

Impact of COVID-19 on Remittances – An Analysis using CMIE Data

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Objectives

- Assess the impact of COVID-19 on remittances and remittance dependent households, by analysing the monthly financial statuses of remittance recipient households
- Compare the impact of COVID-19 on remittance recipient households against remittance non-recipient households
- Find if there was any heterogeneous impact of COVID-19 on remittance recipient households based on their level of dependence on remittances (<30%, 30-60%, >60% dependence)
- Explore how incomes, shares of income sources, expenditures, share of expenditure categories, surplus rates, indebtedness have varied month-on-month, for all of the above household groups

Data

- Centre for Monitoring Indian Economy (CMIE)'s Consumer Pyramids Household Survey (CPHS) data has been used for the analysis
- Information on household income, expenditure, amenities, assets and liabilities have been taken from the CMIE-CPHS datasets
- The analysis is for a 12-month period from September 2019 to August 2020 to cover all three periods: pre COVID-19 lockdown, COVID-19 lockdown and post COVID-19 lockdown
- **Preliminary Analysis:** Monthly data of incomes and expenditures for all households (approximately 1.75 lakh households) for which data is available for each particular month
- **Panel Analysis:** Monthly data of incomes, expenditures and borrowings for only those households for which data is available for all twelve months (approximately 44,000 households)

Household Categories

Preliminary Analysis

- **Non Remittance Households:** Households which do not receive any income from private transfers in that particular month
- **Remittance Households:** Households which receive income from private transfers in that particular month
- **Remittance <30% Household:** Households for which private transfers made up less than 30% of income in that particular month
- **Remittance 30-60% Households:** Households for which private transfers made up between 30-60% of income in that particular month
- **Remittance >60% Households:** Households for which private transfers made up more than 60% of income in that particular month

Panel Analysis

- **Non Remittance Households:** Households which did not receive any income from private transfers throughout 2019
- **Remittance <30% Households:** Households for which private made up less than 30% of monthly income on an average through the twelve months of 2019
- **Remittance 30-60% Households:** Households for which private transfers made up between 30-60% of monthly income on an average through the twelve months of 2019
- **Remittance >60% Households:** Households for which private transfers made up more than 60% of monthly income on an average through the twelve months of 2019

Key Findings from the Analysis

- Remittance households had substantially lower incomes than non-remittance households
- Remittances were resilient in keeping incomes stable during COVID-19 lockdown
- Number of households receiving remittance decreased starting April through July, but picked up slightly in August
- Expenditure patterns of both remittance and non-remittance households were similar, with marginal increase in essential spending and reduction in discretionary spending during the lockdown
- Stability of income and surplus was directly proportional to dependence on remittance, with incomes of highly remittance dependent households being more stable than those which had lesser or no dependence
- Safe jobs were an added cushion: Remittance households involved in skilled, salaried or white-collar occupations were the least affected while non-remittance households involved in non-salaried, non/semi-skilled or non white-collar jobs were the most affected
- A larger share of non-remittance households were indebted than remittance households; share of indebted households reduced for remittance households but remained the same for non-remittance households during the lockdown

Caveats and Limitations

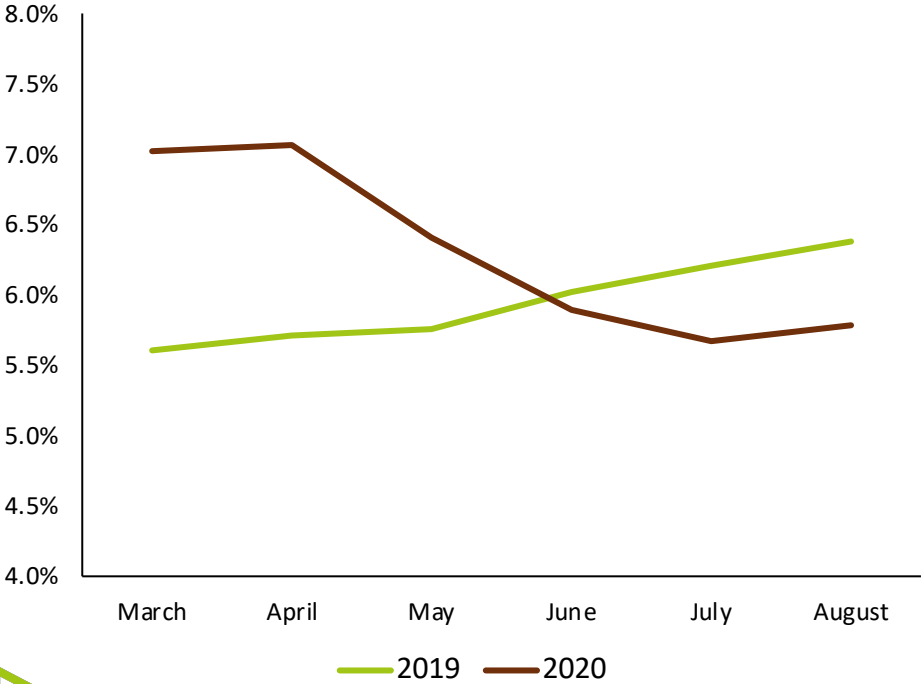
- We could not find an accurate way to identify migrant households. Therefore, this analysis refers to households receiving private transfers only and not to migrant households. So, there can be significant deviation in our findings from what the literature says about the impact of COVID-19 on migrant households
- Even though our analysis shows incomes of remittance recipient households remaining stable through the 12-month period, it has to be kept in mind that COVID-19's impact on remittances has been projected to be more severe in the long-term. World Bank had predicted only a 4% drop in remittance inflows for 2020 but a steeper 11% drop for 2021, for South Asia (World Bank Group, 2020)
- With mass reverse migration continuing well into the latter half of 2020 and a more devastating second wave of COVID-19, the financial position of remittance recipient households may be worse off than what this analysis suggests (Shukla, 2021)

Few Numbers and Graphs from the Preliminary Analysis of Households

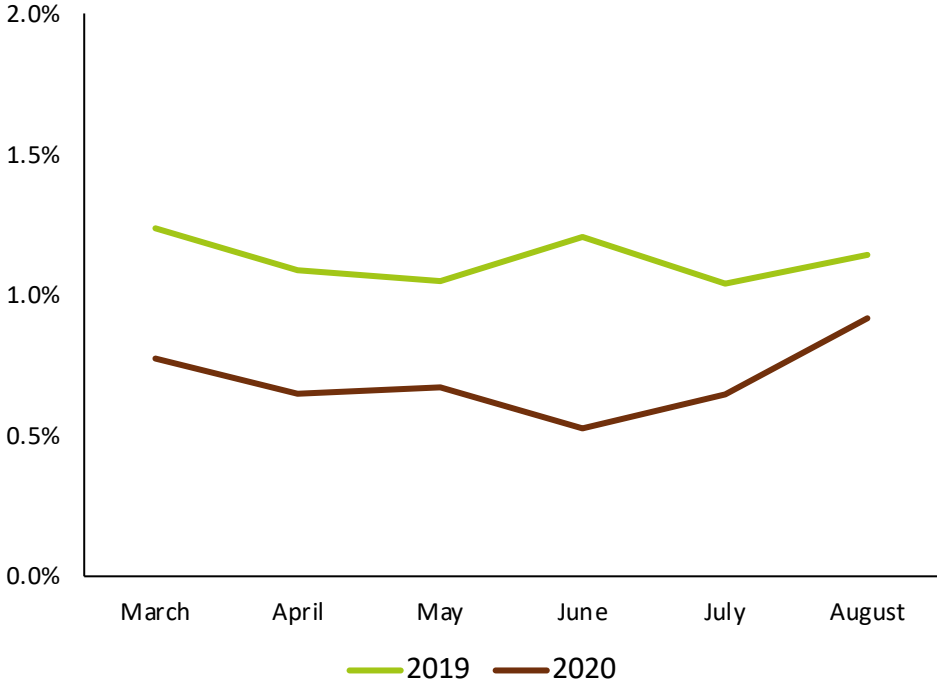
Households Sending and Receiving Remittances

- Greater share of households received remittances in 2020 than 2019 before COVID-19 broke out, after which the share has come down consistently
- Lesser share of households sent back remittances in 2020 as compared to 2019

Remittance Receiving HHs: 2019 vs 2020



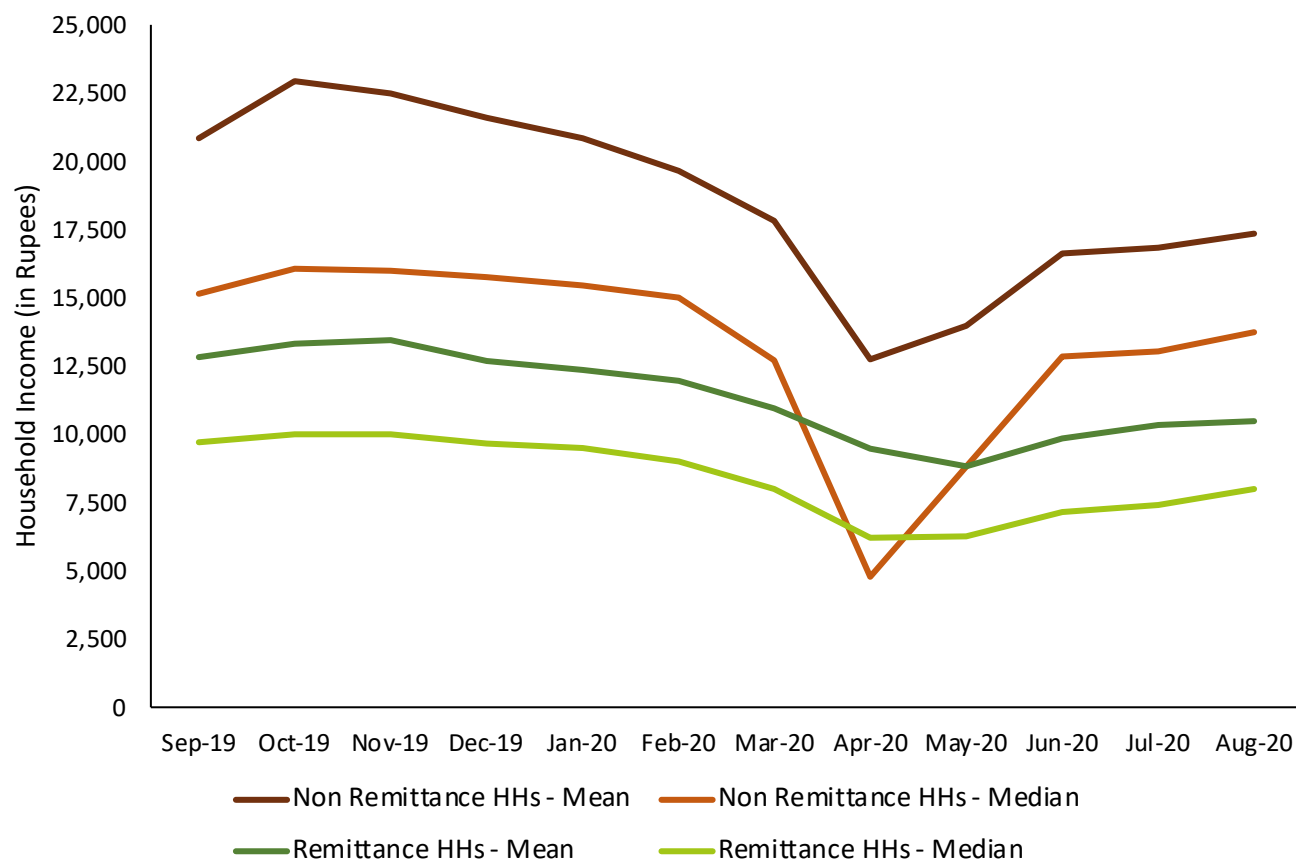
Remittance Sending HHs: 2019 vs 2020



Household Income

- Non remittance households had a higher income on an average than remittance recipient ones, but they also faced a steeper decline during COVID-19 lockdown
- Income of remittance households has more or less remained stable through the period

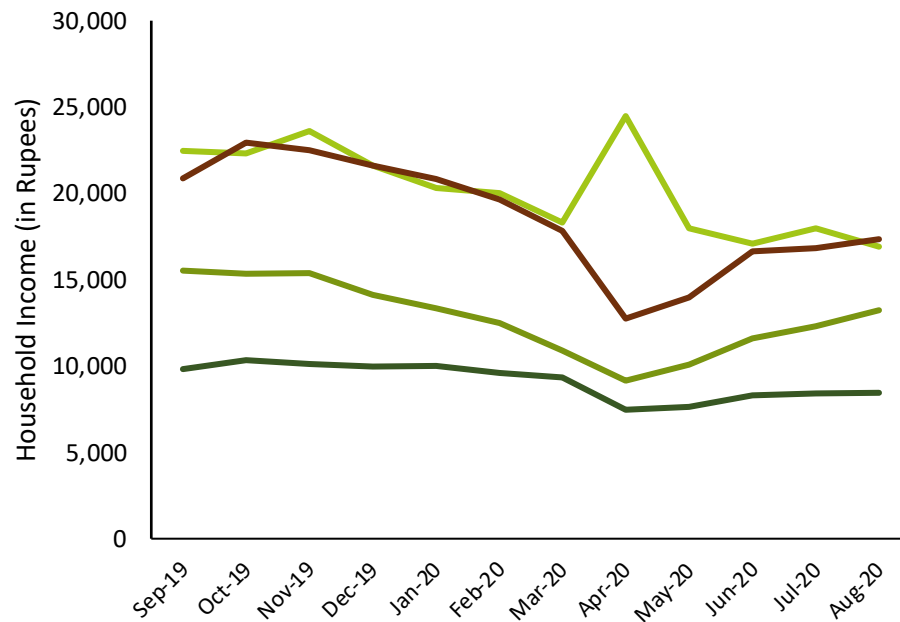
Household Income: Mean and Median



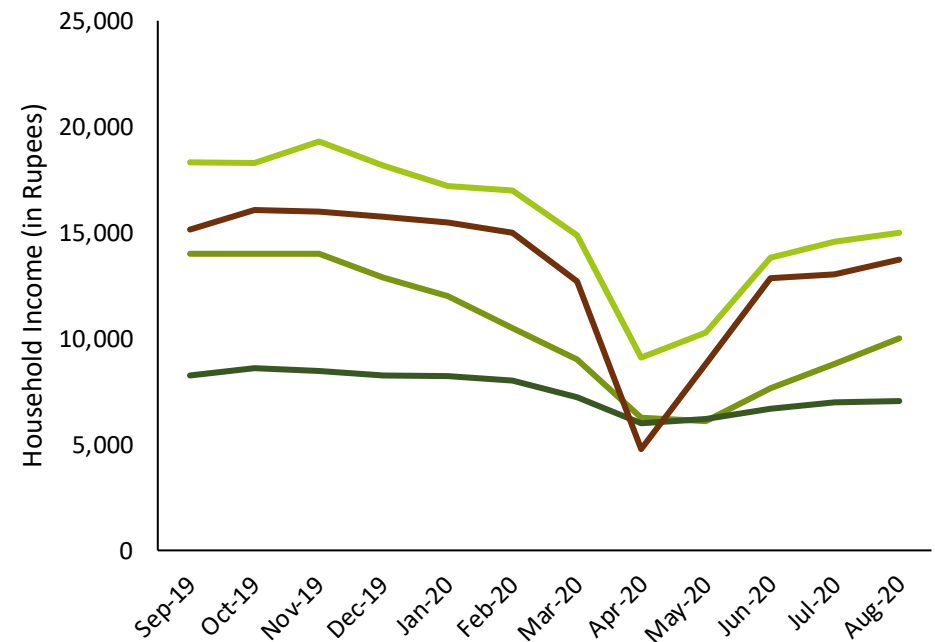
Household Income: Heterogeneous Effects

- Households depending more on remittances had lesser income on an average than households depending lesser or not at all on remittances
- Average income of highly remittance dependent households remained more or less stable, suggesting that this group continued to receive remittance and its income was not much affected by COVID-19

