

# Role of Remittances once again to the fore

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The IMF–World Bank Annual Spring Meetings which were held in Washington, D.C. on (13–18 April 2026), were overshadowed by the escalating conflict in West Asia, with global leaders warning of “substantial”

world’s largest recipient of remittances for over two decades, both in absolute terms (in US dollars) and as a significant share of global flows. However, despite these large inflows, India’s dependence on remittances remains relatively modest—around 3–4% of its GDP. At the state level, data can be misleading: Maharashtra accounts for nearly 31% of recorded inflows, largely because Mumbai serves as the primary financial entry point. In reality, the ultimate beneficiaries are states such as Kerala and Tamil Nadu, where remittances significantly contribute to household incomes and savings.

**TABLE — 1 : Top Ten Largest Inward Remittances Recipient Countries of the World**

Rank	Country	Total Inward Remittances Inflows (US\$ billion)	Percent of Global Remittances (%)	Percent of Country's GDP	Percent of Country's FOREX	Notes
1	India	135.5	14.8	3.5	11	Largest Diaspora, strong IT, Health workers as India's migrants
2	Mexico	67.5	7.4	3	18	US's largest Migrants
3	China	59.0	6.5	0.4	2	Professionals and Te
4	The Phillipines	45.0	4.9	9	25	Biggest Community in the US
5	Egypt	35.0	3.8	7.5	30	Largest skilled Labour in West Asia
6	Pakistan	33.0	3.6	9	50	Largest unskilled labour in Arab Countries
7	Bangladesh	29.0	3.2	6.1	45	Largest unskilled labour in GCC Countries
8	Nigeria	25.0	2.7	4	2	Large Diaspora in UK and US
9	Vietnam	20.5	2.2	5	15	Large Vietnam Community US
10	Ukraine	18.0	2	10	4	War driven migrants from Europe

Source: World Bank 2026

economic shocks. Although large-scale return migration of semi- and unskilled labour mainly from the war-affected region—including the Gulf—was not the sole focus, concerns around remittances and migrant stability emerged as critical risk factors for Low- and Middle-Income Countries (LMICs). Many low-income countries in South Asia, and specific regions within India, remain heavily dependent on steady remittance inflows.

Three tables relevant to this discussion highlight that India has been the

Another dimension concerns migrant categories: while professionals are relatively insulated, unskilled and semi-skilled workers remain the most vulnerable and are the first to face displacement and return migration. **Table 3** presents information on categories of migrants of who have been rising over last two decades and more

West Asia War has affected the world economies in an asymmetrical manner. India is highly dependent on petroleum crude and natural gas for household cooking and rising demand for diesel and petrol for vehicle. India’s total imports of energy are rising annually and 85% them are satisfied only through imports.

Although the IMF has revised India’s growth projection upward to 6.5% for 2026, citing strong domestic demand, this optimism should not obscure underlying vulnerabilities. India faces an estimated \$40 billion annual exposure to remittances from the Gulf, alongside the risk of large-scale return migration if the conflict disrupts construction and service sectors.

In the immediate aftermath of the conflict in late January, remittances showed a

**TABLE — 2 : Remittance Inflows (\$ in billions in current prices) received by States from Indian diaspora and migrants working overseas: Precovid and Post-covid years**

Year	Maharashtra (USD)	Share %	Kerala (USD)	Share %	Tamil Nadu (USD)	Share %	Uttar Pradesh (USD)	Share %	Punjab (USD)	Share %	Others (USD)	Share %	India Total (USD)
2019	26.6	32%	18.3	22%	13.3	16%	8.3	10%	6.6	8%	10	12%	83
2020	26.6	32%	18.3	22%	13.3	16%	8.3	10%	6.6	8%	10	12%	83
2021	28.5	32%	19.6	22%	14.2	16%	8.9	10%	7.1	8%	10.7	12%	89
2022	35.5	32%	24.4	22%	17.8	16%	11.1	10%	8.9	8%	13.3	12%	111
2023	38.4	32%	26.4	22%	19.2	16%	12	10%	9.6	8%	14.4	12%	120
2024	37.8	32%	25.9	22%	18.9	16%	11.8	10%	9.4	8%	14.2	12%	118
2025	38.1	32%	26.2	22%	19	16%	11.9	10%	9.5	8%	NA	NA	NA

Source: World Bank 2026 and Various Issues of RBI Monthly Bulletins

**TABLE — 3 : Impact of West Asia on Migrant Labour**

Worker Category	Destination	Impact	Effect on Home countries
Unskilled workers	Gulf States Saudi Arabia, UAE, Qatar	Job security Wage delays Forced Returns	Loss of Remittances
Construction works	UAE Qatar	Halted works Lays -offs	Reduced wages Remittances and Unemployment
Technicians, Managers and Chartered Accountants etc	Gulf Corporates	Contracts cancelled	Middle class Income loss shocks
Nannies, Health and Home Care Nurses	Gulf Households	Families cutting costs Lays off	Philippines and Srilanka professionals face lays-off lay returning home countries

Source: World Bank 2026 and Various Issues of RBI Monthly Bulletins

temporary “precautionary surge” as anxious expatriates sent money home. However, the IMF has warned of lasting “scarring effects,” noting that even a ceasefire may not restore the previous equilibrium. Reports presented at the IMF suggest that while professionals remain relatively stable, many unskilled workers have either begun returning or are withholding remittances. Growth forecasts for emerging markets have already been revised downward to 3.65% (from 4%), with a potential fall to 2.6% if the conflict persists and triggers widespread job losses in sectors such as construction and oil services.

