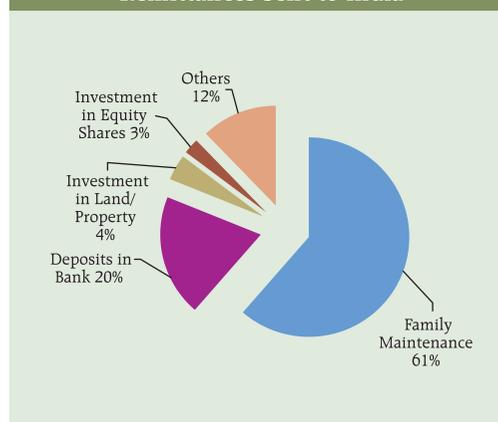
### Section V: Utilisation Pattern of Remittances

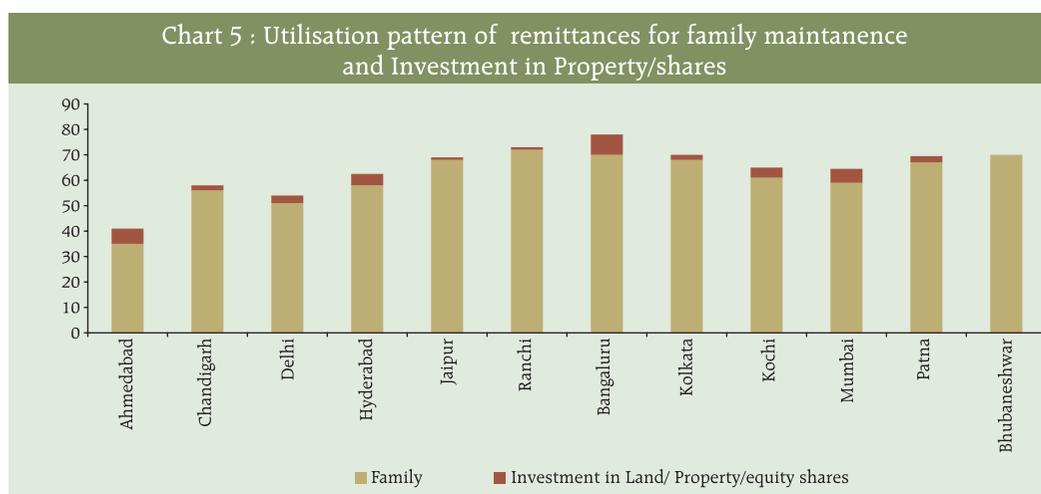
The issue of consumption *versus* investment enhancing effect of worker's remittances is widely debated. Country studies provide conflicting evidence on this issue and no consensus has been reached so far (Jadhav, 2003). The Inter American Development Bank's Multilateral Investment Fund (2004) determined that consumption accounted for between 60 and 80 per cent of the remittance use in a sample of five Latin American countries, and the World Bank (2006) also identified similar pattern for a large sample of Latin American countries. While

consumption bias of workers' remittances is well documented and could be true for India as well, the attractive returns in Indian capital market is often cited as a key factor for higher remittances to India. Keeping the above debate in the backdrop, the survey attempted to find out the possible end-use of the funds remitted by the Overseas Indians to their families back home (Chart 4). The major findings are:

- A predominant portion of the remittances received (61 per cent) are

**Chart 4 : Average Utilisation Pattern of Remittances sent to India**





- utilized for family maintenance *i.e.*, to meet the requirements of migrant families regarding food, education, health etc.
- On an average, about 20 per cent of the funds received are deposited in the bank accounts. A relatively higher portion of remittances are put in bank deposits in centres such as Ahmedabad, Chandigarh, Delhi, Jaipur and Kochi.
  - The regional pattern of investment reveals that a relatively smaller share of

the total remittances is invested in land/property/equity shares. As per current survey, about 4 per cent of the funds received were invested in land/property/securities. Significantly larger proportion (20-25 per cent) of remittances was invested in land/property/equity shares as per the survey conducted in July 2006. These findings seem to corroborate general perception that higher returns tend to influence utilization pattern of remittances (Chart 5 & Table 8).