Mean Income



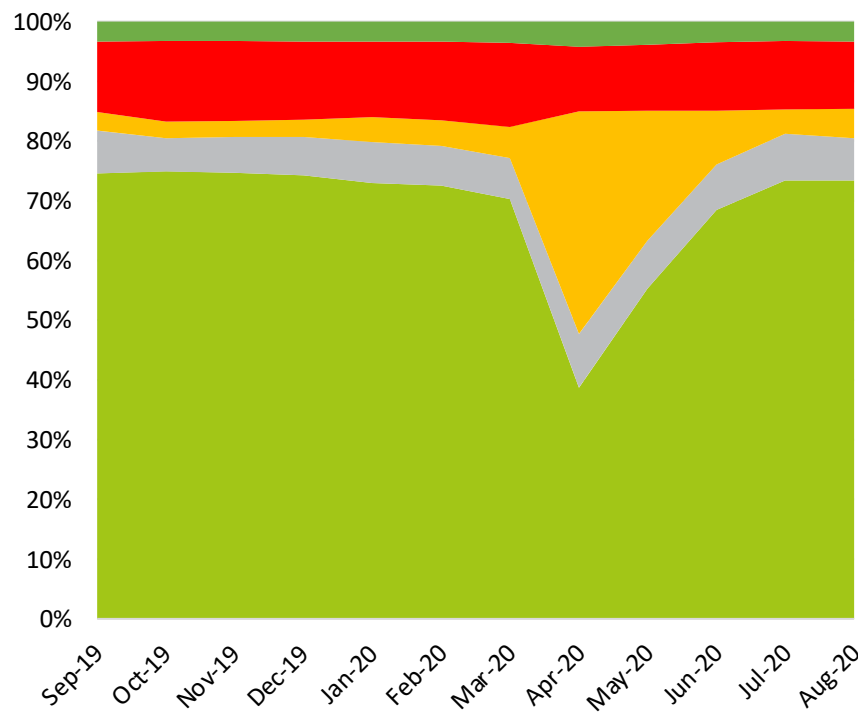
Median Income



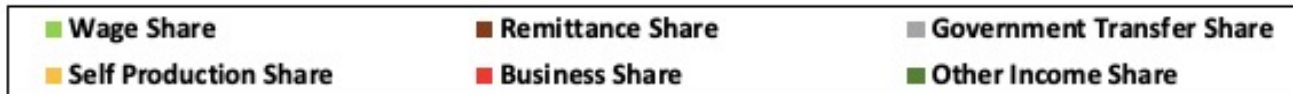
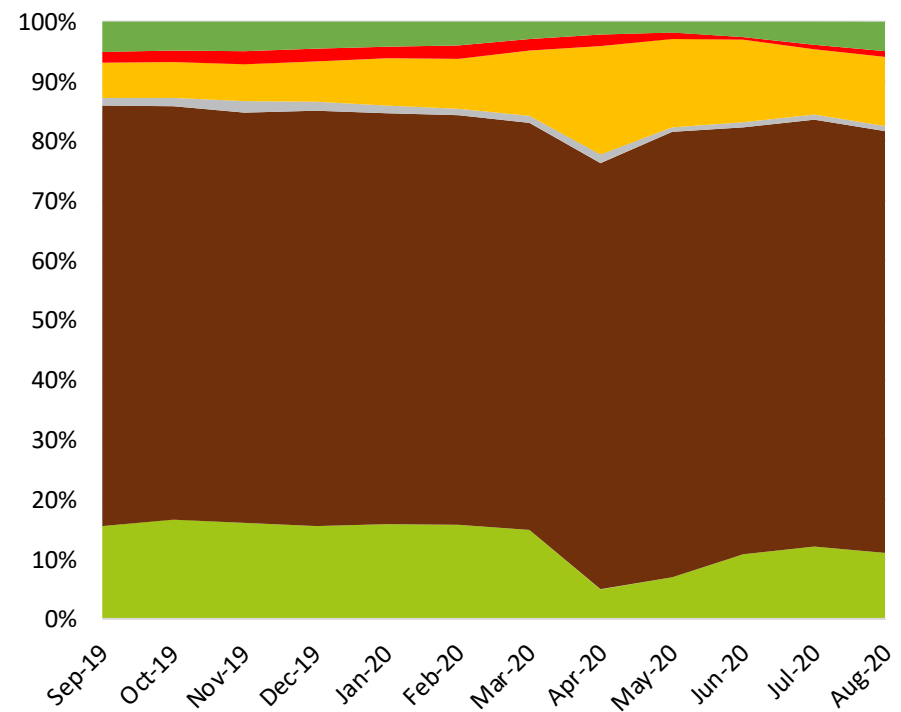
Share of Income Sources

- Share of remittances remained stable through the period for remittance households
- Non-remittance households received more government transfers than remittance households
- Self-production share increased in proportion to the reduction in share of wage income for both remittance and non-remittance households during COVID-19 lockdown

Non-Remittance Households

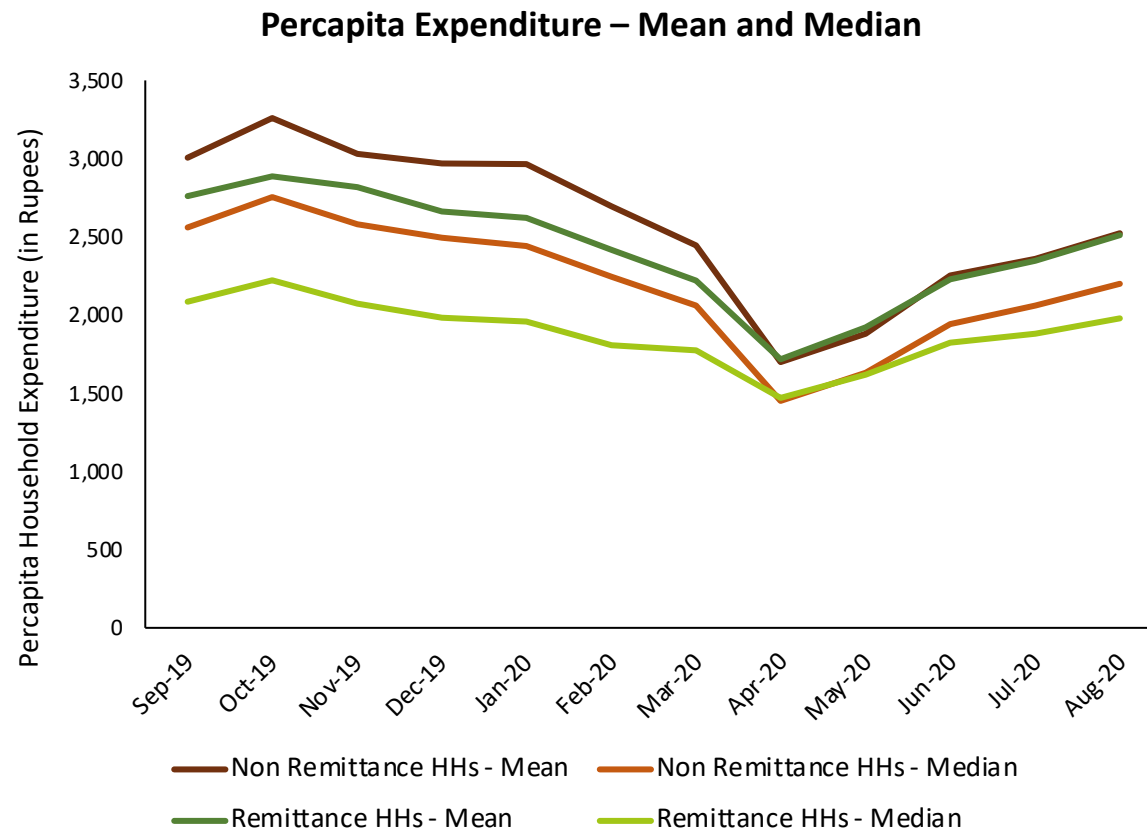


Remittance Households



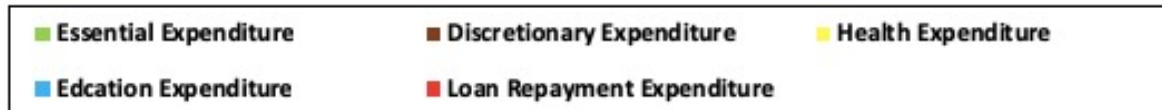
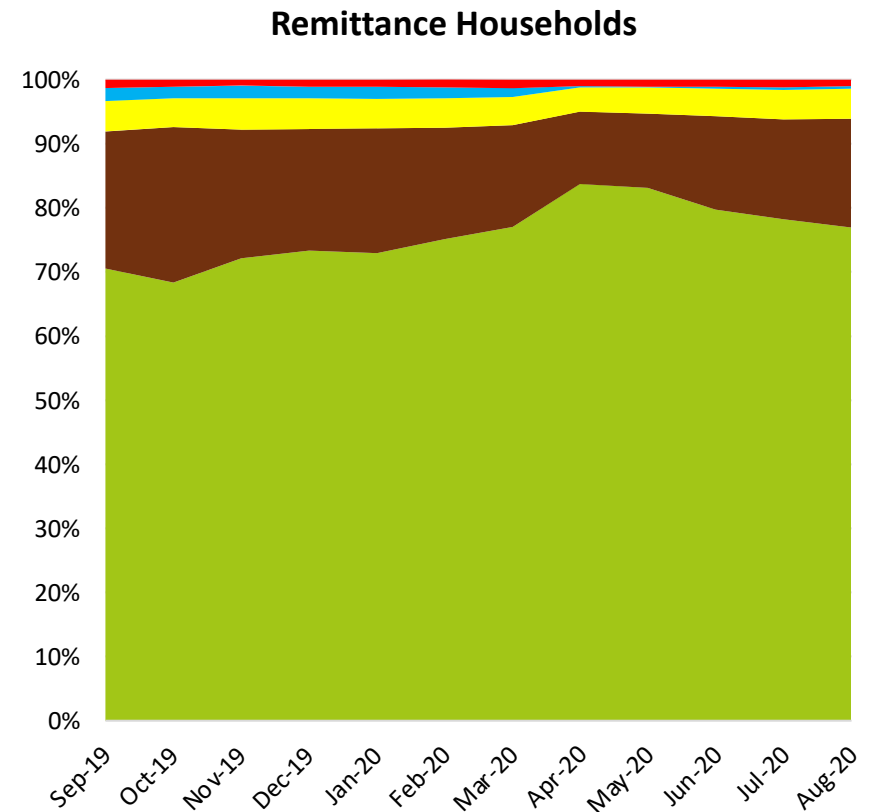
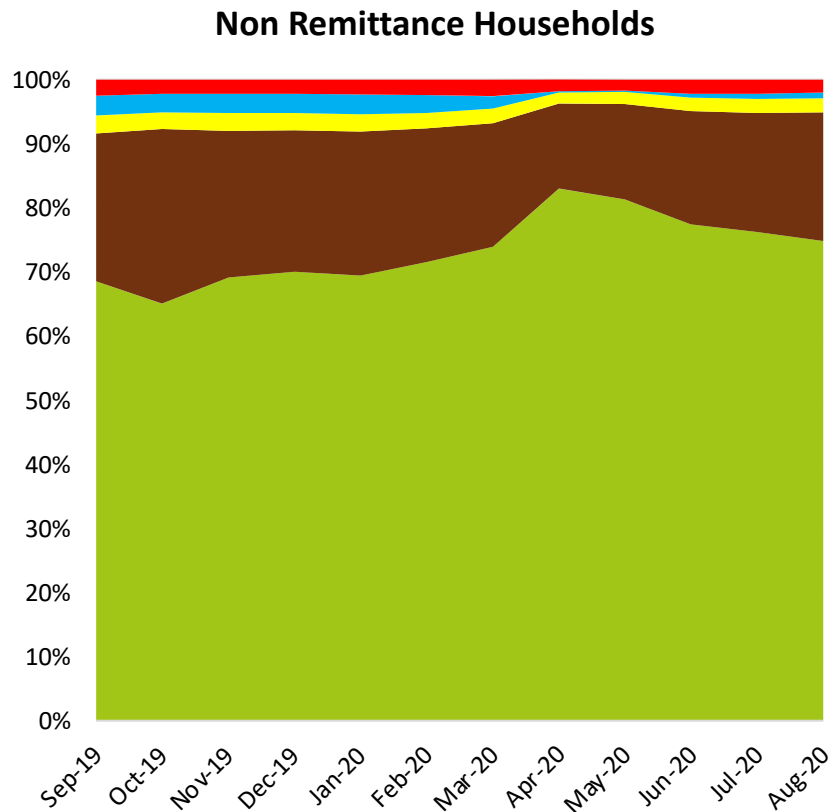
Percapita Expenditure

- Non-remittance households spent more than remittance households, but their expenditure took a heavier beating during the lockdown
- Among remittance households, expenditure of households with >60% dependence reduced the most (see Appendix I, slide 30)



Share of Expenditure Categories

- Not much difference in expenditure pattern was observed both between remittance and non-remittance households, and between the three categories of remittance households
- Both household groups spent marginally more on essentials during the COVID-19 lockdown



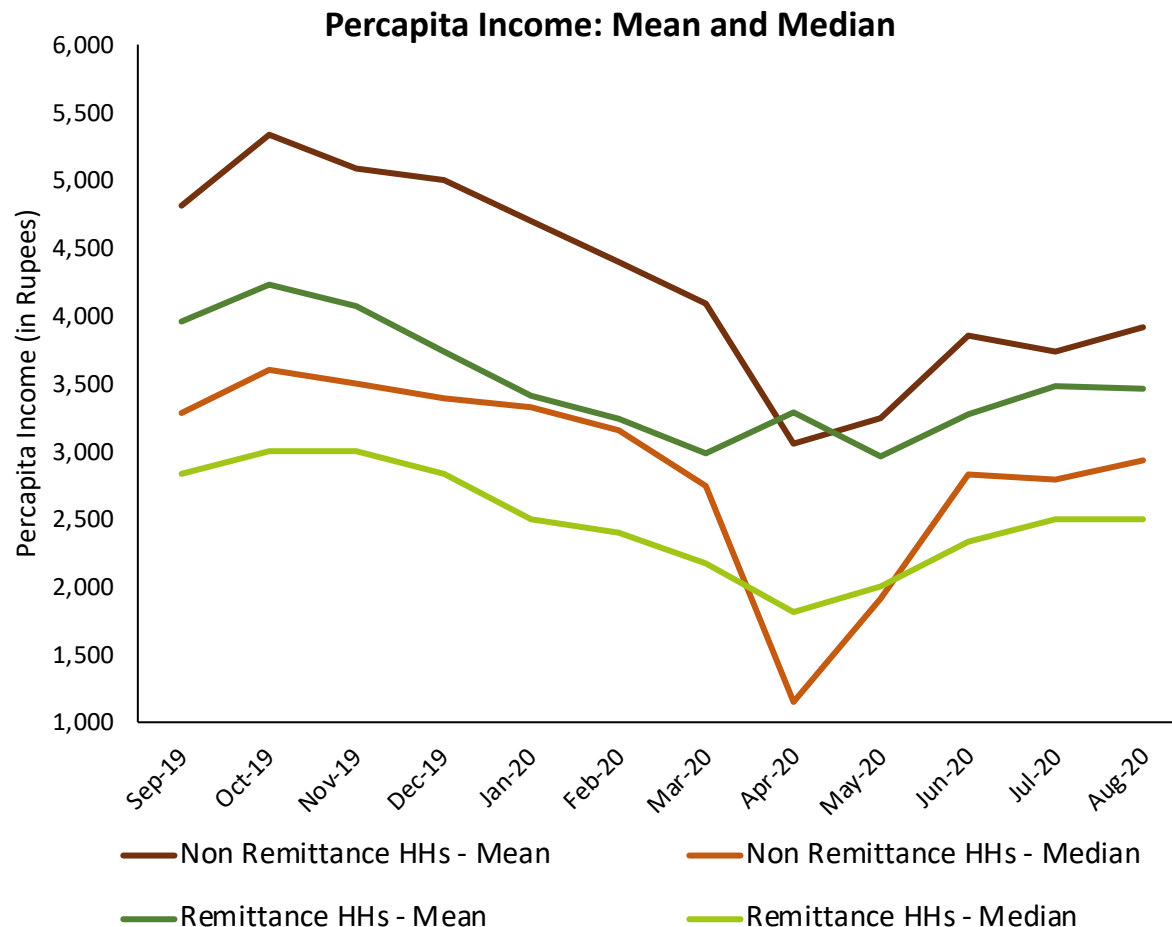
Few Numbers and Graphs from the Panel Analysis of Households

Panel Characteristics

Household Characteristics	Non Remittance Households	Remittance Households	Remittance <30% Households	Remittance 30-60% Households	Remittance >60% Households
Number of Households (unweighted)	40,706	2,233	293	448	1,492
Averaged Monthly Income (2019)	19,555	11,856	21,382	13,105	9,555
Averaged Monthly Expenditure (2019)	11,698	8,111	10,638	7,605	7,766
Percentage with outstanding loan (Feb 2020)	45.3%	31.8%	33.0%	28.3%	32.6%
Percentage with life insurance (Feb 2020)	44.9%	23.9%	40.7%	18.5%	22.3%

