

Remittances and Socioeconomic Impacts on LMICs Amid COVID-19: A Case Study of India.

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ABSTRACT

Remittances refer to the transfer of money made by migrants abroad to support their families back in their home countries. These transfers from migrants working abroad are a lifeline for economies of low- and middle-income countries. Remittance flows have grown significantly over the past two decades and now rank second among all outside funding sources for developing nations, behind only foreign direct investment (FDI) (Ebeke, 2012). Workers' or migrant remittances are the transfers made by immigrants sending home part of their wages as either cash or goods to help their families. (World Bank). However, when the COVID-19 epidemic struck globally in 2020, this international pecunious flow of resources was disrupted, severely harming the world economy and posing existential risks to millions of employment-generating companies throughout the world. The pandemic has had an adverse effect on the economy and its impact is heterogeneous throughout countries of the world, particularly developing economies, across households and individuals. In the beginning of March 2020, the World Bank projected the steepest drop in international fund transfers in all world regions. India in particular, saw a decline of 9 percent in international remittance receipt (World Bank, 2020). This review paper aims to examine the socioeconomic effects of the 2020 COVID-19 pandemic on global remittance flows to low- and middle-income countries (LMICs), with a focus on the varied challenges these economies faced during their recovery. It incorporates insights from extensive research and scholarly studies to provide a thorough analysis of the pandemic's impact on this vital financial resource.

Keywords: Remittance, Migrant remittances, Low- and Middle-Income Countries (LMICs), Covid-19 Pandemic.

Manuscript Received: October 25 , 2024; Revised Manuscript Received: February 18 , 2025, Accepted: May 3 2025

I. INTRODUCTION

I.1 International Remittances:

International emittances are money transfers that form part of the earnings sent by migrants working abroad to support their families in their country of origin. These overseas money transfers are also known as *workers'* or *migrant remittances*. International remittances have become one of the largest sources of foreign funding, next to Foreign Direct Investment (FDI) for many developing economies in the last two decades (Ebeke, 2012).

According to the World Bank, "when migrants send home part of their earnings in the form of either cash or goods to support their families, these transfers are known as workers' or migrant remittances."

The International Organization for Migration (IOM) broadly defined migrant remittances "as monetary transfers that a migrant makes to the country of origin". In other words, that is to say, the financial flows associated with migration. Often, remittances are personal cash transfers by an expatriate to individuals particularly relatives in the country of origin. They can also include funds invested, deposited, or donated by the migrant to the country of origin.

1.2.Low and middle-income countries (LMICs)

The economies of the world have been classified by the World Bank into four income groups (Serajjudin& Hamadeh, 2020), namely :

- Low-income group
- Lower-middle income group
- Upper-middle income group
- Upper income group

These classifications are updated by the World Bank every year on the 1st of July based on the Gross National Income (GNI) per capita. The World Bank classifies countries into four income categories for the fiscal year 2024 based on their Gross National Income (GNI) per capita, calculated using the Atlas method. The classifications are as follows:

- Low-Income Countries: GNI per capita of \$1,145 or less.
- Lower-Middle-Income Countries: GNI per capita between \$1,146 and \$4,515.
- Upper-Middle-Income Countries: GNI per capita between \$4,516 and \$14,005.
- High-Income Countries: GNI per capita above \$14,005.(World Bank, 2024).

The study is focused on LMICs for the following reasons:

- LMICs depend highly on remittances for economic performance and to support public services. For most LMICs, the rate of inward remittances is higher than foreign direct investments (FDIs) and official development assistance (ODAs) (World Bank, 2020).

- For most LMICs, remittances have helped alleviate poverty, provide food security, and better access to education and healthcare. (International Fund for Agricultural Development (IFAD), 2021)
- According to the World Bank Report in 2020, the COVID-19 pandemic greatly disrupted remittance inflows, causing substantial challenges for LMICs. The World Bank estimated a 7.2% drop in remittance flows to most LMICs, further deepening their economic vulnerabilities. (World Bank, 2021)
- Despite the disruptions caused by the pandemic, remittances demonstrated remarkable resilience compared to other financial flows, highlighting their critical importance for LMICs during times of crisis (Ratha & Giugale, 2021).
- The impact of disrupted remittance flows varies significantly across LMICs, with rural and low-income households being especially vulnerable. (Kumar & Mistral, 2022)

. I.3. SIGNIFICANCE OF REMITTANCES IN LOW AND MIDDLE-INCOME COUNTRIES (LMICS)

Remittances, or private financial transfers, are important in linking migration and development. These funds improve living conditions in low- and middle-income countries by expanding access to housing, education, healthcare, and investment opportunities, thereby reducing poverty. Furthermore, remittances contribute to recipient countries' positive balance of payments (BoP). Remittances from diaspora communities contribute significantly to development efforts, benefiting migrant households and their home countries (Carling, 2004).

I.3.i. Macro Level

Remittances sent home by international migrants are a major source of income for low- and middle-income countries (LMICs), often surpassing both foreign direct investment (FDI) and official development assistance (ODA). In 2023, remittances contributed to \$669 billion in inflows to LMICs, a 3.8% increase, according to the World Bank (2019, 2023). Adam and Page (2005) found that every 1% increase in remittances increased a country's GDP by 0.07%. According to Alberto et al. (2014), these transfers boost household financial stability and economic growth by increasing investments, savings, and consumption. Remittances also provide foreign exchange and alleviate credit constraints, both of which contribute to economic growth.

1.3. ii. Micro Level

At the organization, household, and individual level, the best part of remitted funds is mainly utilised in their current consumption, and having a positive multiplier effect on the same, it helps in raising the living standard and in poverty alleviation (Adam and Page; 2005). Studies have revealed that in most LMICs, migrants' remittances are being utilised to meet the necessities of the beneficiary. These include:

- Expenditures on essential needs and consumption to improve living standards.
- Education and health expenses
- Consumer durables
- Land purchase and housing (these include construction, repairs, renovations, and improvement)
- Purchase of livestock
- Socio-cultural expenditures which include ceremonial expenses on birth, marriage, pilgrimage, death, etc.
- Loan repayments
- Savings
- Investments, self-employment, entrepreneurial activities.

In addition to financial remittances, recent years have seen the emergence of social remittances, where migrants transfer not just money but also skills, knowledge, ideas, and values back to their home countries. The impact of social remittances is popularly perceived in areas such as education, health, employment, business, and aspects of governance, as reflected in a study by the International Organisation for Migration in Tanzania in 2015. (Sekei, Altvater, Mrema, & Kisinda, 2014)

I.3.iii. Household Level

Remittances play an important role in breaking families out of poverty cycles by improving household consumption, health, education, and investment (Chami, Fullenkamp, & Jahjah 2003). They positively influence local economies and living standards, particularly in South Asia and Latin America. Remittances demonstrated resilience during economic shocks such as COVID-19 when other foreign income sources declined (World Bank, 2024). However, without structural reforms, remittances cannot drive comprehensive economic development on their own (Haas, 2007). Furthermore, studies show that low-income families use their remittances for necessities, whereas middle-class families spend them on luxury goods (Eversole & Johnson, 2014).

Another key aspect of the importance of remittances to individuals is that remittances provide capital to small entrepreneurs (Ratha, 2007). It is speculated that if remittances are being used for investing or savings rather than consumption, it would yield a future flow of income for reinvestment and consumption.

Carling (2004) justifies this statement in his Remittance-development linkage model as shown in the following Figure 1.