This article examines both the immediate concerns and the long-term implications, particularly the urgent need to diversify migration destinations for India’s labour force.

### Global Economic Impact of the West Asia crisis

The crisis has disrupted oil and LNG supplies through the Strait of Hormuz, pushing up global energy prices. Fertilizer exports have also been affected, posing risks to food security in many developing countries. The IMF has revised global growth downward to 3.1% for 2026, while raising inflation expectations to 4.4–4.9%. The World Bank has warned that food insecurity could affect up to 45 million people, especially in Africa and South Asia. For India, the situation is a

double-edged sword. Rising energy costs strain both household budgets and government finances. At the same time, strong domestic demand and tariff relief from the United States have supported an upward revision of growth projections to 6.5% for FY27. Both institutions stress the need for decisive policy action to protect vulnerable populations and stabilize economies. Their recommendations fall into four broad categories:

### Targeted Fiscal Support

Direct cash transfers or subsidies for low-income households, avoiding broad-based subsidies that may fuel inflation.

### Emergency Financing

The IMF anticipates \$20–50 billion in near-term balance-of-payments support, while the World Bank has pledged \$25 billion immediately, with up to \$70 billion over six months.

Structural Reforms Diversification of energy sources, strengthening domestic supply chains, and investment in renewable energy and fertilizer production.

### Labour Market Measures

Expansion of social safety nets, retraining programmes for returning workers, and public infrastructure initiatives to absorb displaced labour.

### Implications for India

India must carefully balance inflation control with growth. The Reserve Bank of India has maintained a cautious stance on interest rates while monitoring energy-driven inflation. At the same time, targeted subsidies and cash transfers will be essential. Accelerating renewable energy and domestic fertilizer production remains a strategic priority.

States must prepare for the return of unskilled workers from West Asia. Expanding programmes such as MGNREGA, strengthening vocational training, and launching labour-intensive infrastructure projects will be crucial. Enhanced healthcare, education, and food security systems will help cushion vulnerable populations.

The IMF and World Bank Spring 2026 joint meetings have outlined a general policy response: In short term, it would be aiming at provision of targeted fiscal support, which will comprise emergency financing, and expanded safety nets. In medium-term, it will be speeding up structural reforms in energy and agriculture, diversification of trade partners, and renewable energy investment. In long term, it should be building resilience through technical education, skill development, and innovation-led growth.

### Diversifying Indian Labour Migration beyond West Asia

India's labour migration has long been concentrated in West Asia, particularly in Gulf Cooperation Council (GCC) countries. In 2024, nearly 9.37 million Indians were employed in the Gulf, contributing to remittances of approximately \$124 billion. However, the 2026 Iran conflict, which forced nearly one



million Indians to return, has exposed the risks of this dependence. The categories of migrant labour working are presented in **Table 3**.

Southeast Asia offers immediate opportunities. Countries such as Malaysia, Singapore, and Thailand continue to rely on migrant labour in construction, domestic work, and services. Malaysia has historically absorbed Indian workers in plantation and processing industries, while Singapore maintains demand in services, albeit with stricter skill and language requirements. Thailand and Vietnam, driven by tourism growth, also present emerging opportunities. Africa represents another frontier. Countries like Kenya, Tanzania, and South Africa are witnessing rapid urbanization and infrastructure expansion. Indian workers could contribute to construction, transport, and services. Cultural and historical ties with East Africa offer an advantage, though political instability in some regions necessitates robust bilateral safeguards.

Japan and Taiwan provide opportunities primarily for skilled labour. Japan's agreements focus on IT, healthcare, and engineering, while Taiwan's 2024 MoU has opened limited avenues in manufacturing and agriculture. Expanding access for semi-skilled workers will require targeted negotiations and enhanced skill development.

Diversification, however, is not merely about identifying new destinations. It requires systemic preparation—investment in skills, language training, and worker protection frameworks. Bilateral labour agreements with Southeast Asia and Africa can provide structured and secure migration pathways, reducing overdependence on the Gulf.

### Conclusion

The West Asia crisis highlights the deep interconnectedness of global economies. For India, the immediate priorities are clear: managing inflation, protecting vulnerable households, and absorbing returning workers while sustaining growth momentum. At the same time, the crisis presents an opportunity to rethink long-term strategy. By combining central and state-level initiatives, diversifying migration destinations, and strengthening domestic resilience, India can not only mitigate the current shock but also build a more stable and sustainable remittance economy in an increasingly uncertain world. ■

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