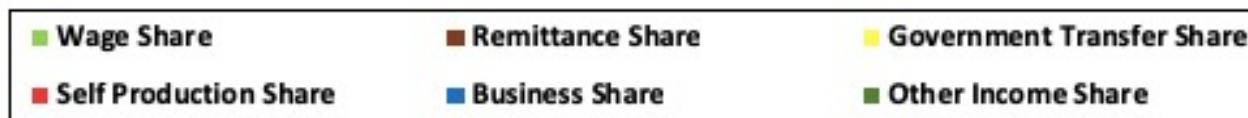
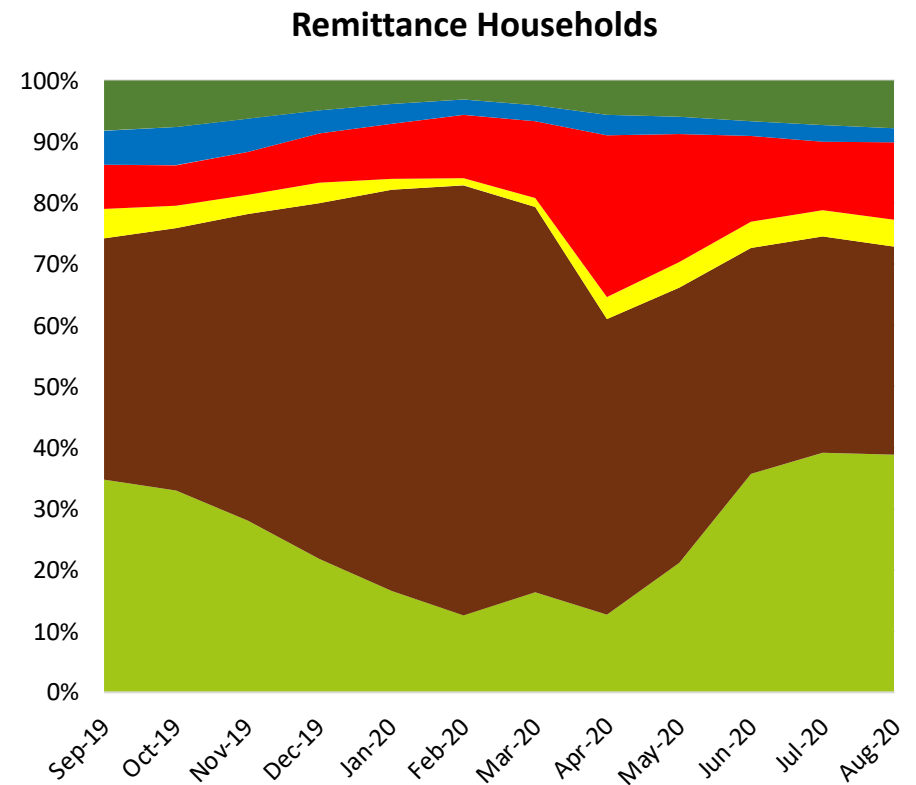
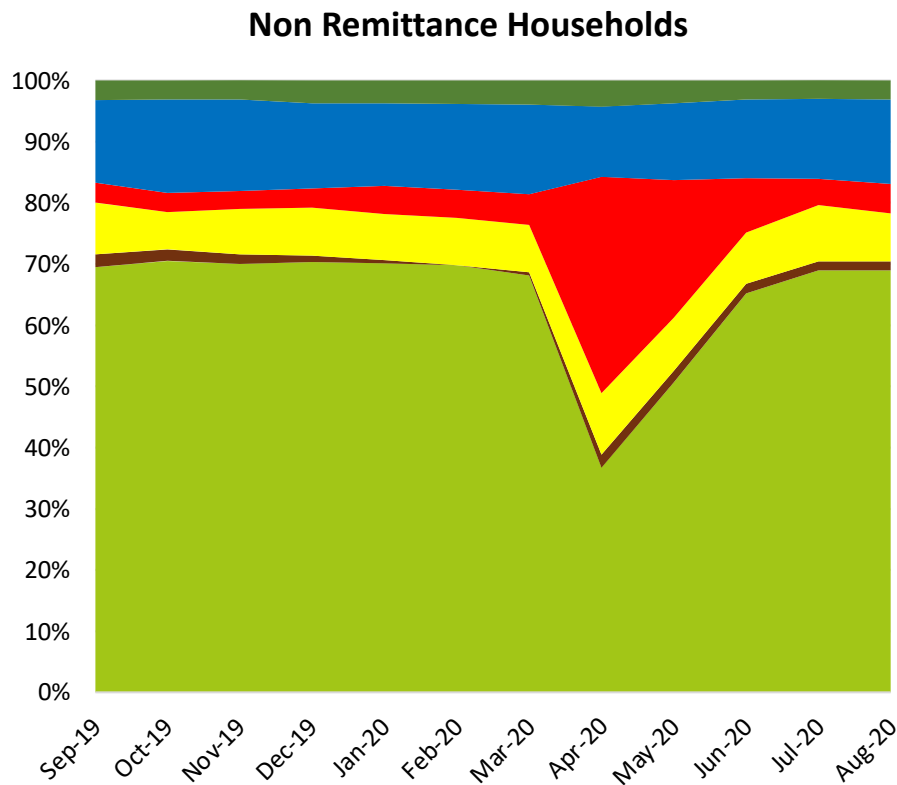
Per capita Income

- Income of non remittance households fell more steeply during COVID-19 lockdown, while that of remittance households remained more stable; even saw a slight rise in April 2020
- More a household's dependence on remittance, the less its income was affected during COVID-19 lockdown (see Appendix II – slide 34)



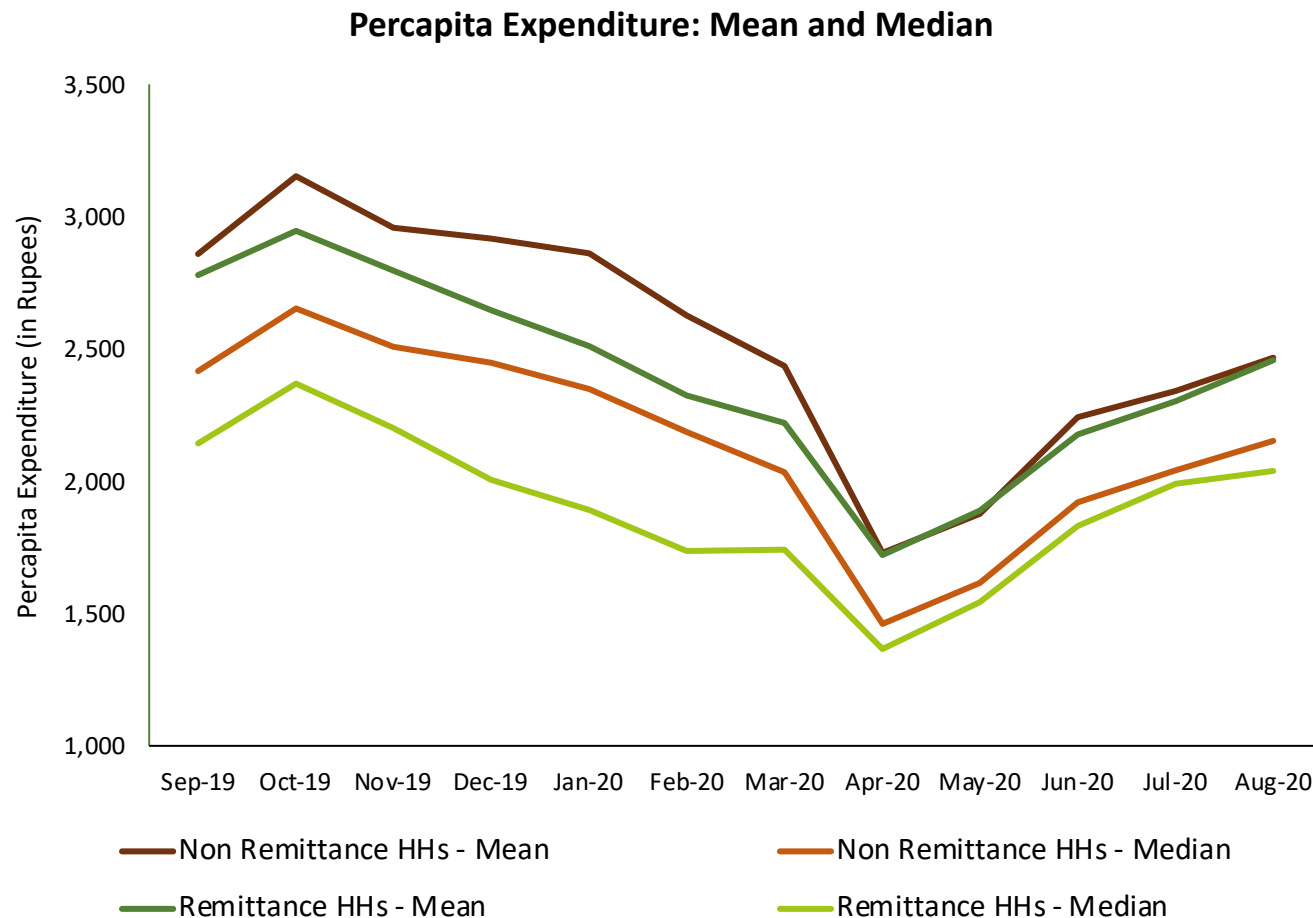
Share of Income Sources

- Share of self-production increased for both remittance and non-remittance households
- Share of remittance income decreased marginally post COVID-19 lockdown for remittance households



Percapita Expenditure

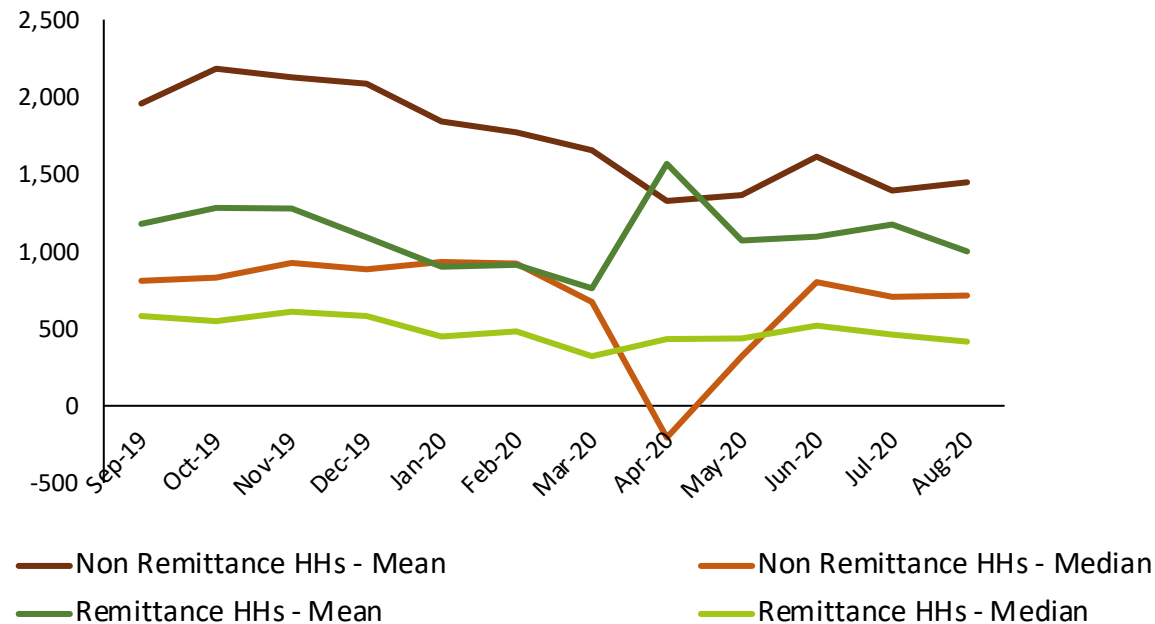
- Both remittance and non remittance households spent less during COVID-19 lockdown, but there was not much difference between their expenditure patterns
- More a household's dependence on remittance, less its expenditure was affected during COVID-19 lockdown (see Appendix II, slide 36)



Percapita Surplus

- Surplus of non remittance households was more volatile than remittance households, which even saw a slight rise during COVID-19 lockdown
- More a household's dependence on remittance, more stable was its surplus
- Share of households managing a surplus also remained more stable for remittance households, stability increased with household's dependence on remittance (see Appendix II, slide 38)

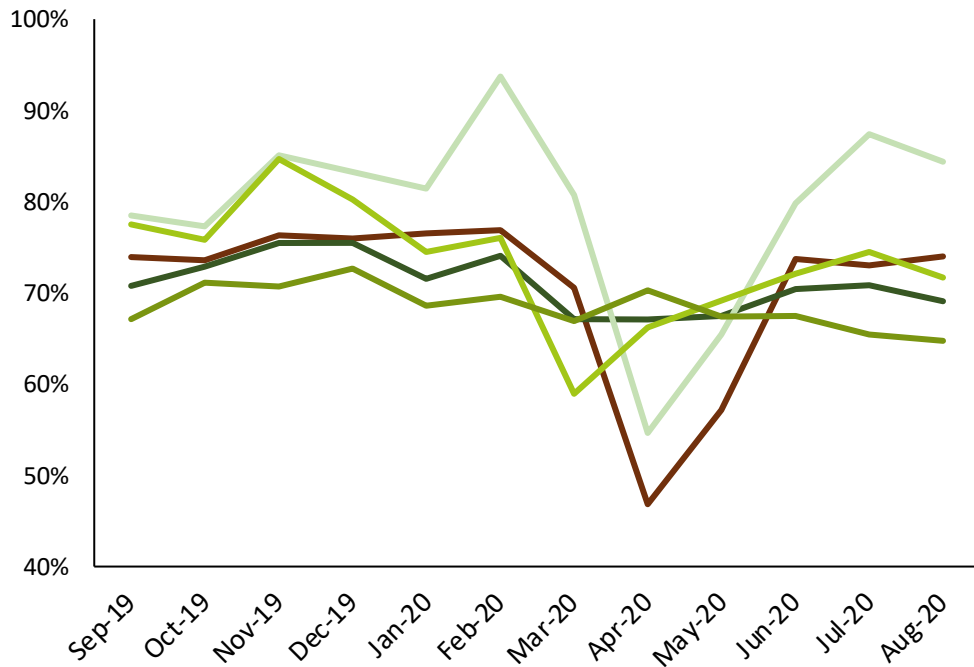
Mean and Median Percapita Surplus



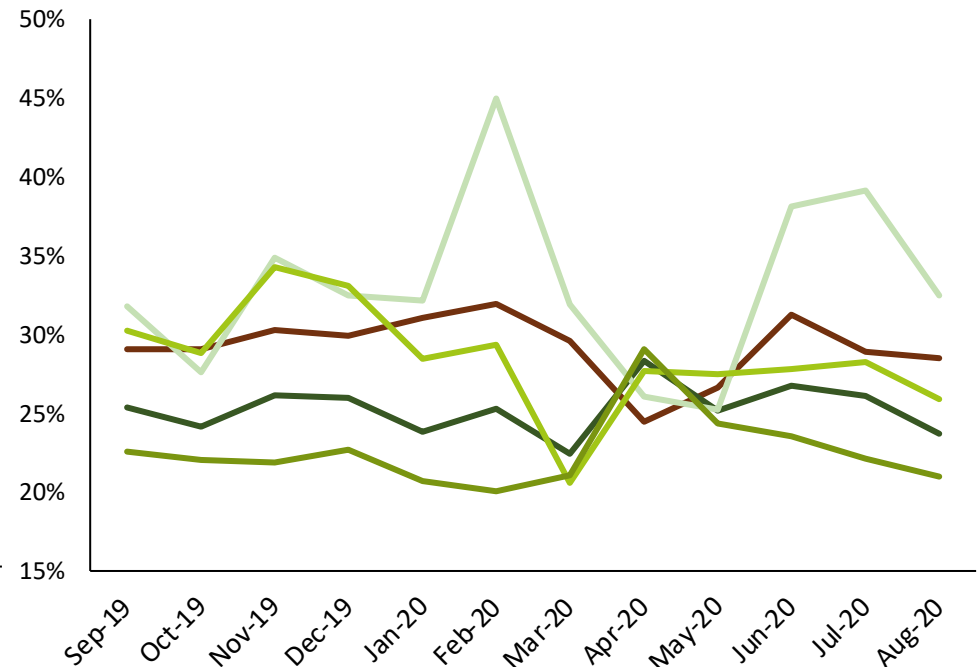
Surplus Rates and Share of Households Maintaining Surplus

- Share of households managing a surplus was also stable for remittance households, stability increasing with household's dependence on remittance
- Surplus rate also remained more stable in remittance households, stability being directly proportional to household's dependence on remittance