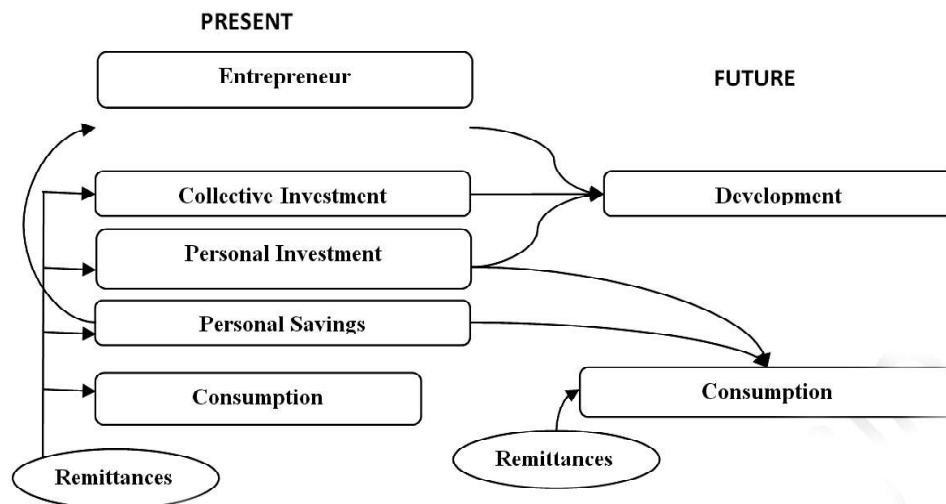


Figure1: Remittance-development Linkages (Carling, 2004)

As per this model, the investment portfolios can be summed up into five categories:

- i. Savings plans
- ii. Location-specific capital investments
- iii. Human capital resource investments
- iv. Diversified microeconomic investments and ventures
- v. Community support, maintenance, and sustenance.

I. LITERATURE REVIEW:

The review of scholarly literature is categorized based on the impact of remittances to the various economic and social aspects of remittances and, pertinently, the effects of the novel Coronavirus (COVID-19) on the flow of international remittances to the recipient low and middle-income countries (LMICs).

II.1. Remittances and Economic Growth:

II.1.i. Macroeconomics- impact of Remittances

The numerous macroeconomic effects of remittances are the main focus of the study. They significantly impact both GDP and long-term inflation, claim Narayan et al.

(2011). Remittances have the potential to reduce productivity while simultaneously raising consumption and lowering interest rates (Vacaflares, 2011). Bahadir et al. (2018) argue that remittances are one of the primary sources of credit for entrepreneurs. Beaton et al. (2017) argued that this preserves economic stability while also reducing “Dutch disease.” Hassan and Holmes (2015) argue that remittances help to sustain the current account; however, Lueth and Ruiz-Arranz (2007) and Cáceres and Saca (2006) found that they are ineffective during recessions.

Some of the primary macroeconomic impacts of remittances are the following:

- a. GDP: In a good number of economies in the world, remittances can account for more than 20% of GDP, indicating a significant contribution.
- b. Inflation: According to Jansen et al. (2012), remittances can increase long-term prices by stimulating demand.
- c. Consumption: They increase household consumption despite being ineffective (SSRC, 2009).
- d. Investment: Remittances can be directed to land and other non-productive assets (SSRC, 2009).
- e. The balance of payments compensates for trade deficits (Lartey, 2018).
- f. Labour Supply: According to Orozco and Ellis (2014), remittances may harm labour supply and cause “Dutch Disease.”

II.1. ii. *Microeconomics- impact of Remittances*

Remittances affect recipient households economically by boosting consumption, income, education, and healthcare, while socially improving children’s education and lowering infant mortality rates (Arif, 2009).

Economic impact of Remittances

Remittances not only provide significant financial benefits, but they also help recipient households build human and social capital. To support small businesses and promote economic growth, these funds prioritise investment, consumption, and education. Remittances are commonly used to buy homes and real estate, as well as to pay for necessities such as food, healthcare, and education (Lipton, 1980; Arru and Ramella, 2000). Studies show that remittances have a noteworthy bearing on savings and investments, particularly in healthcare and education.

Remittances contribute significantly to household financial stability. According to Combes and Ebeke (2010), remittances help to stabilise less developed economies, manage risk, and smooth consumption; however, this stabilising effect is reduced when inflows exceed 6% of GDP. According to the World Bank (2006), remittances stimulate demand for entrepreneurship, healthcare, and education while also alleviating poverty

and providing capital to farmers and business owners. Furthermore, remittances benefit households and the national economy by reducing consumption shocks such as agricultural and economic crises. (World Bank 2006; Combes & Ebeke 2010).

1. Remittances provide a consistent source of income, allowing families to allocate more resources to food, healthcare, education, and local investments.
2. Remittances offer a variety of investment and savings opportunities, including bonds, bank accounts, real estate, land, and small businesses.
1. Economic stability and risk management benefit developing economies by lowering the probability of economic shocks and natural disasters (Combes and Ebeke, 2011).
2. According to the World Bank (2006), remittances have no impact on inequality but little on poverty.
3. Entrepreneurship and small businesses: They support farmers and entrepreneurs by providing working capital.

II.1. iii. Social Impact of Remittance

From the sociological point of view, remittance is said to have improved the living standards of the beneficiary families and individuals. Remittances improve living conditions for families back home by increasing their options, opportunities, and social standing (Gamburd, 2000; Siddiqui, 2001; Asis, 2002). Migration and remittances can have a positive or negative impact on recipient families' social standing, health, and overall well-being. Remittances help to promote social development by improving healthcare, education, and infrastructure (Adam Jr. & Cuecuecha, 2010). Diaspora remittances support community projects such as health clinics and schools (Page 2009). Remittances help small businesses expand, leading to more jobs and higher household incomes (Dustmann & Kirchamp, 2001; Page, 2020). Migrants return social and human capital—skills, values, and ideas—to their home countries, which Peggy Levitt refers to as “Social Remittances” (Lacroix et al., 2016). Technological advancements enable migrants to act as transnational entrepreneurs, thereby strengthening links between domestic and international investment networks (Crush & Hughes, 2009).

The social impact of remittances on households encompasses various dimensions that contribute to aspects such as

Living standards: Remittances contribute to better living conditions in developing countries by increasing access to education, healthcare, and social mobility, thereby elevating recipient families' social standing (Gamburd, 2015; Asis and Piper, 2008).

Health and well-being: Research suggests that remittances can boost life expectancy and health, but can also cause emotional stress and social isolation for migrants and their families (Battistella & Conaco, 1998; Parreñas, 2002; Bruyn & Umbareen, 2005).

Employment and entrepreneurship: Remittances support small businesses by generating jobs, reducing poverty, and boosting the economy, claim Giuliano and Ruiz-Arranz (2009).

Social remittances: Lacroix et al. (2016) claim that the networks, values, and knowledge of migrants foster innovation and entrepreneurship back home.

II.2. Effects of the COVID-19 Pandemic on the Flow of Remittances.

The COVID-19 pandemic triggered a significant global recession, harming developing countries and remittance flows, which are critical for migrant families. The World Bank predicted a sharp decrease in remittances in several regions, including Europe (-16%) and South Asia (-11%) (Murthi & Reed, 2021). The pandemic has caused lower incomes, job losses, and the possibility of widespread migrant returns, particularly from GCC countries, in Pakistan. These adjustments could significantly reduce remittance inflows, exacerbating socioeconomic crises such as rising unemployment and living expenses (World Bank, 2020; Murthi and Reed, 2021).

