

DOES GLOBAL FINANCIAL CRISIS AFFECT MIGRANTS GLOBAL REMITTANCE?**Dr Sangeetha. S**, Assistant Professor of Commerce, All Saints' College, Trivandrum**Dr Soju S**, Assistant Professor of Commerce, SN College, Varkala**Abstract**

International Remittance plays a pivotal role in the economic development of a country, individuals, households and businesses. The World Bank has been acknowledging the significance of remittances since 2009 by including it in its measure of creditworthiness and allowing nations with high level of remittance to borrow more money than they otherwise could. As remittance is a source of flow of private capital, it could become a significant tool for economic development, particularly if they can be channelized into productive investment. Since 2008 the world witnessed a series of economic crisis and resulted in an overall economic downturn around the world. An attempt was made to evaluate whether the economic slowdown since 2008 adversely affected the migrant remittance globally.

Keywords: Global remittance, International Remittance, Pre crisis period, Post crisis Period, Global Financial Crisis, Economic Downturn

Introduction

International Remittance is considered as a stable and reliable form of overseas earnings by most nations than FDI or aid flows. It helps in alleviating the balance-of-payments and debt crises. Economic problems in the home country motivate migrant workers to remit more funds. In that way remittance allows smooth consumption by individual households and in that sense it provides a potentially balanced means of earnings for national economy also. The macro economic situations in the host as well as home countries are major factors which influence remittances all around the world.

International Remittance -The Global Scenario

Remittance plays a pivotal role in the economic development of a country, individuals, households and businesses. The World Bank has been acknowledging the significance of remittances since 2009 by including it in its measure of creditworthiness and allowing nations with high level of remittance to borrow more money than they otherwise could. As remittance is a source of flow of private capital, it could become a significant tool for economic development, particularly if they can be channelized into productive investment. From a macro-economic point of view, it is widely acknowledged that remittances can create increase in output either by escalating consumption or by rising investment. In this circumstance, the affirmative multiplier effects of remittances may encourage growth, as, when remittance is used to buy locally fashioned goods and services. The ability of individuals to spend on health, accommodation and food can augment their efficiency and encourage economic growth in the long run. It is a significant source of revenue for millions of households in developing countries. As such, a fall in the flow of remittance can have severe impact on the capacity of families to get proper health care, good education and right nutrition. The Global remittance from 2000 to 2017 is analysed in table 1

Table 1 Global remittance during the period from 2000 to 2017

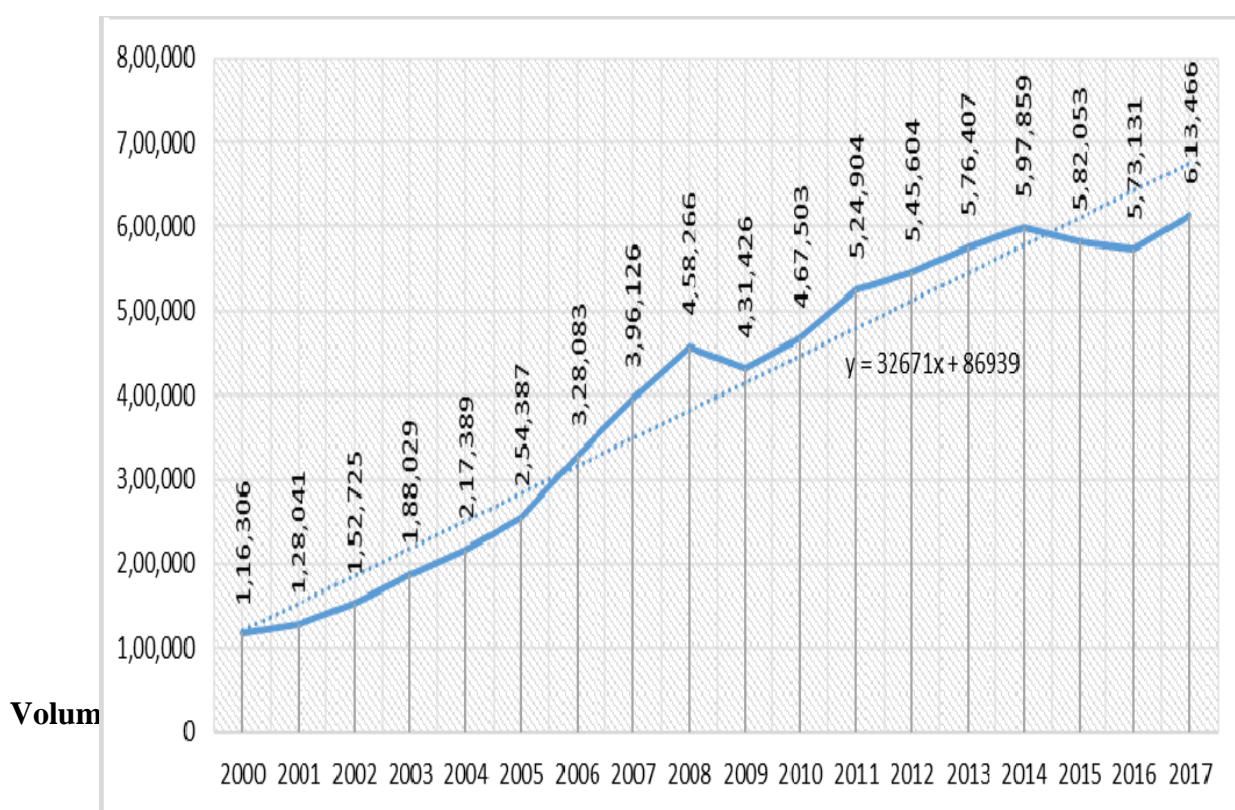
Year	Global Remittance (In Million\$)	Percentage Increase / Decrease
2000	1,16,306	
2001	1,28,041	10.09
2002	1,52,725	19.28