Percentage of Households Managing a Surplus



Surplus Rate



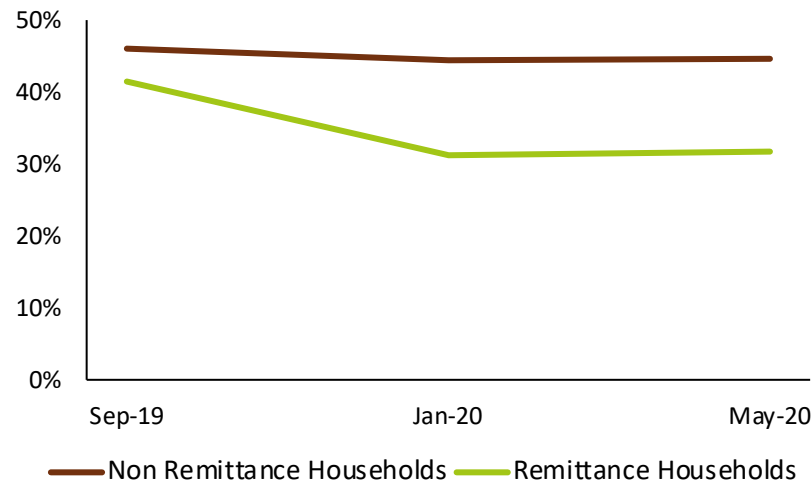
- Non Remittance Households
- All Remittance Households
- <30% Remittance Households
- 30-60% Remittance Households
- >60% Remittance Households

- Non Remittance Households
- All Remittance Households
- <30% Remittance Households
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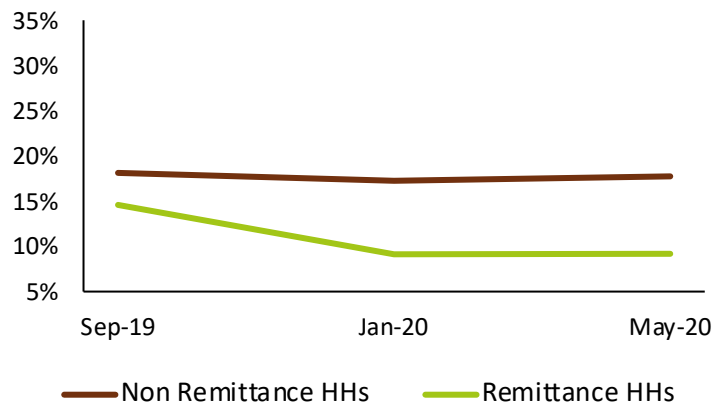
Borrowings

- A greater share of non-remittance households were indebted than remittance households
- Share of indebted households—both from formal and informal sources— reduced for remittance households during COVID-19, while it stayed the same for non-remittance households

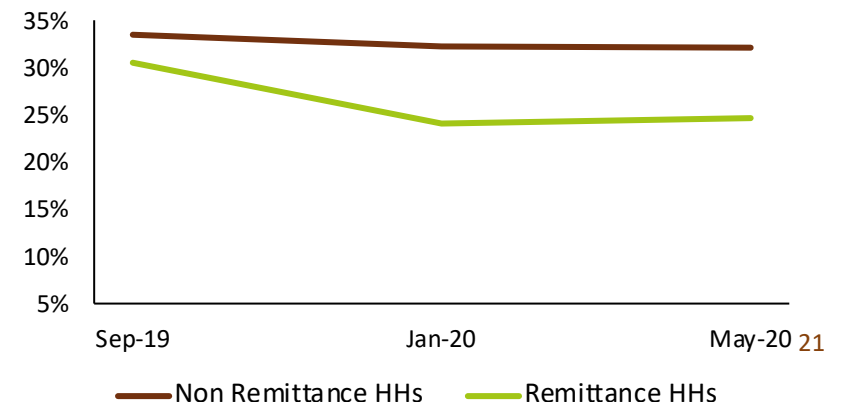
Households with Outstanding Loans



From Formal Sources

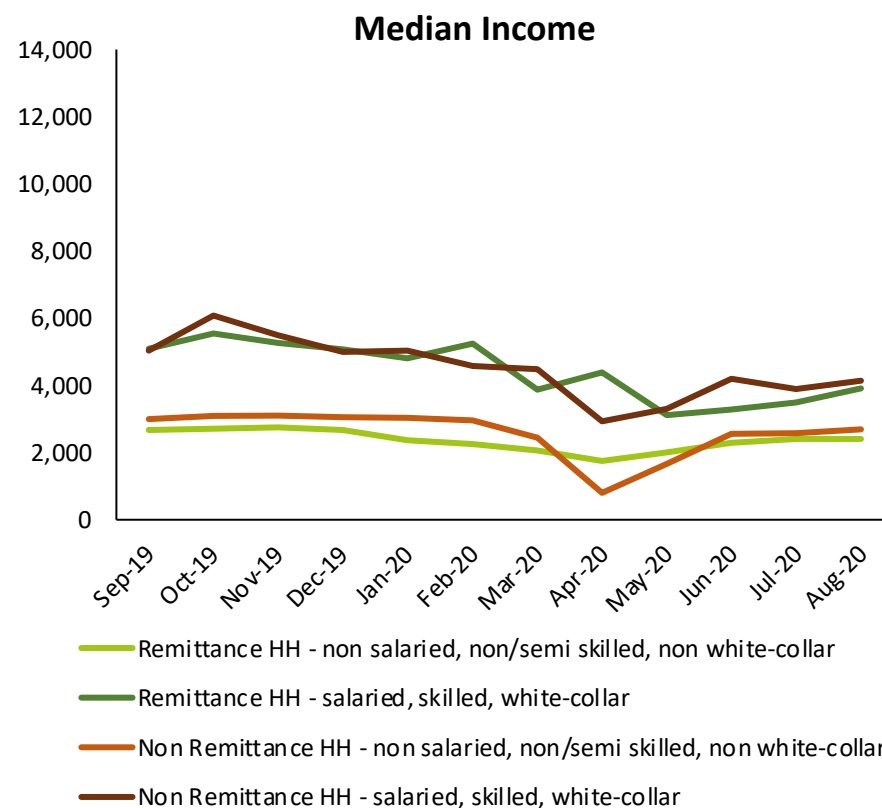
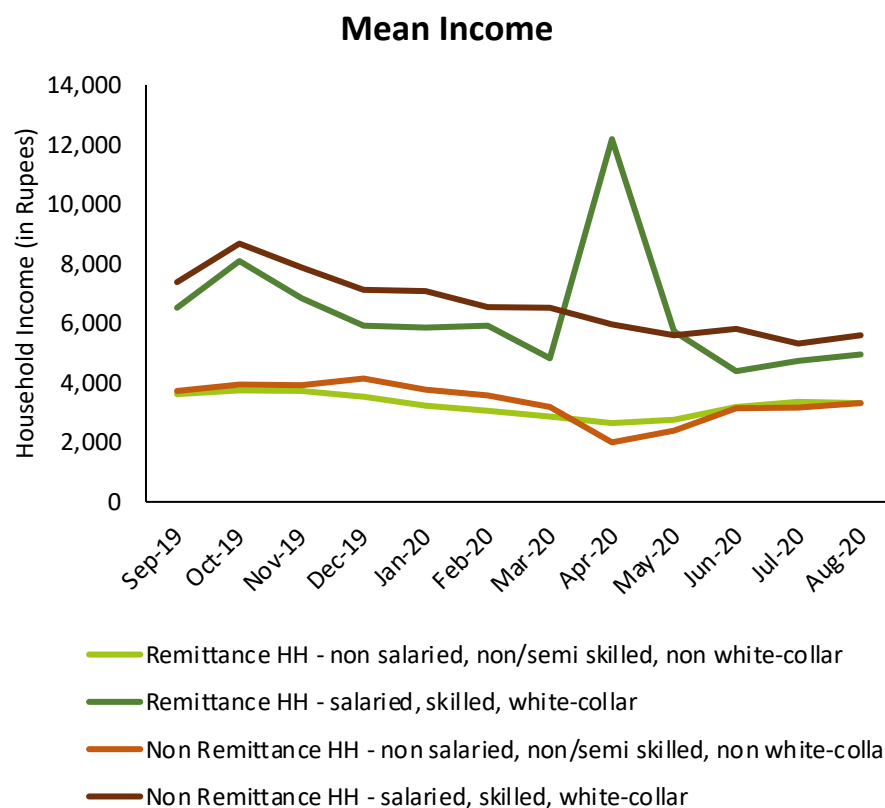


From Informal Sources



Household Income by Remittance and Occupation Type

- Remittance households in skilled, salaried, white-collar occupations earned more during COVID-19 lockdown while non-remittance households saw a dip in income
- Remittance along with relatively secure jobs seems to have acted as a double-cushion



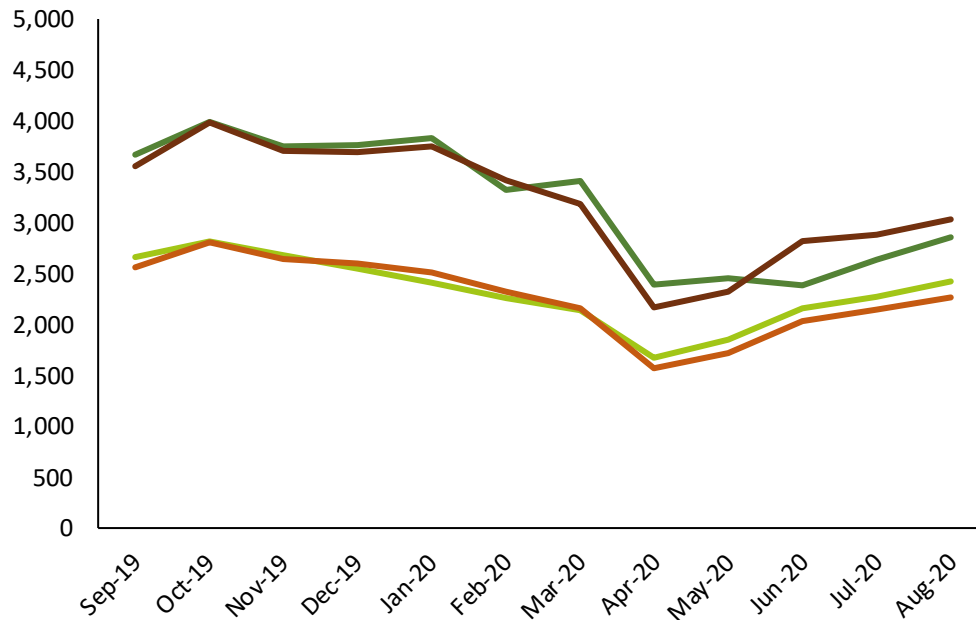
Salaried, skilled, White-collar: salaried employees and businesspersons, entrepreneurs, legislators/social workers/activists, managers/supervisors, non-industrial technical employees, organized farmers, wage labourers, white-collar clerical employees, white-collar professional employees, qualified self-employed professionals

Non salaried, non/semi-skilled, non white-collar: agricultural labourers, home-based workers, industrial workers, retired/aged, self-employed entrepreneurs, small traders/hawkers, small/marginal farmers, support staff

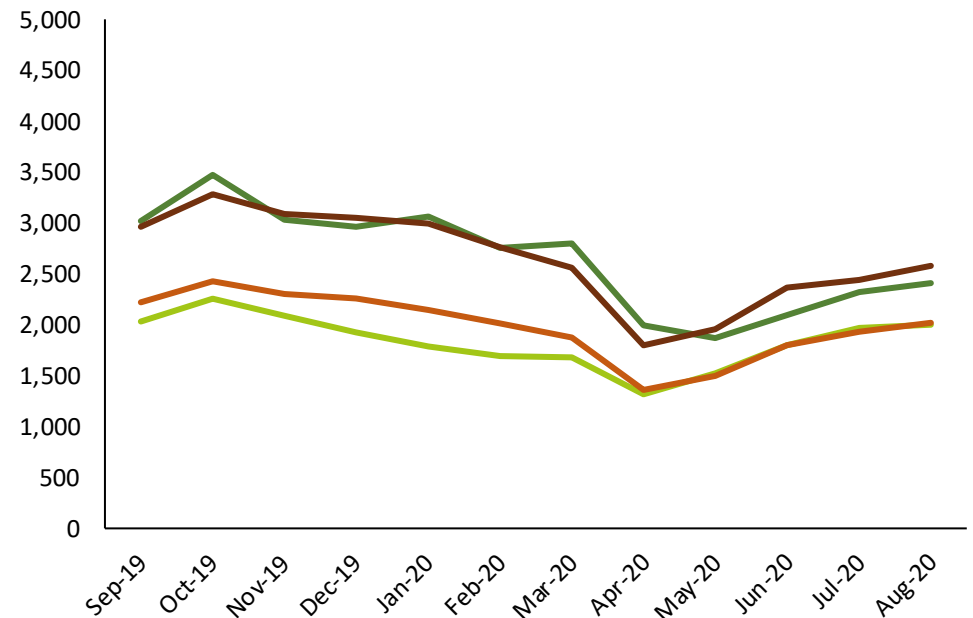
Household Expenditure by Remittance and Occupation Type

- Households involved in non-salaried / non white-collar occupations spent lesser than households in salaried / white-collar occupations

Mean Expenditure



Median Expenditure



- Remittance HH - non salaried, non/semi skilled, non white-collar
- Remittance HH - salaried, skilled, white-collar
- Non Remittance HH - non salaried, non/semi skilled, non white-collar
- Non Remittance HH - salaried, skilled, white-collar

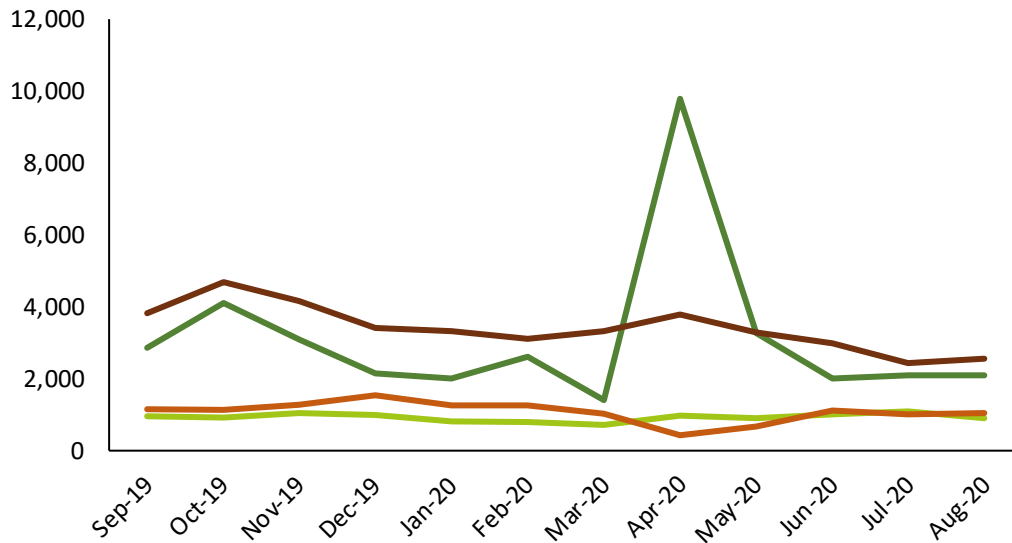
- Remittance HH - non salaried, non/semi skilled, non white-collar
- Remittance HH - salaried, skilled, white-collar
- Non Remittance HH - non salaried, non/semi skilled, non white-collar
- Non Remittance HH - salaried, skilled, white-collar



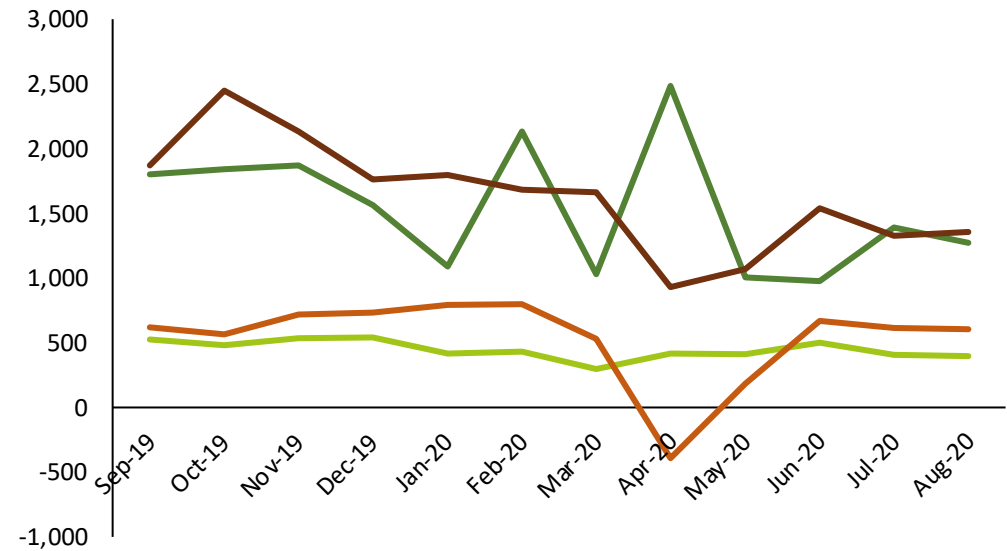
Household Surplus: by Remittance and Occupation Type

- Households receiving remittances and involved in salaried / white-collar occupations saved more during COVID-19 lockdown, while savings of households not receiving remittances and working in non-salaried / non white-collar occupations were affected