The effect of COVID-19 lockdowns on the distribution of income in developed and developing nations varied. Dang, Huynh, and Nguyen (2020) found that while household savings were impacted by the pandemic, household income losses across income quintiles were not significantly affected in developed nations. However, after the lockdown, sales and household income dropped by 90%, and 70% of loan recipients were unable to repay their loans, according to Malik et al. (2020). This disparity demonstrates how recipient households in LMICs experience a decline in remittance inflows, resulting in a reduction in their overall standard of living, food consumption, and spending.

I. OBJECTIVES:

The objectives of the paper are:

1. To analyze the trends in global remittances over the last decade
2. To investigate the effects of the COVID-19 pandemic on the global inflow of remittances, focusing on the disruptions caused in 2020.
3. To analyze the projected declines and realities of the COVID-19 pandemic on remittance inflows, with India as a focus.
4. To examine the socioeconomic repercussions of the pandemic, if any, on remittance flows and the prospects thereof for recovery in the post-pandemic world.

II. METHODOLOGY:

Research Framework: The study focuses on two core dimensions, namely it analyses how the pandemic affected global remittance flows to LMICs, and examines India as a representative example of remittance-dependent economies.

Data Collection:

The study refers to secondary sources of data for the period 2014-2024 from various sources- International reports such as the World Bank Migration and Development Briefs,

KNOMAD data sets and latest insights, academic literature such as peer-reviewed journal articles and books related to LMICs and remittances, Government Reports such as Reserve Bank of India Bulletins and remittance-related data, Ministry of Finance reports, etc., and institutional reports and other sources – articles and reports from reputed institutions like the International Monetary Fund (IMF) and the Organisation for Economic Co-operation and Development (OECD).

Case study Approach: The study examines the flow of remittances to India during the pre-pandemic (2017-2019), during the pandemic (2020-2021), and post-pandemic recovery (2022-2025).

Analysis: This study employs descriptive statistics and analytical techniques to examine and interpret the dataset effectively with the help of tools such as, Microsoft Excel for built-in mean, median, mode, standard deviation, etc., and tables, graphs and charts for summarizing, analysing datasets and for data visualisation.

III. REMITTANCES AND LOW AND MIDDLE-INCOME COUNTRIES: OVERALL GROWTH AND TRENDS.

According to the World Bank Board (2019), foreign expats significantly impact both home and host countries' economic and social development and poverty alleviation. According to the UN's International Migration 2020 Highlights, there were 281 million international migrants, making up 3.6% of the global population, up from 173 million in 2000.

According to the World Bank (2019), remittance flows have gradually increased to become one of the main sources of foreign funding for LMICs, surpassing foreign direct investment (FDI). Particularly in Latin America, South Asia, and Sub-Saharan Africa, remittances from nations like China, India, and Mexico have increased dramatically.

The flow of remittances into these countries persisted despite the decline in commodity prices in the year 2015-2016. Recent developments that took place in the fintech sector, particularly digital remittances and mobile money platforms have significantly contributed

to this growth, benefiting regions in Asia and Sub-Saharan Africa (World Bank, 2019).

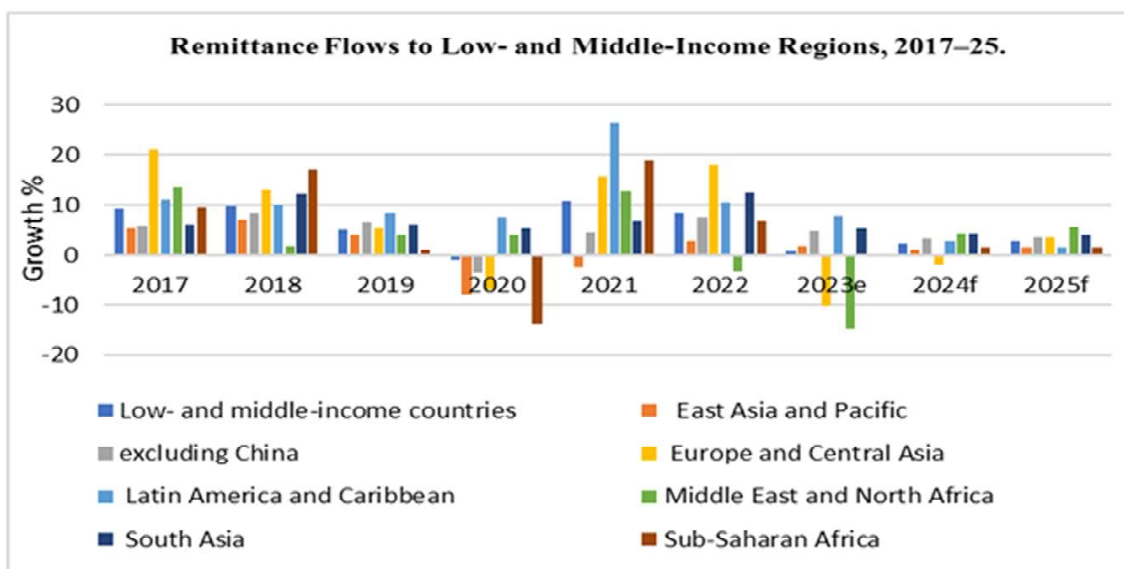


Figure 2: Remittance Flows to Low- and Middle-Income Regions, 2017–25

Source: World Bank/KNOMAD staff estimates. (World Bank/ KNOMAD, 2024)

Note: e = estimate; f = forecast.

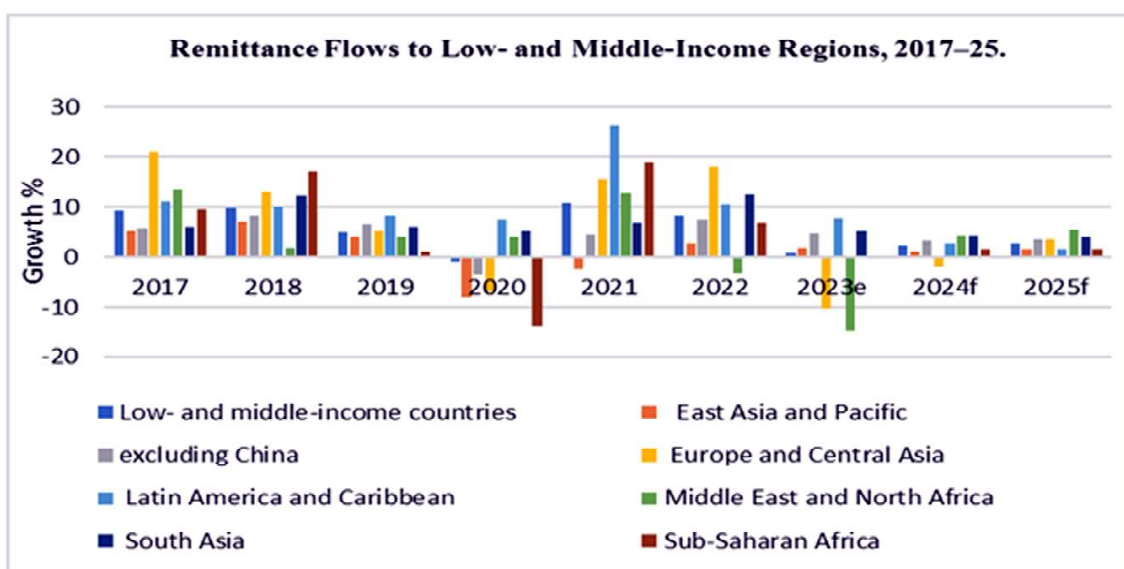


Figure 3: Remittance Flows to Low- and Middle-Income Regions, 2017–25
(Growth rate percent year-on-year)

Source: World Bank/KNOMAD staff estimates. (World Bank/ KNOMAD, 2024)

Note: e = estimate; f = forecast.