2003	1,88,029	23.12
2004	2,17,389	15.61
2005	2,54,387	17.02
2006	3,28,083	28.97
2007	3,96,126	20.74
2008	4,58,266	15.69
2009	4,31,426	-5.86
2010	4,67,503	8.36
2011	5,24,904	12.28
2012	5,45,604	3.94
2013	5,76,407	5.65
2014	5,97,859	3.72
2015	5,82,053	-2.64
2016	5,73,131	-1.53
2017	6,13,466	7.04
	10.28%	
Slope	32671.35	
Intercept	86939.09	

Source: compiled from <https://data.worldbank.org/indicator/bx.trf.pwkr.cd.dt>

While examining the global remittance trend around the world, since 2000 there was a positive as well as growing improvement in the remittances. In the year 2003, 2006 and 2007 there were more than twenty percent hike in remittances compared to the previous years. After identifying the symptoms of global recession in 2008 there was a sudden decline in the growth of global remittances. It was disappointing to have decrease in remittance in the years 2009, 2015 and 2016 compared to the previous years. The oil crisis and the silent crisis in the Middle East could be the other reasons for decline in the growth of global remittances. The following figure 1 explains the trend of global remittance during the period 2000 to 2017.

Figure 1 Global remittance and its trend during the year 2000-2017



Review of Literature

Sobiech, I. (2019) analysed the impact of migrants' remittances on the economic growth, considering the development of financial sector by measuring it with a newly constructed index. In order to conduct the study, a sample of 61 emerging and developing countries were taken during the time period between 1970 and 2010. An unobserved components model was created and used to verify the significance of the financial sector as a transmission channel for economic growth. It was seen that in less advanced financial markets economies had a positive effect and remittance inflow on growth. It was not sufficient for governments to attract more migrant remittance, but added incentives should be provided so that the remitted amount would be spent more productively and contribute to the economic growth. The recommendation made was that while the government attracts remittances, though in the short-run it could only contribute in poverty-alleviation, in the long-run it should be made more beneficial to governments to promote the development of financial sector.

Clemens., & McKenzie (2018) investigated whether the remittance affected the growth of economy. The study indicated that international remittance reduced poverty and increased the welfare the household units. He opined that, it was very difficult to prove whether international remittance will develop the growth of economy.

Cooray, A. (2012) examined the impact of international remittance on economic growth in South Africa by employing panel data for a period of 1970-2008. The study concluded that international remittance had a significant positive effect on the growth of economy. It was detected through the development of educational and financial sectors.

Sirkeci, I., Cohen, J. H., & Ratha, D. (2012), attempted to consolidate a wide array of studies from around the world, which chiefly focused on the recent trends in remittance flows. In addition to this, an attempt was made to analyze the effects of crisis on remittance flows globally and deals with theoretical appraisal: understanding remittances, forecasting migrant remittances during the global financial crisis, economic crises and migration, real GDP per capita with and without the current crisis during the period between 1980 and 2013.

Significance and Scope of the study

Since 2008 the world witnessed a series of economic crisis and resulted in an overall economic downturn around the world. An attempt was made to evaluate whether the economic slowdown since 2008 adversely affected the migrant remittance globally.

Objectives of the Study

- To evaluate whether the economic slowdown /Global financial crisis since 2008 adversely affected the global remittance

Analysis and Interpretation

Table 2 Global remittance during pre-period and post period of economic downturn

Particulars	Pre period		Post period	
	Year	Amount in Million \$	Year	Amount in Million \$
Period	2000	1,16,306	2009	4,31,426
	2001	1,28,041	2010	4,67,503
	2002	1,52,725	2011	5,24,904
	2003	1,88,029	2012	5,45,604
	2004	2,17,389	2013	5,76,407
	2005	2,54,387	2014	5,97,859
	2006	3,28,083	2015	5,82,053

	2007	3,96,126	2016	5,73,131
	2008	4,58,266	2017	6,13,466
Slope	43152.82		20193.28	
SE	3846.95		3608.61	
t	4.353			
Sig.	0.001			

Source: Compiled from <https://data.worldbank.org/indicator/bx.trf.pwkr.cd>.

Testing of Hypotheses

H₀: There is no significant difference in receipt of global remittances before and after the economic slowdown of 2008.

H₁: There is significant difference in receipt of global remittances before and after the economic slowdown of 2008.

The t value was calculated as 4.353 which was significant as the significance level was less than 0.05. The result indicated that there was significant difference in the trend of global remittance in the pre period and post period. Hence the null hypothesis stating that there is no significant difference in receipt of global remittance before and after the economic slowdown of 2008 has been rejected and accepted the alternative hypotheses stating that there is significant difference in receipt of global remittance before and after the economic slowdown of 2008.

Conclusion

The analysis of remittances showed that the economic slowdown since 2008 had adversely affected the remittances around the world. There was significant difference in receipt of global remittances before and after the economic slowdown of 2008. The slope and standard error of growth of remittance during the post crisis period is 20193.28, which was about half of that of pre crisis period. The result showed that trend in the post period was lower compared to pre period.

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