Mean Surplus



Median Surplus



- Remittance HH - non salaried, non/semi skilled, non white-collar
- Remittance HH - salaried, skilled, white-collar
- Non Remittance HH - non salaried, non/semi skilled, non white-collar
- Non Remittance HH - salaried, skilled, white-collar

- Remittance HH - non salaried, non/semi skilled, non white-collar
- Remittance HH - salaried, skilled, white-collar
- Non Remittance HH - non salaried, non/semi skilled, non white-collar
- Non Remittance HH - salaried, skilled, white-collar



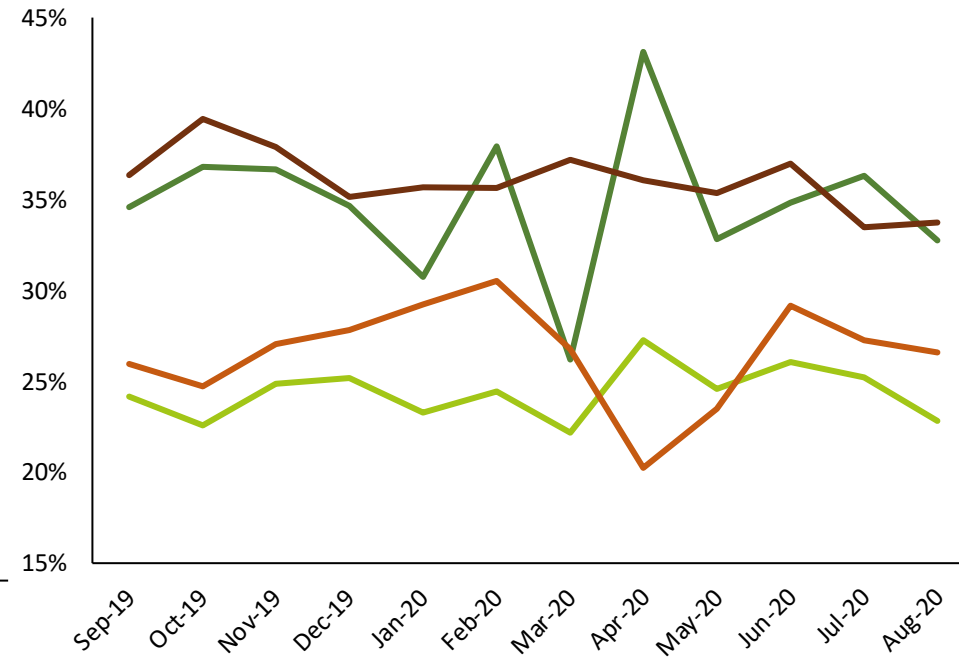
Surplus Rates and Share of Households Maintaining a Surplus: By Remittance and Occupation Type

- Non-remittance households involved in non-salaried, non/semi skilled, non white-collar occupations, were more affected
- Households relying on remittance or having relatively secure jobs were able to manage better in terms of managing surpluses

Positive Surplus Households



Surplus Rate



- Remittance HH - non salaried, non/semi skilled, non white-collar
- Remittance HH - salaried, skilled, white-collar
- Non Remittance HH - non salaried, non/semi skilled, non white-collar
- Non Remittance HH - salaried, skilled, white-collar

- Remittance HH - non salaried, non/semi skilled, non white-collar
- Remittance HH - salaried, skilled, white-collar
- Non Remittance HH - non salaried, non/semi skilled, non white-collar
- Non Remittance HH - salaried, skilled, white-collar

Conclusion and Takeaways

- Remittance households had substantially lower incomes than non-remittance households
- Remittances were resilient in keeping incomes of remittance households stable during COVID-19 lockdown, in comparison to non-remittance households
- Expenditure patterns of both remittance and non-remittance households were similar, with marginal increase in essential spending and reduction in discretionary spending during COVID-19 lockdown
- Stability of income and surplus was directly proportional to dependence on remittance, with incomes of households with higher dependence on remittances being more stable than those which had lesser or no dependence on remittances
- Safe jobs were an added cushion: Remittance households involved in skilled, salaried or white-collar occupations were the least affected while non-remittance households involved in non-salaried, non/semi-skilled or non white-collar jobs were the most affected
- A larger share of non-remittance households were indebted than remittance households
- Share of indebted households reduced for remittance households and remained same for non-remittance households during COVID-19 lockdown

References

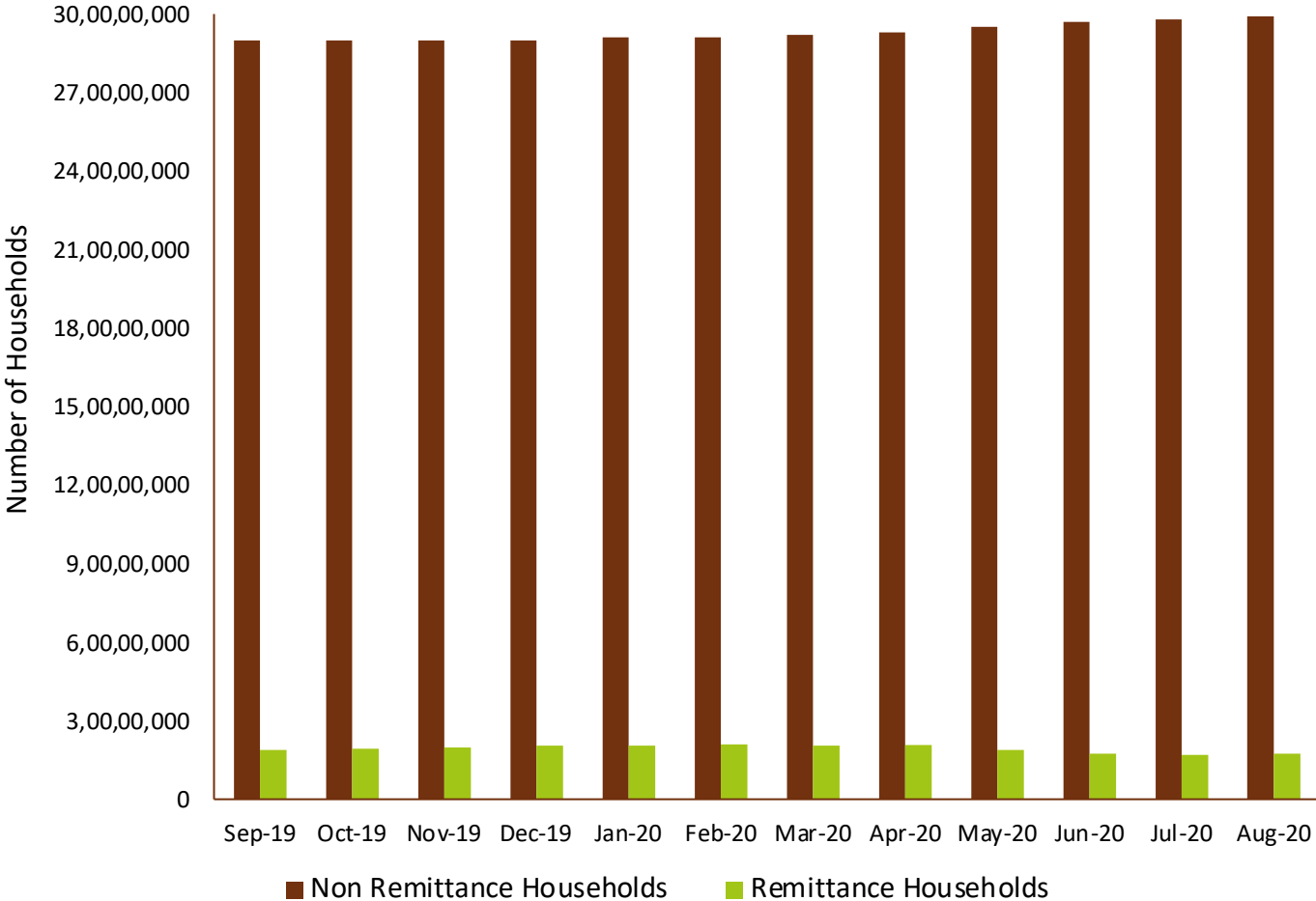
Shukla, S. (2021, April 14). *Impact of COVID-19 curbs, reverse migration: Remittances fall up to 10% in 2 weeks* Read more at: https://economictimes.indiatimes.com/news/economy/finance/remittances-fall-up-to-10-in-2-wks/articleshow/82057669.cms?utm_source=contentofinterest&utm_medium. Retrieved from The Economic Times: <https://economictimes.indiatimes.com/news/economy/finance/remittances-fall-up-to-10-in-2-wks/articleshow/82057669.cms?from=mdr>

World Bank Group. (2020). *Migration and Development Brief 33*. The Global Knowledge Partnership on Migration and Development. <https://www.knomad.org/publication/migration-and-development-brief-33>

Appendix 1: Preliminary Analysis Tables

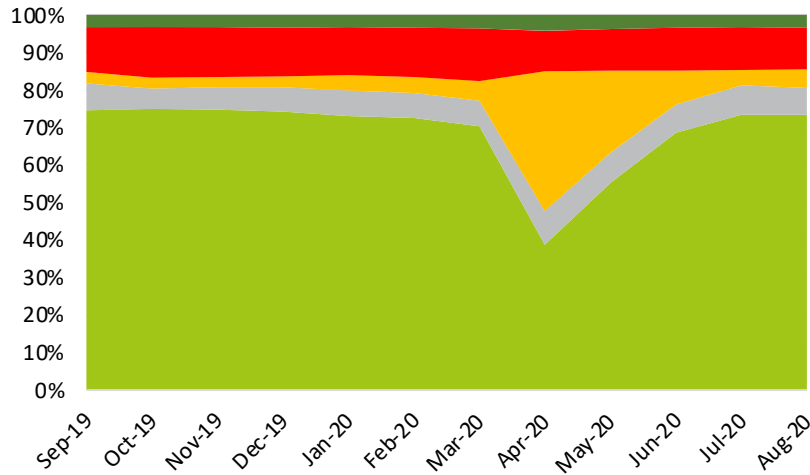
Number of Remittance Recipient and Non-Recipient Households

Month-on-month: Number of households receiving vs not receiving remittance

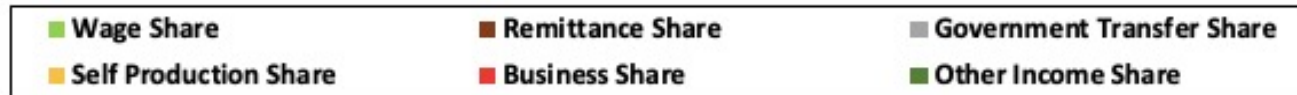
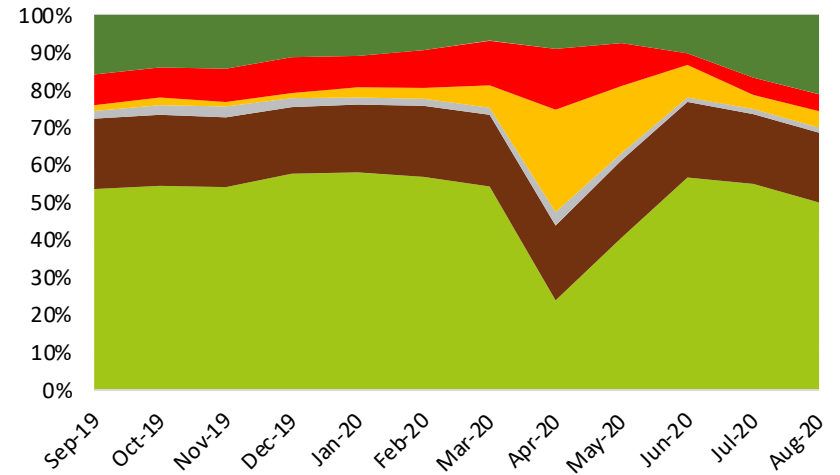