From Figure 2 and Figure 3, we can recognize that foreign migration and remittances have a major impact on the global economy and social landscape. Globalisation, improved communication, and improved transportation have all contributed to a substantial surge in migration over the past two decades, which has benefited both host and home countries.

Because of technological advancements that make digital transfers more affordable, remittances have surpassed foreign direct investment (FDI) as the primary channel of foreign funding for LMICs. Furthermore, remittances have proven resilient in the face of global economic challenges, consistently providing stable income for households, particularly in South Asia, Sub-Saharan Africa, and Latin America (World Bank, 2020; Murthi, 2020).

International remittances to LMICs have steadily increased over the last few decades, accounting for a sizable portion of global financial inflows. They now outnumber foreign direct investment (FDI) and official development assistance (ODA), driving economic growth in critical sectors. This positive impact is reflected in the resilience of remittance flows during global crises, as well as a shift to digital transfer methods and fintech services in the remittance sector.

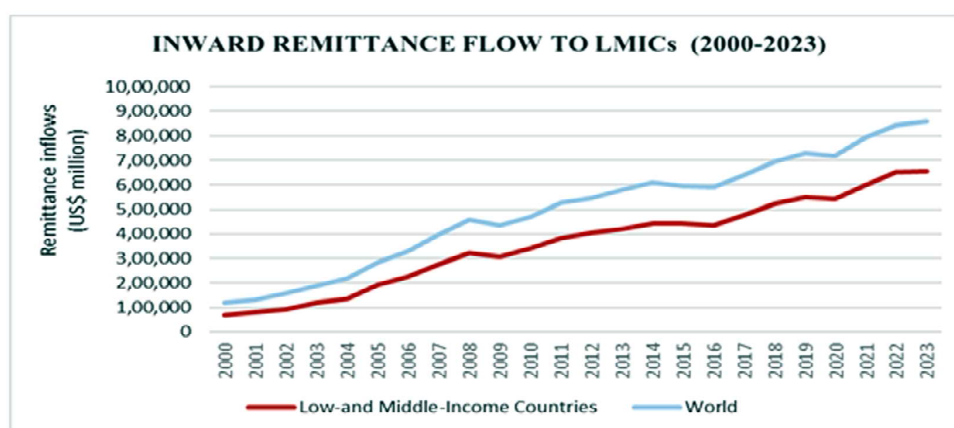


Figure 4: Inward Remittance Flow to LMICs (2000-2023)

Source: World Bank/KNOMAD staff estimates. (World Bank/ KNOMAD, June 2024)

Reports indicate steady growth in global remittances, particularly to LMICs, driven by globalization, boosted migration, and advancements in financial services (Figure 4). The World Bank's 2024 Migration and Development Brief highlights that remittances to LMICs, especially in countries like India, Mexico, the Philippines, and China, rose from \$414 billion in 2013 to over \$550 billion by 2019, making it the largest source of external finance for these nations (World Bank/KNOMAD, 2024).

The international remittance flow for 2023 was at \$US 860 billion, with the inflow to LMICs was \$669 billion (Nikolovska, Idorn, & Hodges, 2024). In 2024, the top recipients of international remittances are India with an inflow of \$125 billion, followed by Mexico with \$67 billion, China with \$50 billion, the Philippines receiving \$40 billion, followed by Egypt and Pakistan with each receiving \$24 billion; Bangladesh had an inflow \$23 billion followed by Nigeria with \$21 billion and Guatemala at \$20 billion; and Uzbekistan with \$16 billion (World Bank/KNOMAD, 2024) (Nikolovska, Idorn, & Hodges, 2024).

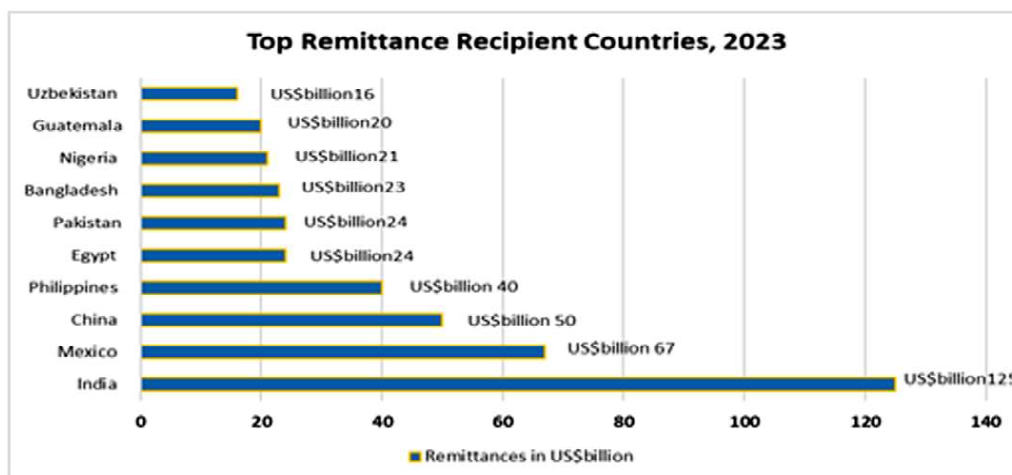


Figure 5: Top Remittance Recipient Countries, 2023

Source: World Bank/KNOMAD staff estimates.

(World Bank/KNOMAD, 2024) (Nikolovska, Idorn, & Hodges, 2024)

India has been the highest recipient of migrant remittance for the past decade. In 2024, India continues to lead by a wide margin, owing to its large diaspora. In all these top recipient countries, internal remittances have proven to play a crucial role in their respective economies, both at the macroeconomic as well as microeconomic and household levels.

IMPACT OF THE COVID-19 PANDEMIC ON REMITTANCES TO LMICs.

Early estimates predicted a sharp 20% drop in remittances in 2020 as a result of economic downturns affecting migrant workers. However, the actual decline was only

1.6%, or \$540 billion, due primarily to family support, digital transfer systems, and host-country policies (World Bank, 2021; April 2020).

Government assistance in host countries, such as fiscal stimulus and social protection measures, was critical to restoring remittance flows. These policies enabled migrants to earn a stable income, allowing them to support their families even during economic downturns. According to studies, such government interventions helped to maintain remittance levels despite global employment declines (World Bank/KNOMAD, 2024).

The pandemic accelerated the shift to digital remittance platforms as lockdowns restricted traditional cash-based services. Fintech solutions, particularly mobile money platforms, gained popularity among migrants in Asia and Sub-Saharan Africa due to their efficiency and affordability (Bisong et al., 2020).

Throughout the crisis, migrant workers demonstrated a strong sense of altruism and solidarity. According to Ratha et al. (2023), many migrants increased their remittances to help their families cope with the pandemic's health and economic challenges. This collaborative effort helped stabilise remittance flows to low- and middle-income countries.