Table 8: Utilisation Pattern of Remittances  
(Percentage share in total Remittances)

Centre	Family Maintenance	Deposits in Bank	Investment in Land/Property	Investment in Equity Shares	Others	Total
1	2	3	4	5	6	7
Ahmedabad	35	30	7	5	23	100
Bangaluru	70	12	8	—	10	100
Bhubaneswar	70	17	0	0	13	100
Chandigarh	56	25	3	1	15	100
Delhi	51	31	4	2	12	100
Hyderabad	58	13	6	3	20	100
Jaipur	68	24	—	1	7	100
Kochi	61	25	5	3	6	100
Kolkata	68	18	2	2	10	100
Mumbai	59	18	4	7	12	100
Patna	67	15	4	1	13	100
Ranchi	72	9	1	—	18	100

- The investment in land/ property/ equity shares is comparatively large in centres like Ahmedabad, Mumbai, Hyderabad and Bangaluru.
- The share of bank deposits in total remittances is also quite significant in most of the centres. More than 25 per cent of the total remittances are kept in bank deposits in centres such as Ahmedabad, Delhi, Kochi and Chandigarh.

### Section VI: Impact of Global Recession on Remittances

It was feared that the global recession could impact migrant workers more severely. Even if there is no lay-off, workers would often have to accept lower wages as employers worldwide are seeking to cut costs in an attempt to cope with the financial crisis. Fears have also been expressed in several quarters about reverse migration of Indian labourers working in Gulf countries, which may result in decline in remittances and NRI deposits in India. However, inward remittances in India have not been impacted significantly by the global economic crisis. This may be attributed to a number of factors, such as, depreciation of rupee resulting in the rise in inflows through rupee denominated NRI accounts to take advantage of the depreciation, hike in interest rate ceilings on NRI deposits since September 2008 and uncertainties in oil-prices, which might have induced the workers to remit their money to India as a hedging mechanism due to its relatively better growth prospects.

While larger numbers of the bank branches, that were surveyed, have reported negligible impact of global crisis on flow of

**Table 9: Response on Impact of Global Crisis on Remittances to India**

(in per cent)			
Centres	Yes	No	No Comments
1	2	3	4
Ahmedabad	20	46	34
Bangaluru	–	–	–
Bhubaneshwar	–	67	33
Chandigarh	53	47	–
Delhi	52	48	–
Hyderabad	–	–	–
Jaipur	40	40	20
Kochi	58	42	–
Kolkata	–	–	–
Mumbai	10	80	10
Patna	–	–	–
Ranchi	–	–	–

– : Not responded.

remittances, responses have been mixed across the regions. Majority of the respondents in Delhi and Chandigarh centres said that ongoing recession led to decline in the remittances, while in Ahmedabad centre, the majority of the respondents did not see any significant decline in the flows of remittances in the region. Again, respondents in Kochi region observed substantive decline in remittances while respondents from Jaipur region had mixed observations (Table 9).

### Section VII: Suggestions on improving the flow of remittances

The suggestions received from respondents to further improve the flow of remittances are summarized as under:

- Building infrastructure to include all the post offices in the electronic clearing and settlement systems like NEFT. This will enhance the outreach

- of distribution channels to upcountry locations.
- Online remittances such as direct transfers to bank accounts, being convenient and low cost to the remitters, should be popularized, patronized and propagated to the immigrant population.
  - Bank arrangements with overseas exchange houses / money transfer agencies will really improve the flow of remittances.
  - Use of micro-finance institutions and Non-Banking Financial Corporations (NBFCs) to disburse remittances to beneficiaries would help strengthen the formal channels but also create a catalyst for greater financial inclusion.
  - For remittances originated by exchange houses under Rupee Drawing Arrangement, cash disbursement can be permitted with certain limits on value and number of transactions.
  - The current list of permissible purpose of remittances needs to be further expanded in accordance with the requirements of the remitters abroad.
  - For speed remittance arrangements with exchange houses, the account is required to be pre-funded. It is suggested that the collateral requirement for the same may be completely waived-off, whenever it exists.
  - A new system may be introduced to credit the beneficiaries account directly from the remitters' accounts with foreign banks abroad.
- Technological improvement and simplification of procedure would help in reducing the turn-around time in remittance transfer.
  - Regulatory guidance to improve web based remittance platform.