Share of Income Sources

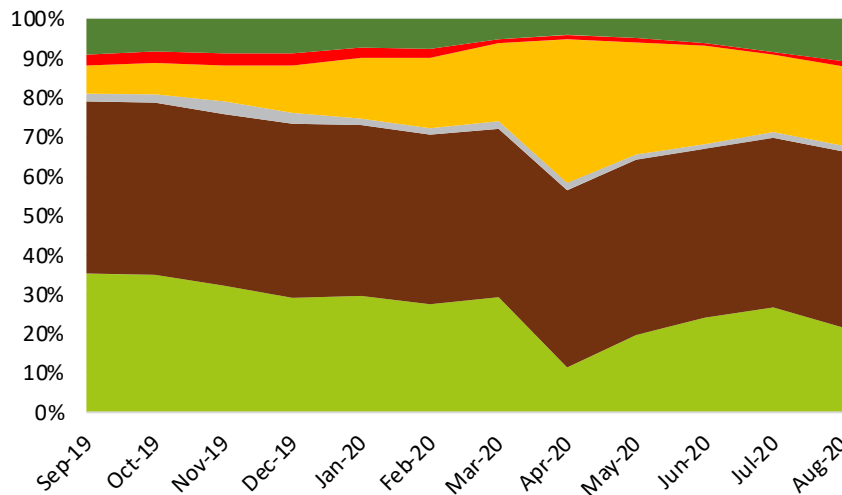
Non Remittance Households



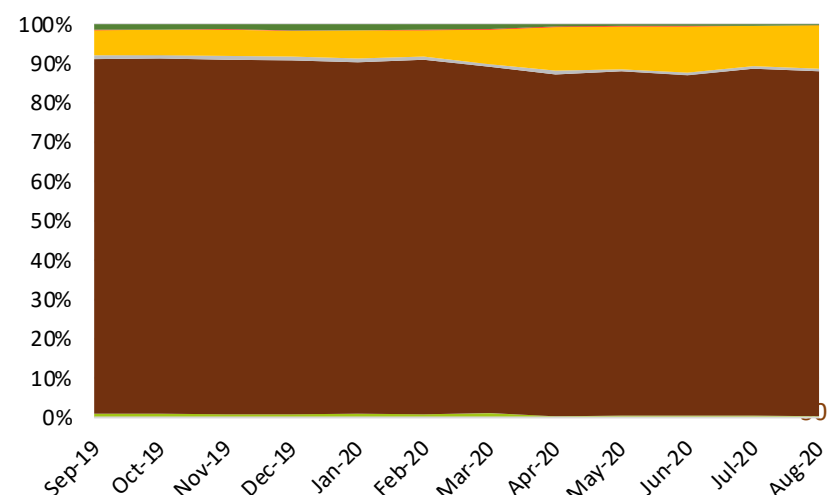
Remittance 0-30% Dependent Households



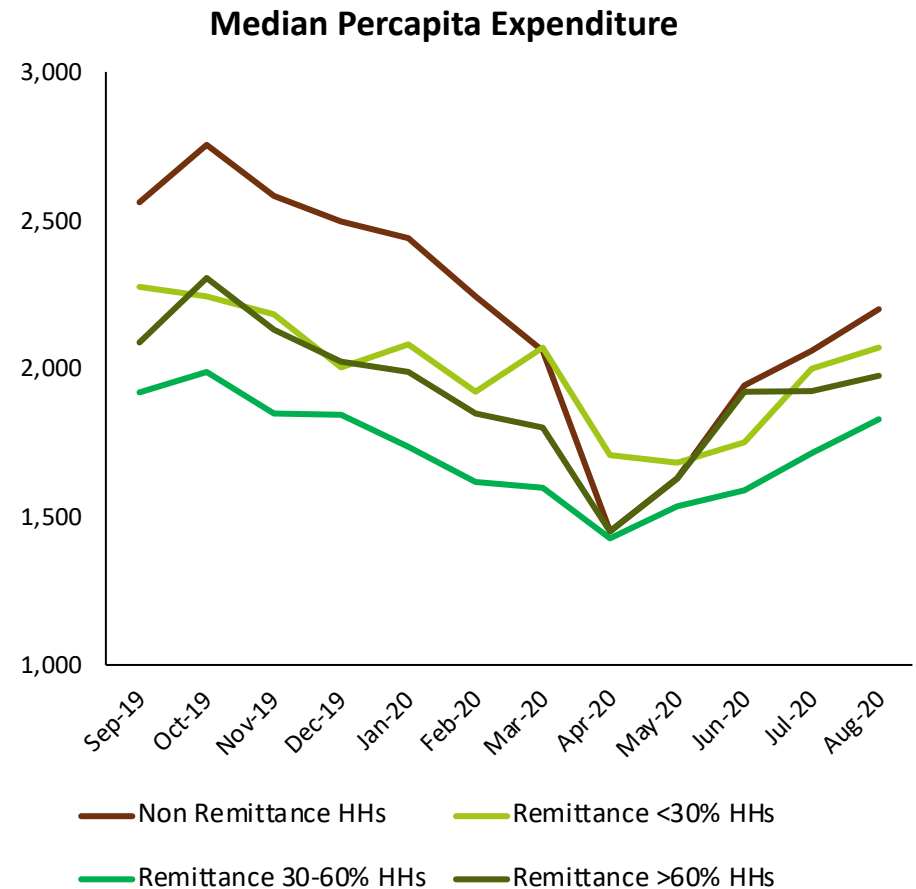
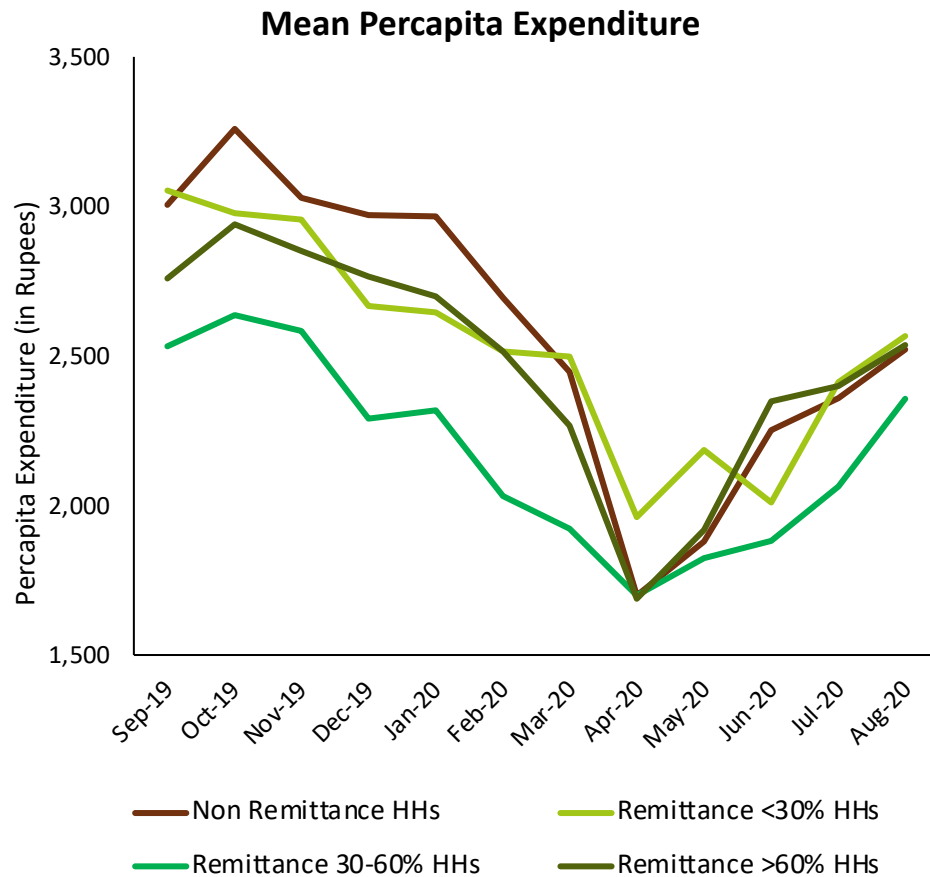
Remittance 30-60% Dependent Households



Remittance >60% Dependent Households

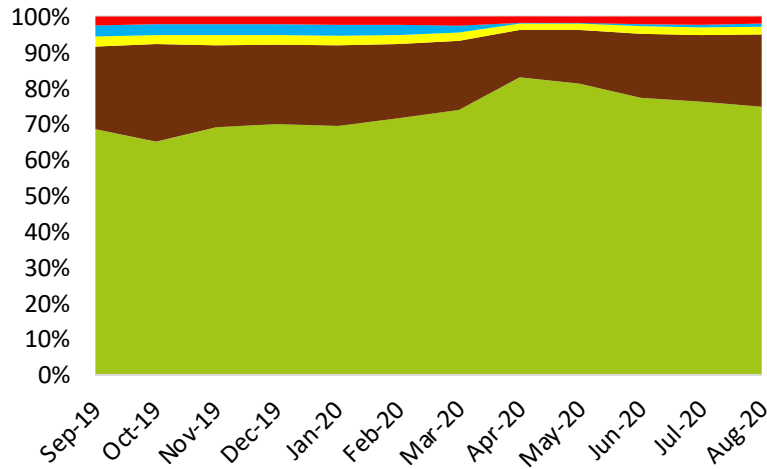


Percapita Expenditure

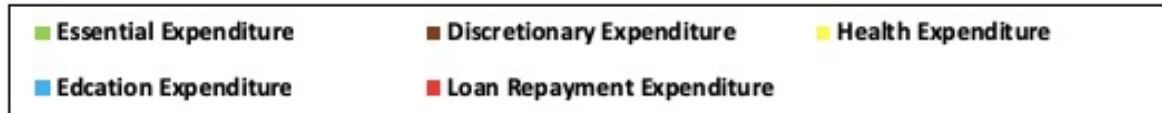
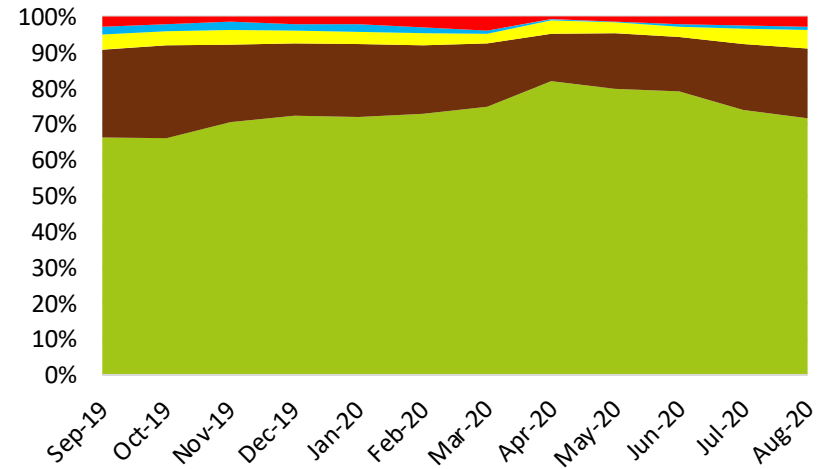


Share of Expenditure Categories

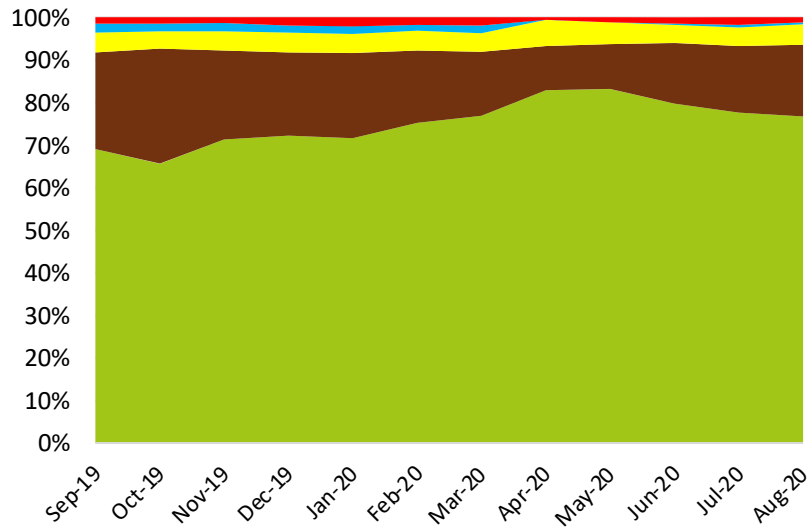
Non Remittance Households



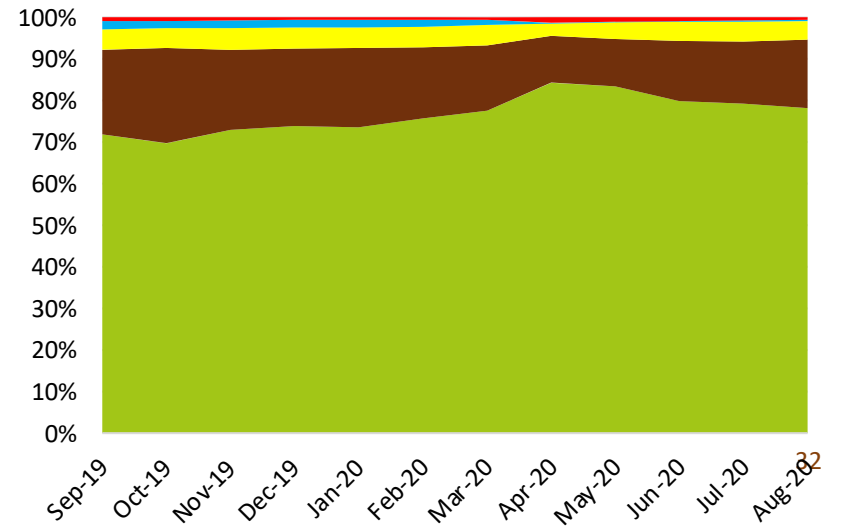
Remittance <30% Households



Remittance 30-60% Households



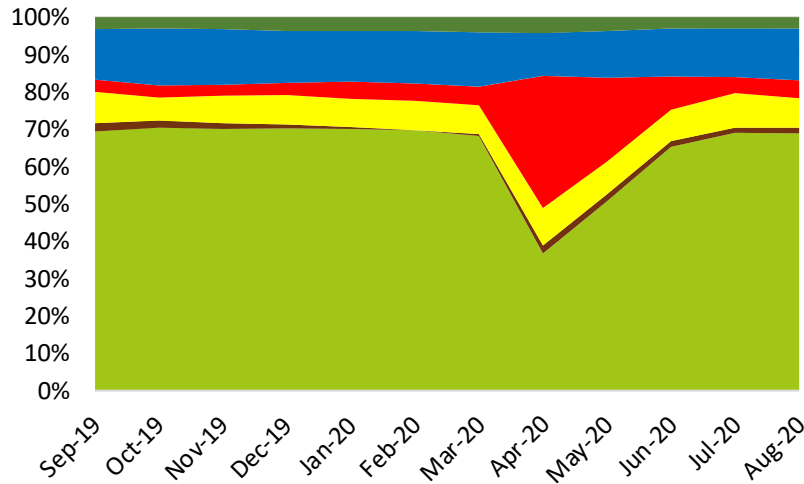
Remittance >60% Households



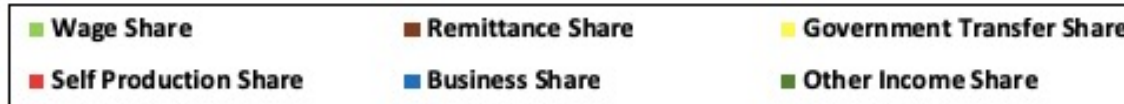
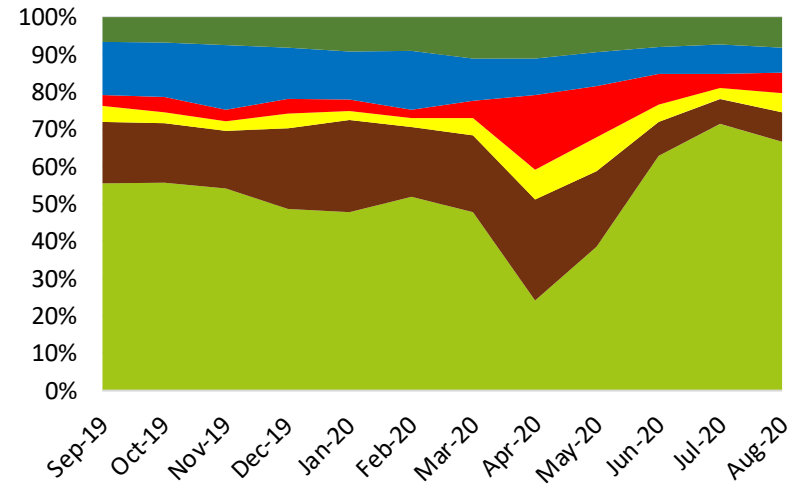
Appendix 2: Panel Analysis Tables