Remittance patterns during the pandemic varied by region. South Asia experienced an increase in inflows due to migrants working in stable sectors like healthcare, while Sub-Saharan Africa and Latin America saw declines driven by job losses in vulnerable industries. Similarly, North Africa and the Middle East were affected by economic downturns and fluctuating oil prices (World Bank, 2021; Bisong et al., 2020). Despite challenges, global remittances grew by 7.3% in 2021, following a smaller-than-expected decline in 2020 (Ratha et al., 2020). Global remittance inflows to LMICs rose by 5.6% in 2021 to \$460 billion, still below the 2017 figure of \$487 billion. In 2020, remittances demonstrated resilience, totaling \$540 billion—just below 2019's \$548 billion—outperforming earlier forecasts (World Bank, 2020a, 2020b). While Q2 2020 saw a sharp decline due to lockdowns and travel bans, recovery began in Q3 and Q4 as restrictions eased, as illustrated in Figure 6.

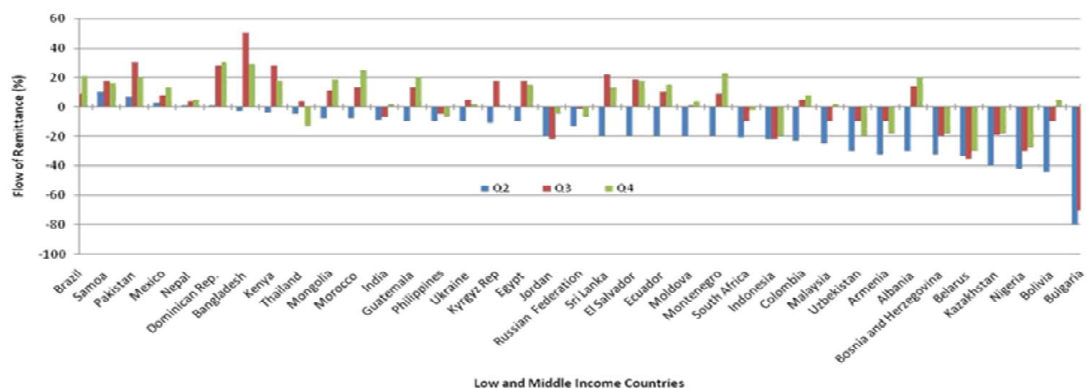


Figure 6: Remittances Plummeted in Q2 2020, but recovered in Q3 and Q4.

Source: Haver Analytics and World Bank–KNOMAD, 2021.

Economic Implications of the Covid-19 on Remittance Recipient LMICs

According to the World Bank 2006, the economic implications of remittances and migration are summarised as follows:

- i. Remittances reduce poverty even while they appear to have a lesser influence on alleviating inequality
 - ii. They respond positively to adverse economic shocks, such as agriculture failure, recession, health crisis, and the like; thereby, helping smooth household consumption
 - iii. Soothe working capital limitations faced by farmers and small-scale entrepreneurs
 - iv. Boost the demand for household expenditures such as education, health, and entrepreneurship, which have a direct effect on the economic development of a country.
- The worldwide economy was significantly impacted by the travel bans and lockdowns imposed during the COVID-19 pandemic. Retail, healthcare, education, and hospitality were among the industries hardest hit. As industries struggled to survive, the labour force shrank and unemployment rose (ILO, April 2020).

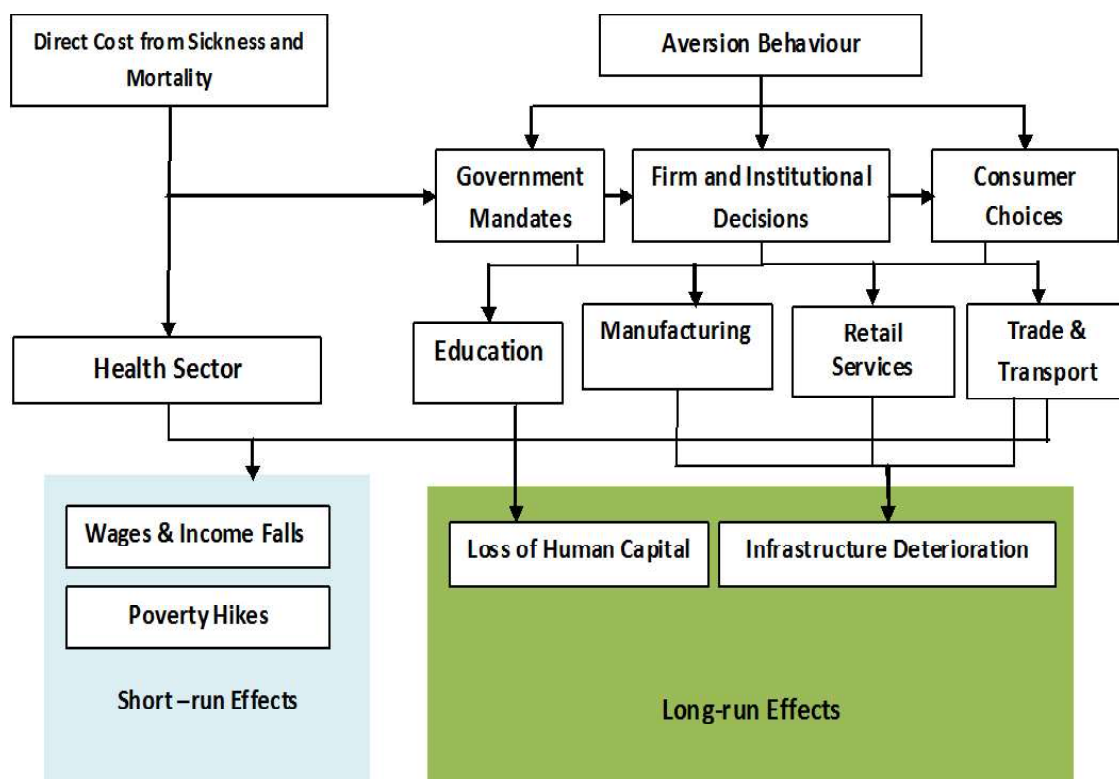


Figure 7: Channels of Potential Economic Impact of the COVID-19 Pandemic

Source: Evans and Over, 2020, adapted from *World Bank*, 2014.

Evans and Over (2020) identified several potential avenues through which COVID-19 could have an economic impact. People's "aversion behaviour," which involved staying at home to avoid the virus even if it meant losing all or a portion of their income, was a significant contributing factor. There were three primary reasons for this behaviour (World Bank, 2014). Government mandates such as nationwide lockdowns, containment zones, closing down of businesses, and the like. Firm and Institutional decisions, which include private businesses and institutions as well. Closures of business firms, be it due to government mandates or the firm's decisions, result in the loss of jobs, pay, and wages, particularly in the informal sector, where most of the employment and service policies are contractual. Reduced trips to markets, supermarkets, and social activities, and avoidance of traveling and others by individuals.

COVID-19's impact on sectors such as manufacturing, transportation, and healthcare is significant, resulting in significant income losses, including remittances, due to both supply and demand disruptions (ILO, 2020; Malik et al., 2020). Families that received remittances, particularly in Nepal, faced food insecurity and income loss (Abdih et al., 2012; Thapa & Acharya, 2017; Mazumder & Nath, 2018). Migrants experienced job losses and reduced remittances, resulting in increased poverty, food insecurity, and lower household consumption, especially in LMICs (Bisong et al., 2020; IOM, 2020a). These disruptions jeopardized important investments in education and healthcare.