### Section VIII: Conclusions

The study based on the sample survey of the micro aspects of remittances reveals the following important dimensions of inward remittances from overseas Indians.

- (i) Electronic wires/SWIFT has been the dominant mode of transferring remittances by the overseas Indians. The higher use of swift *vis-à-vis* other modes of transfers may be attributed to preference of the senders for time efficient modes, and relatively wider network of Indian bank branches abroad offering electronic fund transfer facilities.
- (ii) In the recent period, there is a significant increase in share of remittances transmitted through direct transfer to bank accounts.
- (iii) Out of the total remittance transfers to India, the high value remittances (Rs. 50,000/- and above) accounted for 53 per cent of the total value of remittance inflows.
- (iv) A cross-section analysis of the relationship between the size of remittances and the frequency of sending remittances reveals an inverse relationship between the size and the frequency.
- (v) Swift/ online transfers are the most time efficient means of remitting

money as they depend on electronic/ telegraphic transfer of funds with average time taken being mostly 1-3 days.

- (vi) The share of total remittances through debit/credit cards is relatively low even though this mode is also fairly time efficient (1-4 days).
- (vii) Remittances made through cheques, drafts and money orders are the most time consuming. The maximum time taken in remitting funds through these instruments can be as long as 30 days.
- (viii) Swift is the costliest means of transferring funds vis-à-vis other modes of transfer. The cost of remitting US\$ 500 amounts to around 5 per cent of the fund remitted.
- (ix) The cost of remittances across various modes of transfers has come down significantly in the current survey (November 2009) as compared to the previous one (July 2006), reflecting increasing competition and introduction of fast money transferring infrastructure.
- (x) North America continues to be the most important source region of remittances to India (about 38 per cent of the total remittances), while Asian region (Gulf and East Asia) contributes about 32 per cent of total remittance.
- (xi) A predominant portion of the remittances received (61 per cent) are utilized for family maintenance. On an

average, about 20 per cent of the funds received are deposited in the bank accounts and 4 per cent of the funds received are invested in land/property/ equity shares. Notably, the share of investment in land/property/ equity shares in the current survey (November 2009) registered a significant decline as compared to the share of 20-25 per cent recorded in the previous survey conducted in July 2006.

#### *Select References*

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- 4) The World Bank (2009a), "Migration and Development Brief" No. 10, July.
- 5) The World Bank (2009b), "Migration and Development Brief" No. 11, November.
- 6) Reserve Bank of India - Results of the Survey of Inward Remittances, 2009.

## Annex

**RESERVE BANK OF INDIA**

Department of Economic Analysis and Policy and Foreign Exchange Department  
RBI, Regional Office.....

**Study on Inward Remittances from NRIs: November 2009**  
**Schedule for the Survey among the Authorized Dealers (ADs)**

Data may be provided for the latest reference year or for any current quarter

**1. Details of the Branch**

Name of the Bank Branch	
Address of the Branch	
Phone No.	
Category of AD Licence (A/B/C)	

**2. Generally what is the size of a single family remittance transaction received by your branch? Please specify**

Month	Minimum (Rs. / US\$)	Maximum (Rs. / US\$)	Average (Rs. / US\$)

**3. Instruments/methods used for sending remittances**

Instrument used to transfer remittances	% share of each instruments in the total personal remittances received in your branch
Electronic wires/SWIFT	
Drafts	
Cheques	
Debit/Credit cards	
Money orders	
Direct Transfers to Bank Account	
Other methods, please specify	
Total	100.0