Share of Income Sources

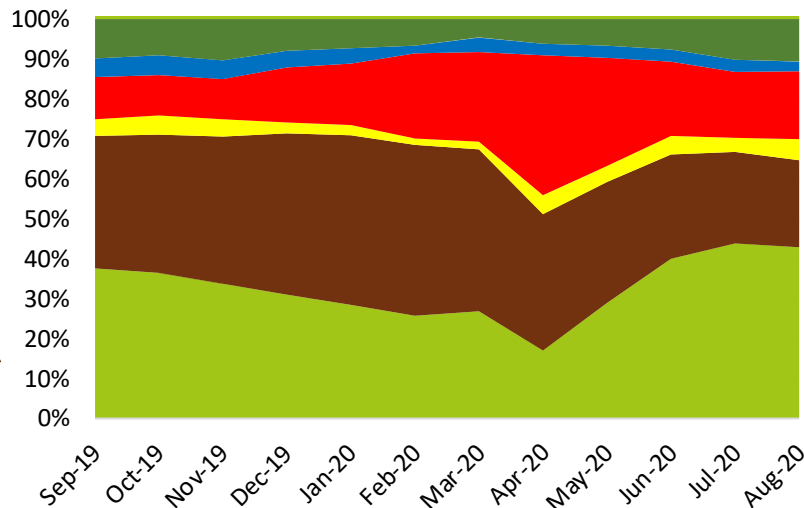
Non Remittance Households



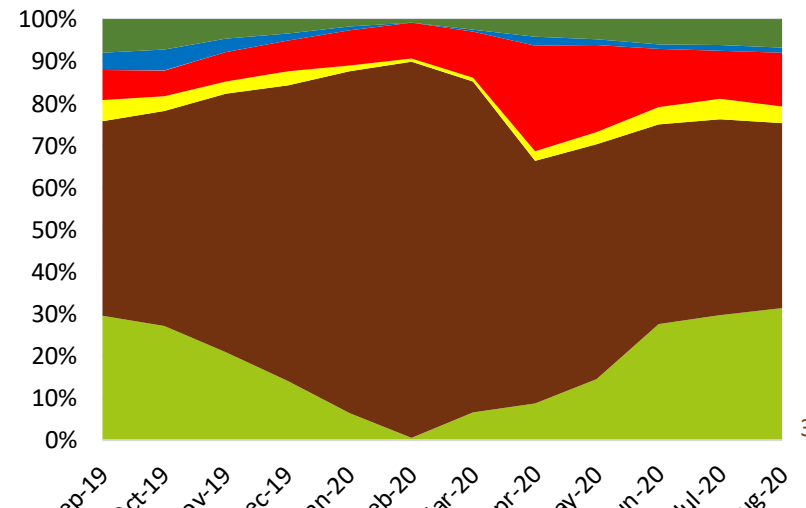
Remittance <30% Households



Remittance 30-60% Households

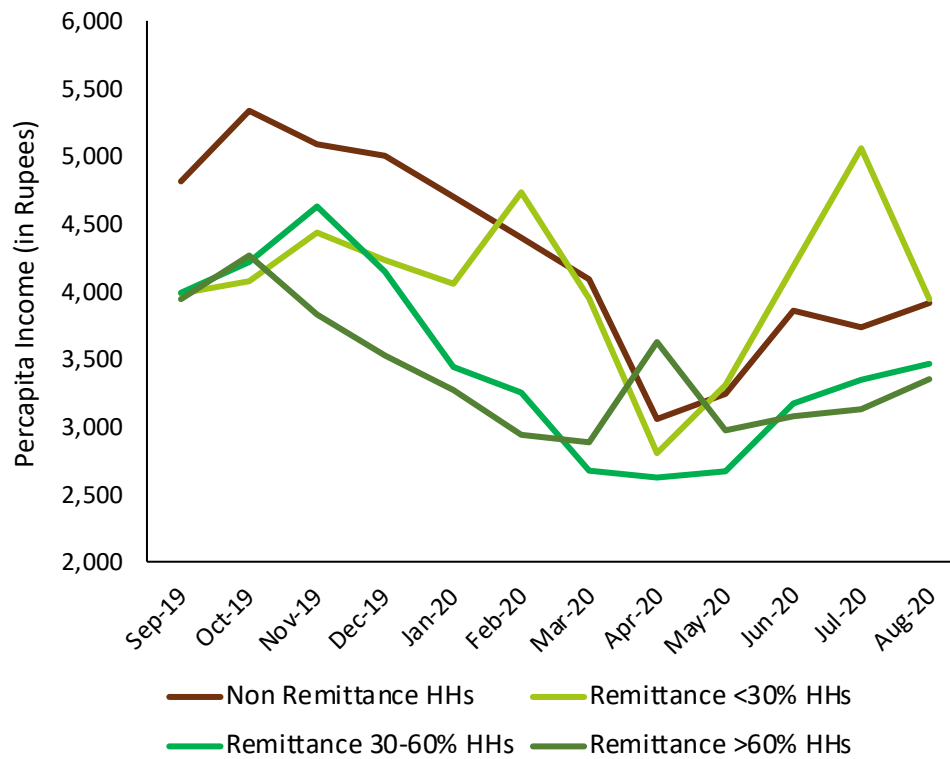


Remittance >60% Households

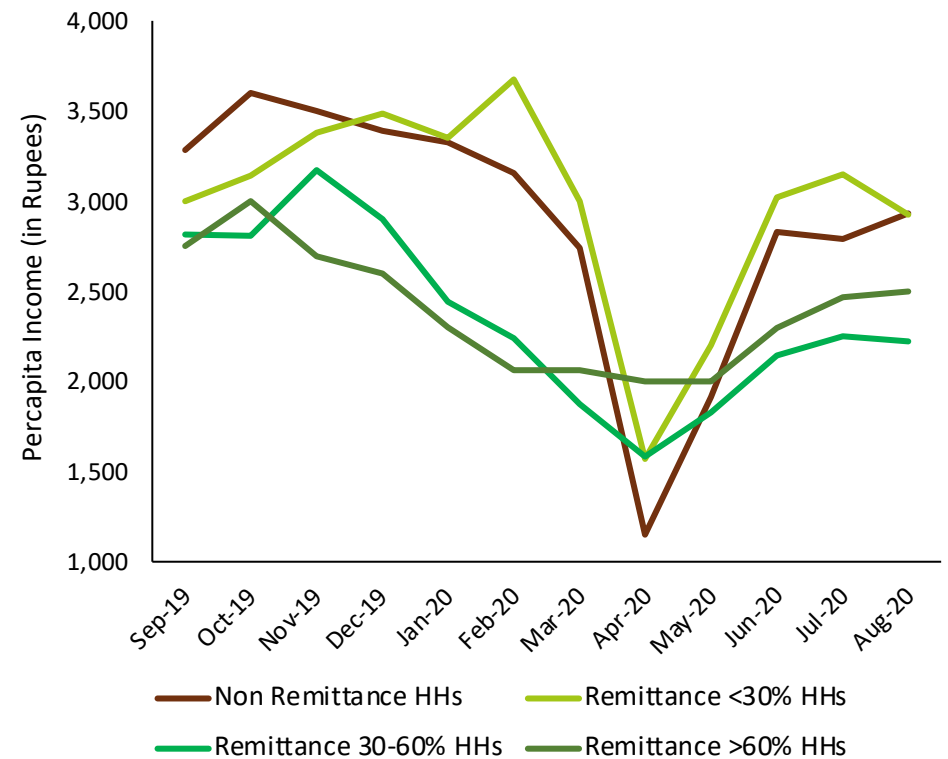


Percapita Income

Mean Percapita Income

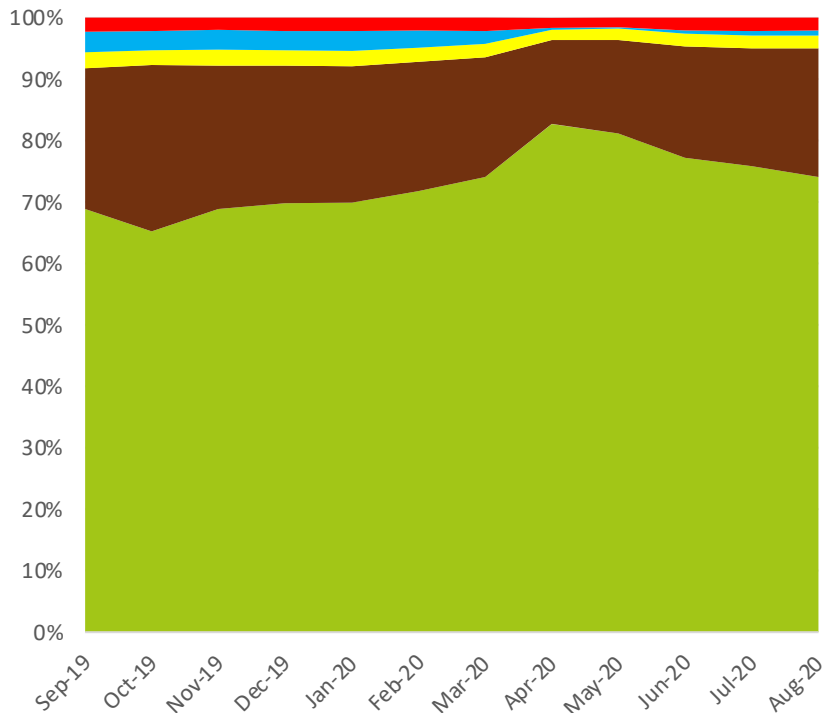


Median Percapita Income

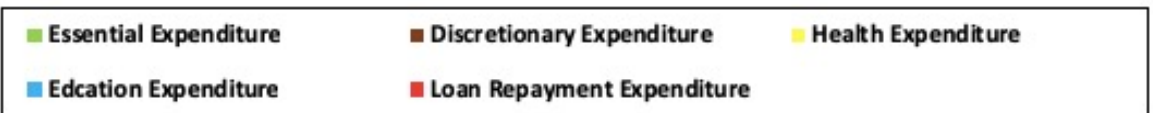
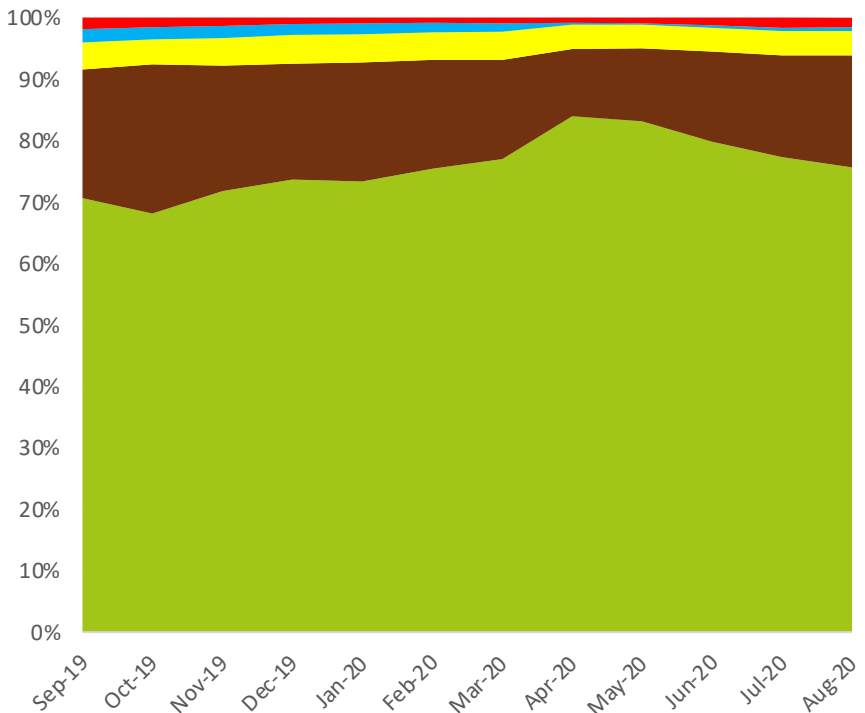


Share of Expenditure Categories

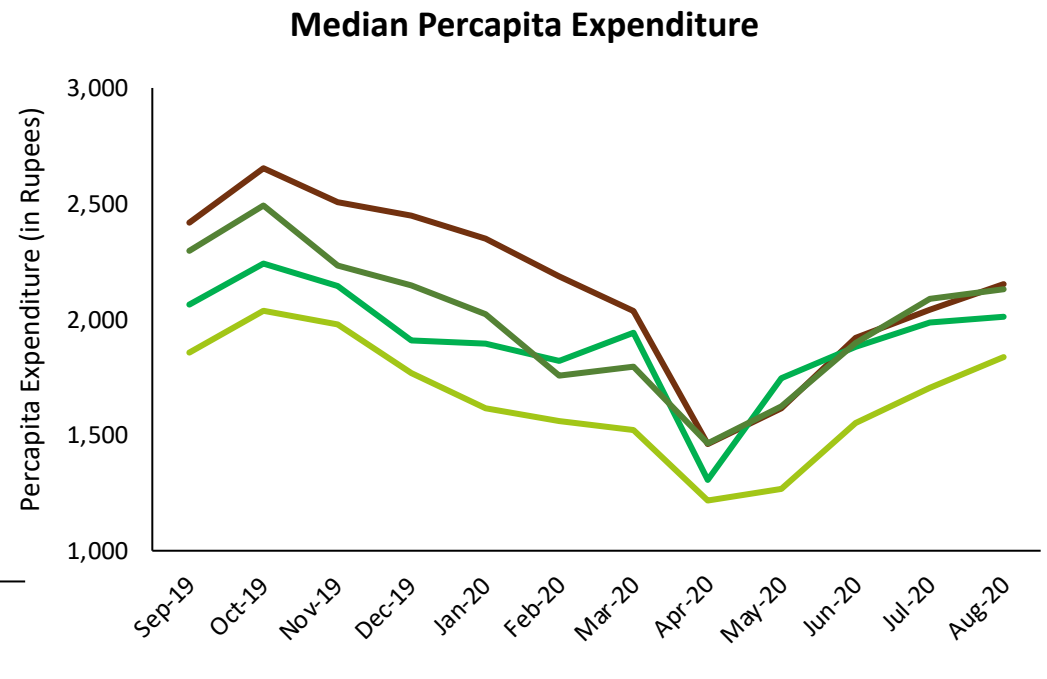
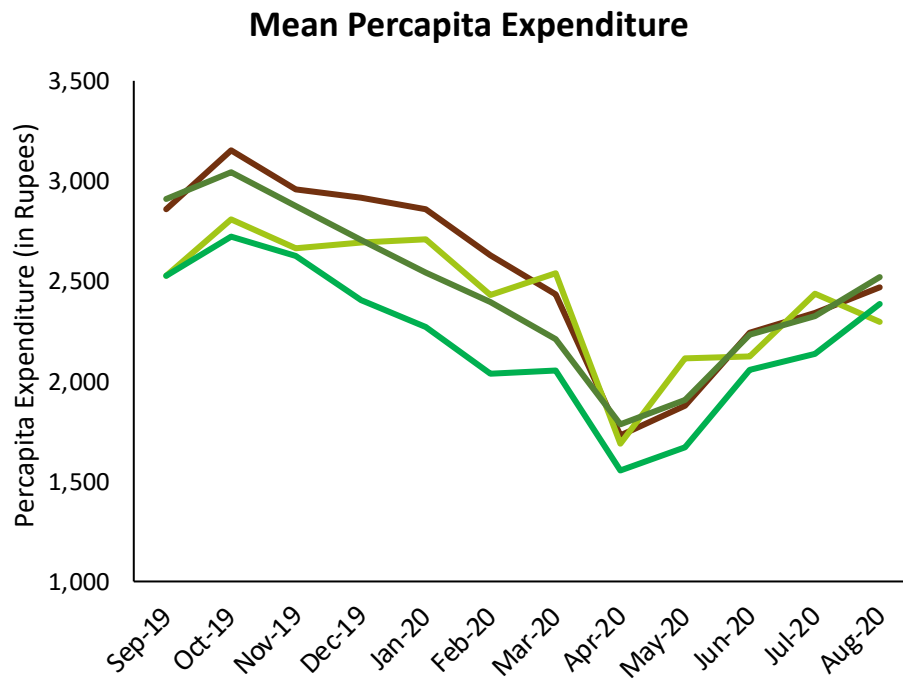
Non Remittance Households



Remittance Households



Percapita Expenditure

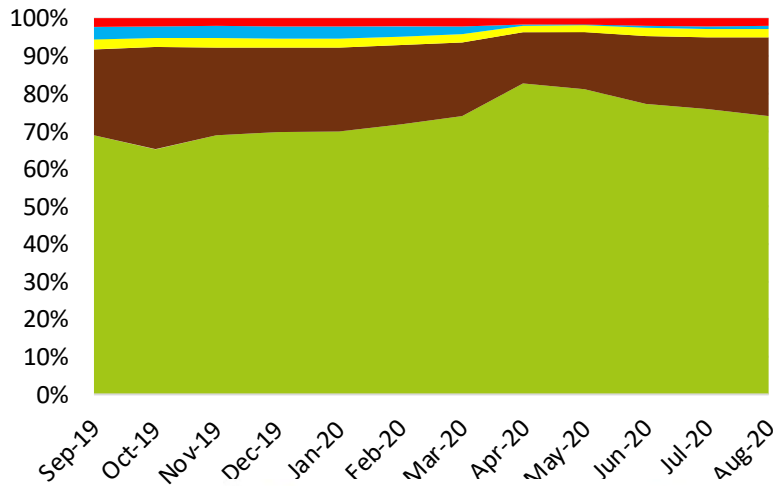


- Non Remittance HHs
- Remittance <30% HHs
- Remittance 30-60% HHs
- Remittance >60% HHs

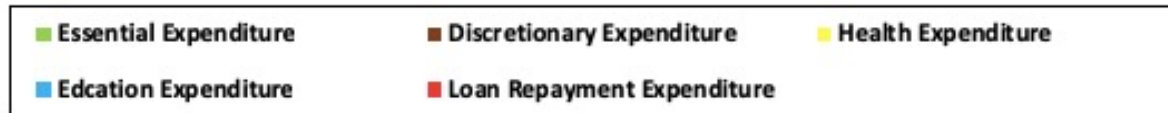
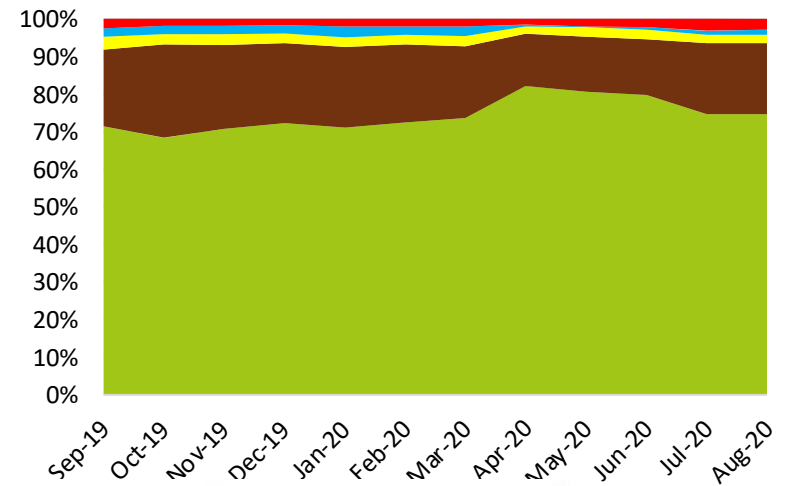
- Non Remittance HHs
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Share of Expenditure Categories