The COVID-19 pandemic reduced inflows into remittance-dependent LMICs due to lockdowns and travel restrictions, putting families under financial strain and forcing them to make difficult decisions about food, healthcare, and education (Dustmann and Kirchamp, 2001; Gamburd, 2000; Siddiqui, 2001; Adams Jr. and Cuecuecha, 2010). The pandemic's travel restrictions fuelled racism and xenophobia, cost migrants their jobs, and jeopardised their health. As a result, families in LMICs had fewer opportunities for better living conditions and education, and financial constraints forced them to put off purchases and accumulate debt, inciting anti-immigrant sentiments, and encouraging racism and xenophobia. (Figure 8).

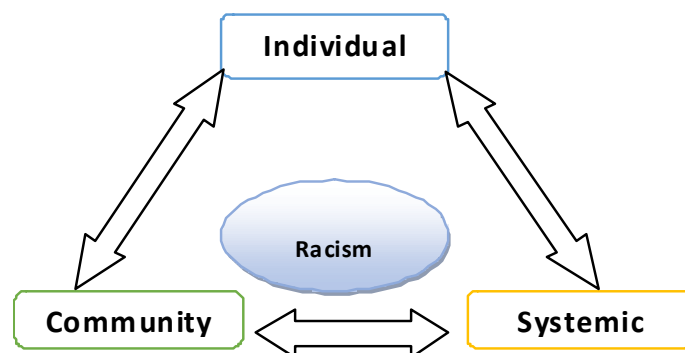


Figure 8: Levels of Racism and Xenophobia

Source: Hennebry, J. and H. KC, 2020

Migrant workers have suffered significant physical and psychological harm as a result of social exclusion, discriminatory laws, and unequal pay. They were subjected to discriminatory treatment, such as inadequate housing, strict quarantine regulations, and exclusion from pandemic assistance programs. Structural exclusions that portrayed migrants as threats had long-term consequences for their well-being, making them more vulnerable to violence and health problems (Hennebry et al., 2020).

The International Organization of Migration (IOM) recommends the following measures to reassure migrants and ensure they are not subjugated to discrimination:

- Public communication based on facts and scientific data to avoid xenophobia and other forms of discrimination, social cohesion-promoting campaigns and policies.
- Strict measures to prevent and address hostility and stigmatisation of migrants in society.
- Migrant-friendly entry and exit policies that are not based on intolerance and fear. (IOM, 2021).

Digitization and Remittances in the Low and Middle-Income Countries

Remittances to LMICs in 2020 totaled \$540 billion, a 1.6% decrease from \$548 billion in 2019, despite short-term service disruptions caused by coronavirus pandemic lockdowns (World Bank, 2021). The amount of money transferred via mobile devices rose by 65% from \$7.7 billion in 2019 to \$12 billion in 2020 (Andersson and Naghavi, 2021, GSMA). The pandemic accelerated the shift from informal to formal remittance channels, which boosted the revenue of operators such as MoneyGram and Western Union by improving their digital services (PYMNTS.com, 2021). (Table 1).

Table 1: Digital Remittance of funds 2020-21

Company	Increased in Transactions In 2020	Percent of Total Transactions	
		2021	2020
Western Union	94%	28%	16%
MoneyGram	80%	29%	16%
Ria Money	>100%	Not available	

Sources: *Western Union Annual Report 2020.*

During the COVID-19 pandemic, digital remittance services have become critical to international remittance flows. They provide 24-hour access, reduce transfer costs, and improve transparency. According to the Global System for Mobile Communications (GSMA), mobile wallet transfers cost only 3.53% in the third quarter of 2020, while the global average for other methods was 6.75%. Recipients can withdraw cash at a lower cost or use funds directly via digital channels (GSMA, World Bank). These services improved financial resilience, especially during the pandemic (ADB, 2021).

The government's actions included the following:

- Support for stranded migrants.
- Creation of Remittance Mechanisms
- Assistance for the families of migrants.

I. PROJECTED DECLINES Vs. REALITIES: THE IMPACT OF THE COVID-19 PANDEMIC ON REMITTANCE INFLOWS WITH A FOCUS ON INDIA.

Remittances to low- and middle-income countries are expected to decline dramatically as a result of COVID-19 lockdowns and job losses, according to preliminary World Bank estimates. Despite the 20% global decline predicted by Ratha et al., remittances to low- and middle-income countries showed resilience by declining only 1.6% to \$540 billion by the end of 2020. The host nation's fiscal stimulus programs helped to sustain remittance flows (Ratha et al., 2020). Furthermore, the increasing use of digital transfers made remittances easier to access as more migrants prioritised providing for their families despite personal difficulties (Bisong, Ahairwe, & Njoroge, 2020).

Case Study: India

The country that receives the most foreign remittances has long been India. World Bank Migration and Development Brief 31 (2019) projects that it will receive \$87 billion in 2021, more than China and Mexico put together. India has received \$70-90 billion annually since 2008, which has had a major impact on the socioeconomic standing of the nation.

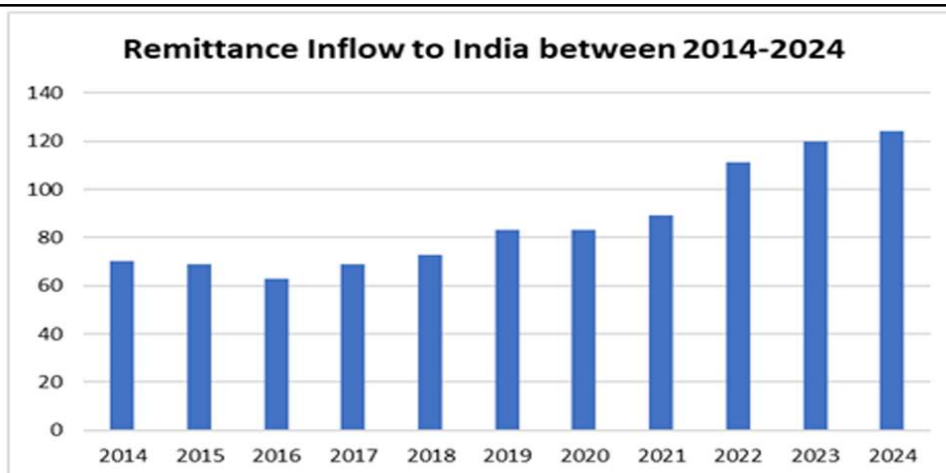


Figure 9: Remittance Inflow to India (2014-2024)

Source: Finance Ministry of India quoting World Bank Report(World Bank, 2024)

Year	Remittances Received (US\$ Billion)	Annual Growth Rate (%)
2019	83.3	-
2020	83.1	0.1
2021	89.4	7.5
2022	111.2	11.9
2023	119.5	19.5

Table 2: Remittance Inflows to India (2019–2023)

Source: Bank of Baroda(Bank of Baroda, June 2024).