**4. Frequency of remittances made by NRIs**

Frequency	% of NRIs sending money through your branch
i) Once a month	
ii) Once in two months	
iii) Once in three months	
iv) Once in six months	
v) Once a year	
vi) Any Other, Please specify	
Total	100.0

## ARTICLE

Remittances from  
Overseas Indians:  
Modes of Transfer,  
Transaction Cost  
and Time Taken

## Annex (Contd.)

## 5. Currency denomination used for sending remittances

Currency Unit	% share of each currency in the total personal remittances received in your branch
Saudi Riyal	
UAE Dirham	
US Dollar	
GB Pound	
Euro	
Others	
Total	100.0

## 6. Size of personal remittances sent by NRIs through your branch

Amount (Rs.)	% Share of total remittances received through your branch
Less than 1,000	
1,000 – 5,000	
5,000 – 10,000	
10,000 – 20,000	
20,000 – 50,000	
50,000 – 1,00,000	
Above Rs. 1 lakh	
Total	100.0

## 7. Source of remittances

Region	Major Country(ies) from the region	% of total remittances received through your branch
Gulf Countries		
North America		
South America		
Europe		
Africa		
East Asia (including Japan)		
Australia/New Zealand		
Total		100.0

## 8. Cost of sending remittances - from a foreign country to your branch

Instrument	Average Cost incurred by the sender (% of amount remitted)	Details of the cost incurred, if known
Electronic wires		
Drafts		
Cheques		
Money orders		
Pre-paid Cards		
Others		

## Annex (Contd.)

9. Do you have arrangement with international money transfer agencies for remittance transfer to India? If yes, kindly specify the name of the institutions/exchange houses/money transfer companies and features of the arrangement (Attach Separate Sheet, if need be).

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10. Approximate time taken to deliver remittances (time from amount remitted by the NRI abroad to time of receipt of money by the beneficiary in India)

Type of Instrument used for remittances	No. of Days Taken
Electronic wires/SWIFT	
Drafts	
Cheques	
Debit cards	
Money orders	
Pre-paid cards	
Other methods, please specify	

11. Purpose of Remittances (if known)

Purpose	% of total remittances received through your branch
Family maintenance	
Deposit in banks	
Investment in land and property	
Investment in equity/shares, etc	
For social/religious functions	
Others	
Total	100.0

12. Your suggestions for encouraging migrants to transfer remittances through banks/recognised money transfer agencies

Suggestion	Please Indicate your suggestion (✓) and offer your comments
Allow remittances to be delivered in international currencies not just in local currency.	
Improve postal service infrastructure to deliver remittances to more locations	
Use of online methods of remittances	
Use of microfinance institutions for delivering remittances	
Arrangements with overseas exchange houses/money transfer agencies.	
Any other, please specify	

ARTICLE

Remittances from Overseas Indians: Modes of Transfer, Transaction Cost and Time Taken

Annex (Concl.)

13. Generally, what is the size of inflows in the Non-Resident External Rupee Account (NRERA) and Non-Resident Ordinary (NRO) Accounts in last one year.

Period	Minimum (Rs. / US\$)	Maximum (Rs. / US\$)	Average (Rs. / US\$)

14. What amount under the NRERA and NRO Accounts was withdrawn locally in India in last one year.

Period	Minimum (Rs. / US\$)	Maximum (Rs. / US\$)	Average (Rs. / US\$)

15. For what purpose generally the amounts from NRERA and NRO Accounts mentioned at (13) above were withdrawn.

Purpose	% of total withdrawn from NRI deposits through your branch
Family maintenance	
Deposit in banks	
Investment in land and property	
Investment in equity/shares, etc	
For social/religious functions	
Others	
Total	100.0

16. In the light of ongoing global crises, is there any evidence of substantial decline in remittances?

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17. Whether the remittances received through your bank pertain to your state only.

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18. Any other Observations/suggestions for improving the flow of remittances: (attach Separate Sheet, if need be)

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