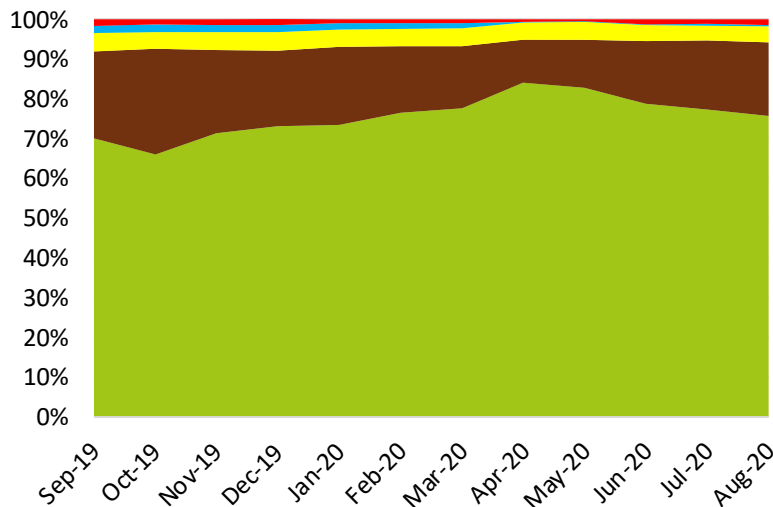
Non Remittance Households



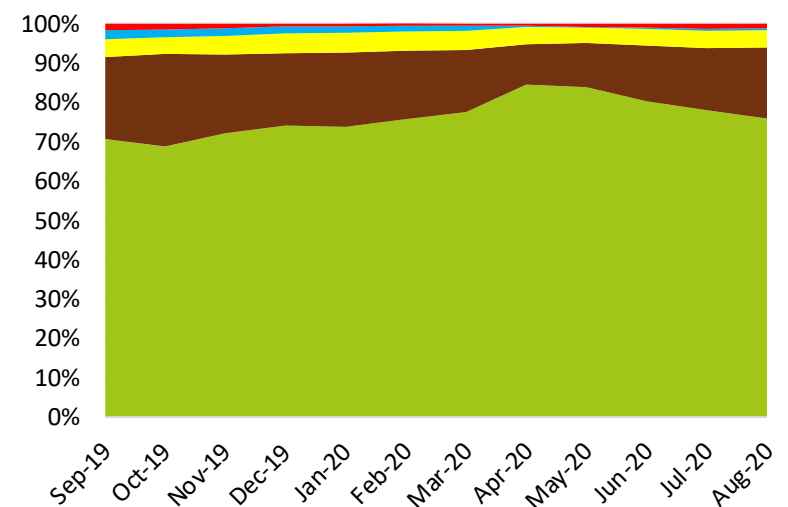
Remittance <30% Households



Remittance 30-60% Households

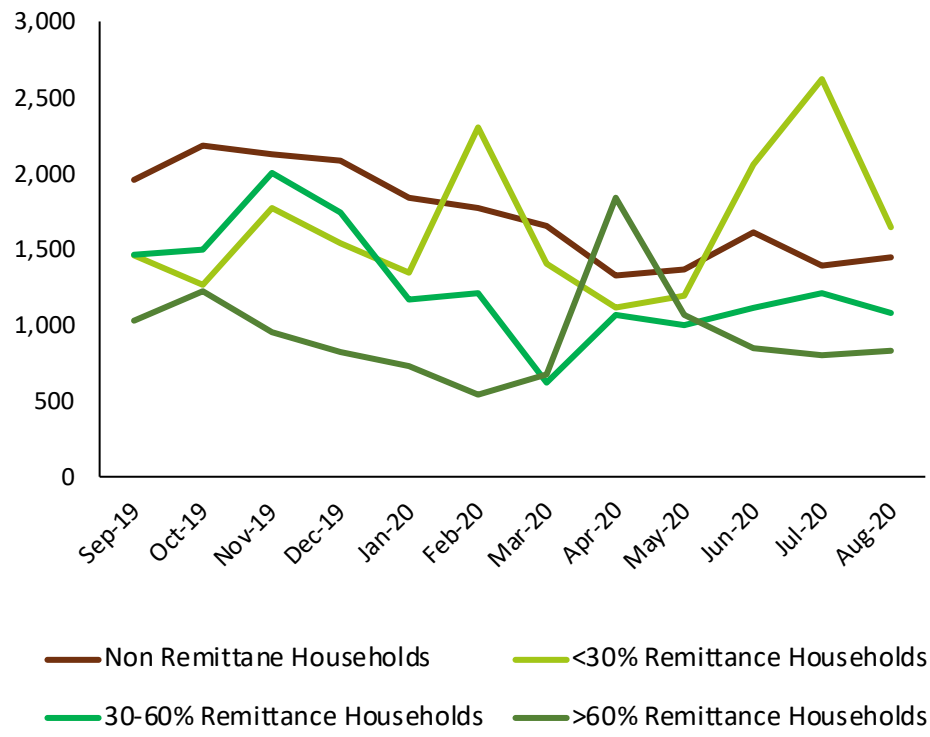


Remittance >60% Households

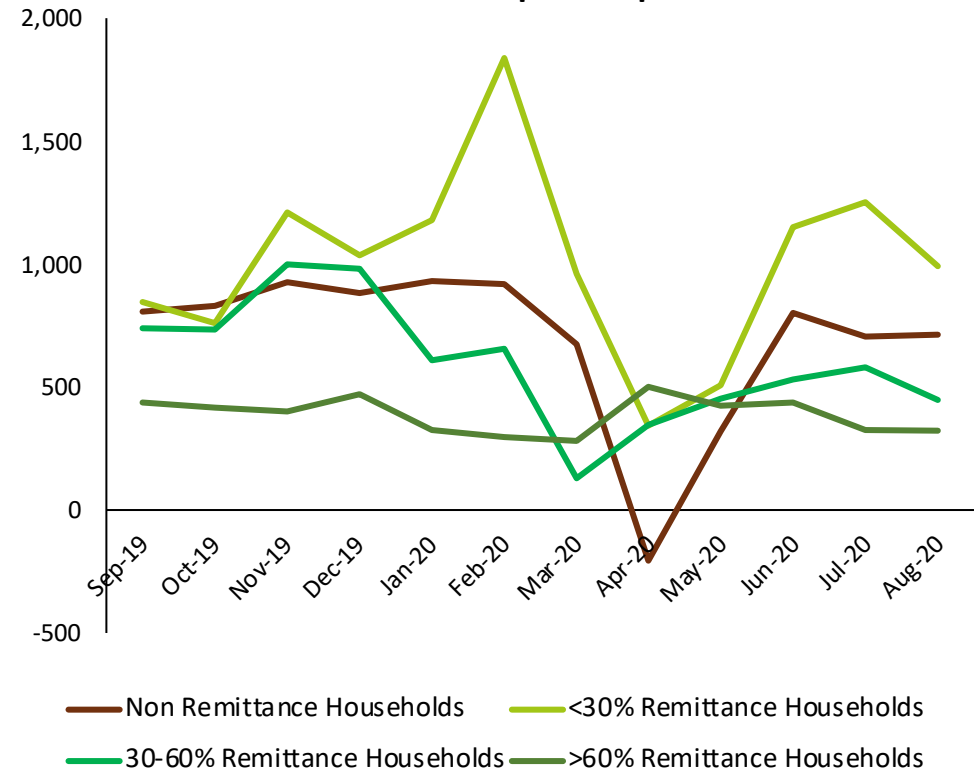


Percapita Surplus

Mean Percapita Surplus

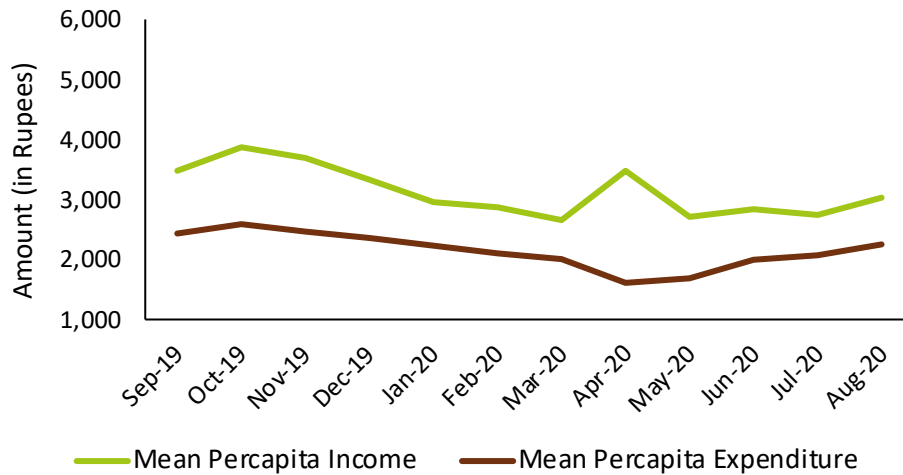


Median Percapita Surplus

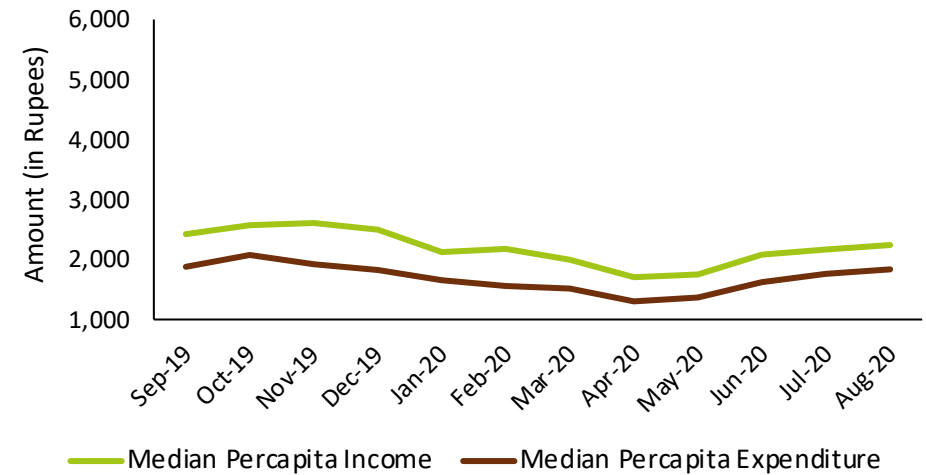


Percapita Income and Expenditure of Remittance Households: Urban vs Rural

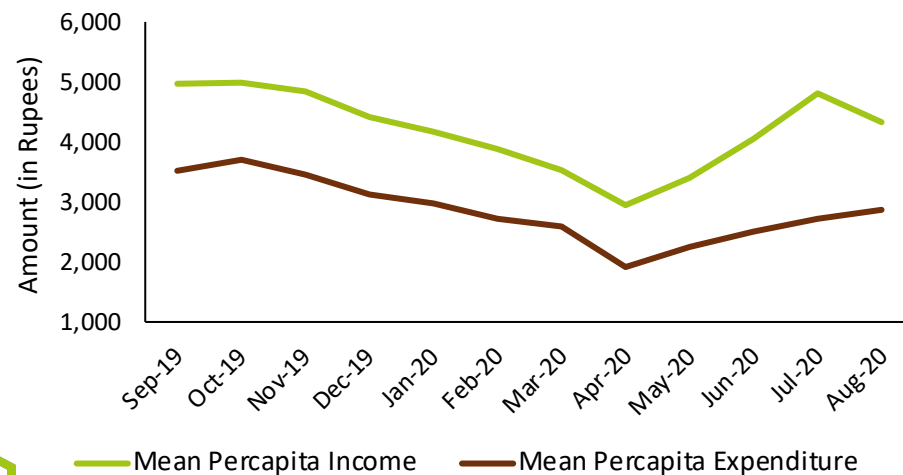
Rural Remittance Households: Mean PCI and PCE



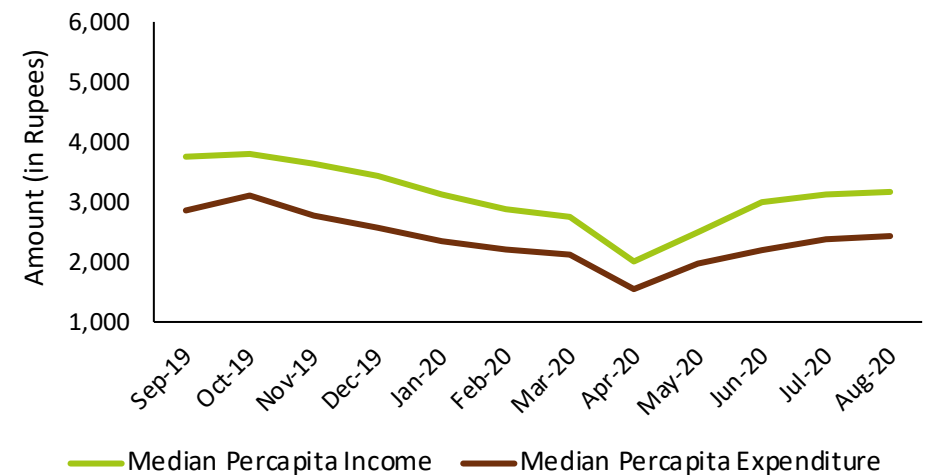
Rural Remittance Households: Median PCI and PCE



Urban Remittance Households: Mean PCI and PCE

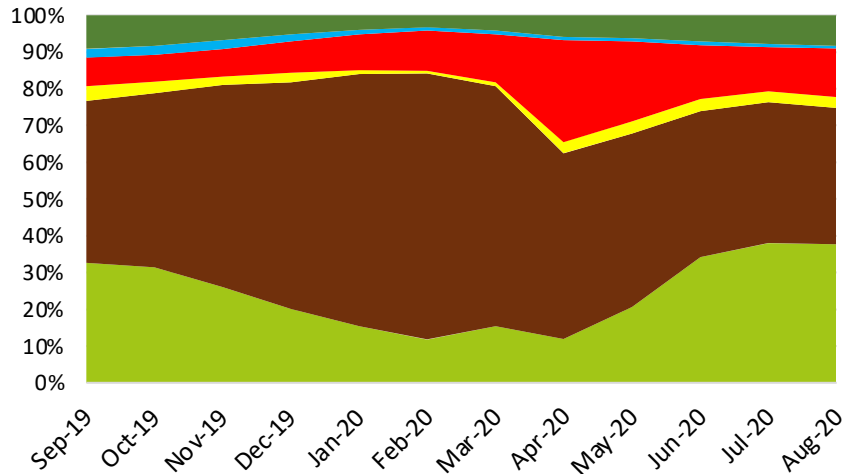


Urban Remittance Households: Median PCI and PCE

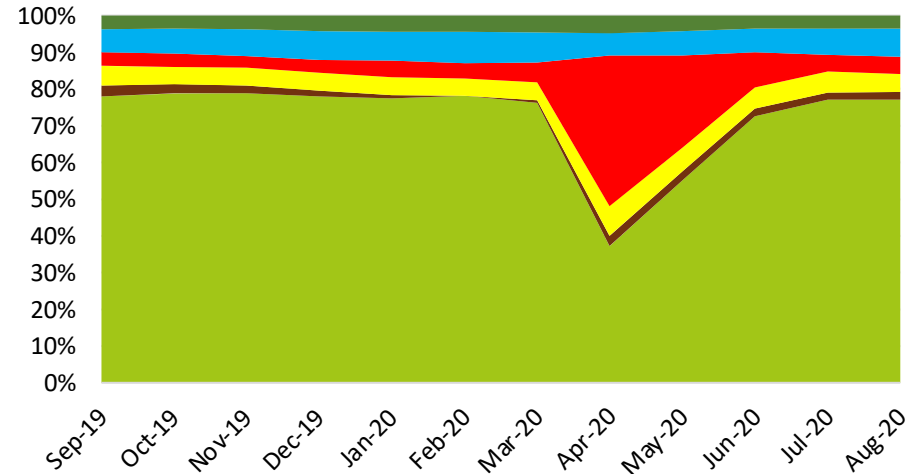


Income Sources by Remittance and Occupation Type

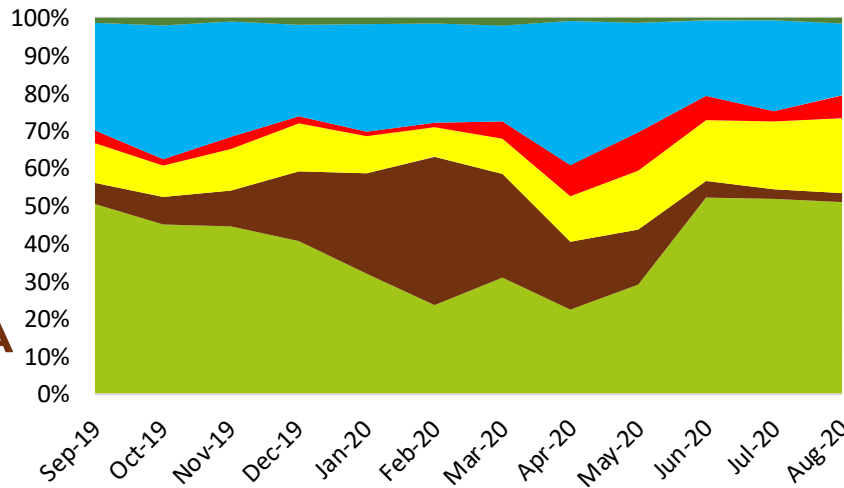
Remittance HH - non salaried, non/semi skilled, non white-collar



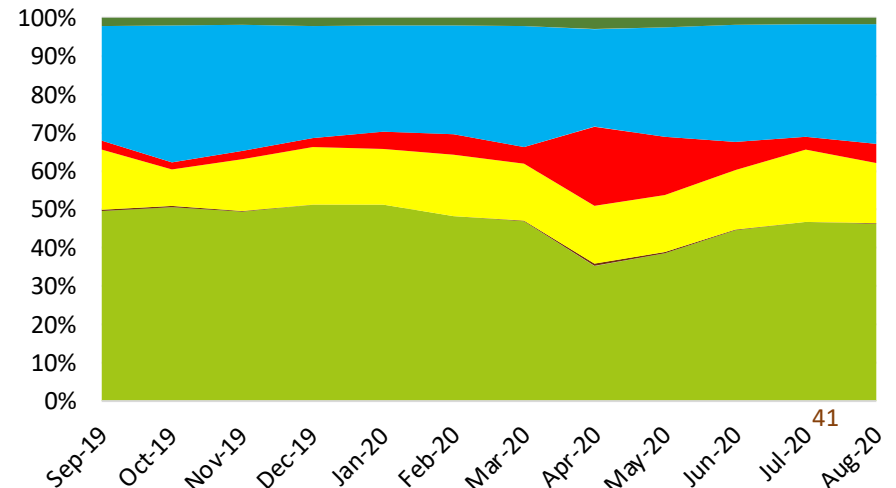
Non Remittance Households - non salaried, non/semi skilled, non white-collar



Remittance Households – salaried, skilled, white-collar



Non Remittance Households – salaried, skilled, white-collar



Expenditure Patterns by Remittance and Occupation Type