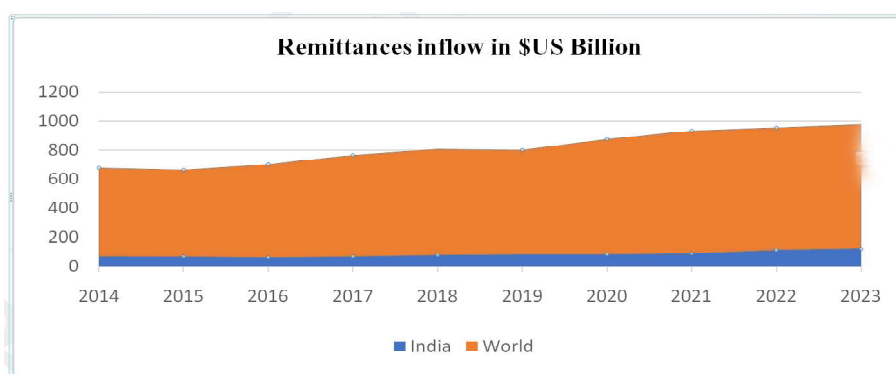


Figure 10: Remittance Inflows to India and World (2014–2023)

Source: Bank of Baroda(Bank of Baroda, June 2024)

India is the leading recipient of international transfers for more than a decade, consistently demonstrating an upward trend and resilience in global remittance inflows. In the pre-pandemic period (2014–2019), remittances provided substantial support to household incomes, with inflows reaching an impressive US\$ 83.1 billion in 2019.

During the pandemic (2020–2021), despite widespread global disruptions, remittance levels remained stable at US\$ 83.2 billion in 2020, marking a marginal growth of 0.1%. In 2021, remittances increased by 7.5% to US\$ 89.4 billion, indicating recovery and possibly an improvement in household incomes, as migrants likely sent additional funds to support their families during ongoing challenges.

In the post-pandemic recovery period (2022–2023), remittance inflows saw significant growth. In 2022, inflows grew by 11.9%, followed by a remarkable increase of 19.5% in 2023, reaching a record US\$ 119.5 billion. This surge reflects improving economic conditions for migrants and a strengthened support system for households in India, contributing to enhanced income levels in remittance-receiving regions.

Remittances enhance India's economy by boosting household expenditures, promoting human capital investment, and reducing poverty. Their potential to decrease rural poverty by as much as 10% highlights their importance (Ratha et al., 2016). Families often allocate remittances for essential needs like food, healthcare, and education, viewing education as a long-term investment. Furthermore, remittances aid in macroeconomic stability and improve the balance of payments (BoP) by raising India's international exchange reserves, projected to reach 3% of GDP by 2022 (RBI, 2022).

The fact that remittances to India decreased by just 1.6% to \$83 billion, rather than the anticipated 23% decline, demonstrated that worries that COVID-19 would significantly reduce remittances were unfounded (World Bank, 2021). Income stability declines in the Gulf Cooperation Council countries were counterbalanced by U.S. unemployment benefits and fiscal stimulus (Ratha et al., 2020; World Bank, 2021).

Further, India struggles to maintain remittance inflows due to high transaction costs of 5%, which exceed the UN's 3% target and the SDG benchmark (World Bank, 2024, 2021). Economic volatility and geopolitical unrest endanger remittance flows, especially in Gulf Cooperation Council (GCC) countries (Ratha et al., 2019). To address this issue, India must reduce spending and develop new strategies.

India is expected to remain the top remittance recipient due to consistent migration and the growth of digital services like fintech and mobile banking, which improve accessibility and lower costs (World Bank, 2021; 2024). Platforms like GPay and Paytm increase inflows, especially in rural areas (McKinsey 2020). Despite South Asia's high transaction fees, digital innovations help to lower them.

Remittances are expected to increase as the global economy improves due to the persistence of Indian migrants, particularly those from important sources such as the United States and GCC (Kpodar et al., 2021; Ratha et al., 2023).

VII. FINDINGS

The key results and findings of this review study are as follows:

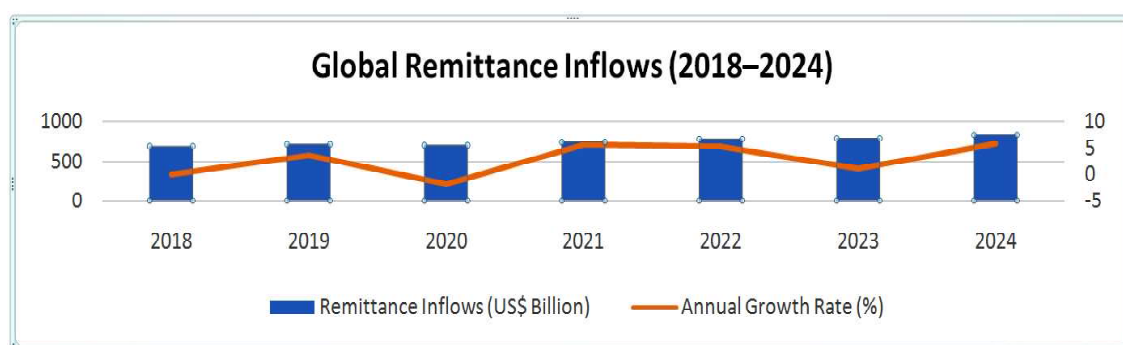


Figure 11: Global Remittance Inflows (2018-2024)

Source: (The World Bank, May 2021; 2024)

1. Remittances and low and middle-income countries: overall growth and trends:

In 2000, there were 173 million international migrants worldwide; by 2020, that number had increased to 281 million, a 62% increase and 3.6% of the world's population (United Nations, 2020). Between 2013 and 2019, remittance flows to LMICs surged, growing from \$414 billion to over \$550 billion, thereby becoming the foremost foreign funding, outpacing FDI (World Bank, 2009). Remittances have also shown a countercyclical pattern; even during global economic crises like the coronavirus pandemic and the commodity price crash of 2015-2016, migrants continued to send money home, demonstrating their financial resilience (World Bank, 2020). Additionally, significant technological advancements have improved the accessibility and efficiency of remittance services in Sub-Saharan Africa and South Asia, propelled by the growing use of digital transfer methods during the coronavirus pandemic (World Bank, 2021). According to World Bank, the top recipients of international remittances in 2024 were China (\$50 billion), Mexico (\$67 billion), India (\$125 billion), and the Philippines (\$40 billion), largely because of their diverse diasporas in high-income nations, especially in the construction and healthcare industries. Remittances significantly contribute to the development of LMICs by increasing household-sector income, reducing poverty, and improving access to education and healthcare (World Bank/KNOMAD, 2024).

2. Socio-economic Impact of the COVID-19 pandemic on remittances to LMICs:

When the pandemic began in 2019, the World Bank projected a 20% decrease in remittance flows to LMICs. In reality, the decline was only 1.6% (\$540 billion) in 2020,

attributed to protective measures from host countries, migrant solidarity, and a rise in digital remittance usage (World Bank, 2021; Ratha, 2021). Government initiatives such as fiscal stimulus and social protection programs in remittance-sending countries like the U.S. and Gulf Cooperation Council nations helped migrants sustain their earnings and continue sending funds home (World Bank, 2021; Ratha et al., 2020; Khan & Raithatha, 2020). The pandemic prompted a significant shift towards fintech services in the remittance sector, with cash service restrictions driving the adoption of digital and mobile money platforms in regions like Sub-Saharan Africa and Asia (Ratha & Giugale, 2021; Azoulay et al., 2022; Sayeh & Chami, 2020). Despite personal challenges, migrants exhibited a strong sense of duty and altruism toward their families back home (Kumar & Mistral, 2022; Giugale et al., 2021; World Bank, 2022). Remittance flows varied by region; South Asia experienced a slight increase due to robust sectors like healthcare, while Sub-Saharan Africa and Latin America had mixed results, with some countries seeing significant declines (World Bank, 2022; Ratha et al., 2020). By 2021, remittance flows increased by 7.3%, demonstrating their countercyclical nature and resilience during economic shocks (Ratha et al., 2021). Nonetheless, the pandemic inflicted economic stress on LMICs, leading to job losses and reduced remittance income, which exacerbated existing issues in the education and healthcare sectors (Evans & Over, 2020; IOM, 2020a). The pandemic caused economic stress to LMICs as migrants abroad lost their jobs, experienced pay cuts, and experienced aversion behaviors. This significantly contributed to the reduced income and remittances. (Evans & Over, 2020).

The pandemic's short-term effects have led to lasting economic hardships for developing countries, characterized by slow growth and diminished investment in education and infrastructure (Evans & Over, 2020). Remittance flows to migrant households fell nearly 25% compared to non-migrant households, causing considerable food insecurity for families that depend on these funds, struggling to fulfill essential needs like food, housing, and healthcare (IOM, 2020a; ADB, 2020). Although remittances typically promote social development by funding education and healthcare (Page, 2009; Dustmann & Kirchamp, 2001), widespread temporary closing of schools due to the pandemic affected over 87% of students globally, especially in LMICs (UN DESA, 2020). The coronavirus pandemic exacerbated existing healthcare issues in LMICs, revealing underfunded infrastructure and increasing financial pressures on families due to rising out-of-pocket healthcare expenses (Okereke et al., 2020).

3. Impact of the Covid-19 Pandemic on Migrants

COVID-19 For the first time in more than 20 years, 19 lockdowns and travel restrictions decreased the number of skilled and unskilled migrants, leaving many stranded or compelled to return home as a result of job losses (World Bank, April 2020). Pre-existing racism and xenophobia against migrants were made worse by the pandemic, leading to mental health problems related to mobility restrictions, quarantine, and discriminatory actions like deportation (Hennebry et al., 2020). To help restore remittance flows LMICs, the demand for services from Western Union and MoneyGram doubled in

the second half of 2020 as digital remittance transfers increased (World Bank, 2021; Andersson & Naghavi, 2021).

4. India's resilience and dominance in global remittance flow:

India has remained a leader in global remittance flows, achieving inflows of \$83 billion during the pandemic, with amounts rising from \$70 billion in 2014 to \$124 billion by 2024 (World Bank, 2019; World Bank/KNOMAD, 2024). The growth is driven by a large diaspora in high-income nations and advancements in digital remittance services, especially in rural areas (Baig et al., 2020). Due to steady migration patterns and the growth of fintech services like GPay and PhonePe, which will promote financial inclusion, the World Bank anticipates that India will continue to dominate the remittance market (World Bank, 2021; Baig et al., 2020). Inflows to India will rise as remittance-sending nations recover.

IX. SUGGESTIONS AND RECOMMENDATIONS

This paper aims to understand the current global trends of remittances in low-and-middle-income countries (LMICs), the significance of these international flows to the economy and household sector, the socioeconomic repercussions due to the COVID-19 pandemic, and the way ahead post-pandemic period. The following are recommendations based on the key findings-

1. Digital Remittance Platforms:

Promote partnerships between governments and financial institutions to expand access to fintech and mobile money services among both rural and urban populations, thereby enhancing the efficiency of international remittances (Baig et al., 2020; World Bank, 2021). In response to increasing digitalisation, invest in cybersecurity initiatives and user education to ensure safe and informed use of digital remittance platforms (Andersson & Naghavi, 2021; Hennebry et al., 2020).

2. Policy Support for Migrant Workers:

To enable migrants to thrive and support their families, host countries must enhance policies that prioritize social welfare, healthcare, and job security (World Bank, 2021; Hennebry et al., 2020). Additionally, fostering bilateral agreements between home and host countries is essential to safeguarding the rights of expatriate workers and ensuring their access to vital services (Kpodar et al., 2021; Andersson & Naghavi, 2021).

3. Leverage Remittances for Long-Term Development:

To foster long-term development, low- and middle-income countries (LMICs) should encourage the allocation of remittances towards productive sectors such as education and healthcare. Additionally, it is essential to provide recipients with

incentives to invest in sustained economic activities rather than making one-time expenditures (Ratha et al., 2020; ADB, 2020).

4. *Financial Literacy and Literacy:*

Workshops and collaborations with financial institutions can help remittance recipients gain financial literacy. Remittance platforms provide savings, insurance, and loan services to low-income people in remote areas (Kumar & Mistral, 2022; Baig et al., 2020).

1. *Diversifying Economic Sectors for Migrants:*

Encourage distribution of overseas employment opportunities in diversified sectors that are less vulnerable to economic shocks. This will help a steady inflow of remittances into countries even amid crises. Establish learning and skill-development avenues to provide training to migrants as well as potential migrants, to improve their employability in high-paying sectors and in developed countries.

2. *Supporting Remittance Growth:*

Governments and financial institutions should work together to create an enabling environment for migrants by reducing transaction costs, enhancing regulatory frameworks for money transfers, and improving access to financial services to facilitate the flow of international remittances. Additionally, fostering strong partnerships with fintech companies can help establish and expand the availability of cost-effective, efficient, reliable, and affordable remittance transfer options, both online and offline

3. *Encouraging Diaspora Investment:*

Governments of remittance-receiving countries should explore avenues to encourage diaspora engagement in investing in productive sectors within their home countries, such as real estate, businesses, and entrepreneurial ventures. These investments can drive job creation and contribute to the economic growth and development of the home economies. Additionally, establishing formal investment platforms that enable the diaspora to collectively support community projects could strengthen the bond between migrants and their home countries.

4. *Migrants' Support Programs:*

Implement and promote policies to combat xenophobia and discrimination against migrants. Develop programs and establish support networks to assist migrants in overcoming mental health challenges, while offering psychological, financial, and social support to those impacted by migrant-related discrimination and issues. Advocate for inclusive policies that ensure the well-being of migrants in their home countries, particularly during global crises.

In addressing these recommendations, the Governments and stakeholders can ensure that the flow of remittances into LMICs will not only be sustained and maintained but will continue to be a central source of foreign funding for long-term development through poverty alleviation, smoothing of household consumptions, raising living standards, help reduce economic shocks, maintaining the BoP, supplying to the overall socioeconomic development of recipient countries, even in the face of global challenges and crises.

X. CONCLUSION

The findings of this study, underscore the need for continued support from the Government and their intentional involvement to ensure and enhance remittance inflows and optimize their positive and productive impact on the economy.

To achieve sustainable economic development and growth, key recommendations were proposed. First, is to foster the enhancement and expansion of digital remittances, to improve accessibility and affordability, particularly to the rural population. Secondly, policies to protect migrants' financial and social rights in their host countries. Additionally, efforts to channelise remittances into productive ventures rather than using them for one-time consumptions through the promotion of financial inclusion and literacy schemes.

Furthermore, the encounters presented by the coronavirus pandemic in 2020, have left many recipient households in a financial contraction state, so the proposal to introduce necessary support programs and policies to ensure that remittance-dependent households are taken care of during economic crisis.

Moreover, a need for policies and measures to help fight against the discrimination of xenophobia and racism faced by migrants is imperative to help protect migrants. Support systems are vital to help migrants achieve mental health and overall well-being.

In conclusion, while remittances remain a key source of income for most recipient households in LMICs, a synergised approach that includes innovative digitalisation of remittances, protective policies, and measures for migrants, as well as overall community support is essentially required for sustaining remittance flow to these countries at all times. By adhering to the recommendations, stakeholders can leverage the potentialities of remittances to bring about sustainable development and improve the quality of life of millions around the world.

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