

# *Champion Services Sector Scheme: Remittances & Emigration Sector*



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# List of Abbreviations

ADB	Asian Development Bank
B2B	Business-to-Business
CAD	Computer Aided Design
CAGR	Compound Annual Growth Rate
CAM	Computer Aided Manufacturing
CEDOK	Centre for Entrepreneurship Development of Karnataka
CMKKY	Chief Minister's Kaushalya Karnataka Yojane (CMKKY)
CNC	Computer Numeric Control
CSSS	Champion Services Sector Scheme
DESA	Department of Economic and Social Affairs
EoDB	Ease of Doing Business
FDI	Foreign Direct Investment
GCC	Gulf Cooperation Council
GDP	Gross Domestic Product
GoI	Government of India
GoK	Government of Karnataka
GSDP	Gross State Domestic Product
GTTC	Government Tool Room and Training Centre
GVA	Gross Value Added
IOM	International Organization for Migration
IMF	International Monetary Fund
IT	Information Technology
ITeS	Information Technology enabled Services
IPO	Initial Public Offering
KGTTI	Karnataka German Technical Training Institute

KSDA	Karnataka Skill Development Authority
KSDC	Karnataka Skill Development Corporation
KNOMAD	Global Knowledge Partnership on Migration and Development
KTRE	Knowledge Think-Tank of Remittances and Emigration
LAC	Latin America and Caribbean region
MES	Modular Employable Skills
MTO	Money Transfer Operator
NBFC	Non-Banking Financial Company
RBI	Reserve Bank of India
RGCY	Rajiv Gandhi Chaitanya Yojane
RDA	Rupee Drawing Arrangement
RPL	Recognition of Prior Learning
SDEL	Skill Development, Entrepreneurship and Livelihood Department
SDG	Sustainable Development Goal
SWIFT	Society for Worldwide Interbank Financial Telecommunication
UAE	United Arab Emirates
UK	United Kingdom
US	United States
USA	United States of America
USD	United States Dollar
VAT	Value Added Tax



# Preface

With the objective to make India a USD 5 trillion economy, Government of India, in year 2018 announced the Champion Services Sector Scheme (CSSS) with thrust to 12 identified sectors. Aligning with the objective, Government of Karnataka constituted a High-Power Committee for the promotion of Service activities in the State vide Govt. Order No.CI 159 SPI 2018, Bengaluru dated 05.09.2018. The 1st High Power Committee meeting under the Chief Secretary, identified Six (6) Champion Services for the the State and Sectoral expert groups were constituted with respective departments of Karnataka. Department of Commerce & Industries was nominated as the nodal department for coordinating the efforts of individual departments. Visvesvaraya Trade Promotion Centre (VTPC) under the aegis of the Department of Commerce & Industries, was identified to coordinate the formulation of the sector specific reports by engaging consultants. Price WaterHouseCoopers (PwC) was engaged as Knowledge Partners for the study and to draw up the action plan and coordinate with respective line departments for the exercise.

The following Sectoral expert groups, along with the respective nodal departments were formulated vide the G.O pertaining to the subject:

Sl.No	Sectoral Expert Group	Chairperson	Nodal Department
1.	Health & Wellness Services	Additional Chief Secretary to Govt., Medical Education Department	Medical Education
2.	Education Services	Principal Secretary to Govt., Higher Education Department	Higher Education
3.	Media & Entertainment Services	Secretary to Govt., Information and Publicity	Information and Publicity Dept.
4.	Remittances & Emigration Services	Secretary to Govt., Skill Development Department	Skill development
5.	Construction & Related Engineering Services	Additional Chief Secretary to Govt., Urban Development Department, Co-chaired by Secretary to Govt., Housing Department	Urban Development Department
6.	Transport & Logistics Services	Principal Secretary to Govt., Commerce & Industries Department	Commerce & Industries Department

This Report is a culmination of the efforts in charting a sector specific Strategy/Scheme for the Remittances and Emigration Sector in the State. The report has taken into consideration inputs and feedback from stakeholders in the sector space besides, the views of nodal department.



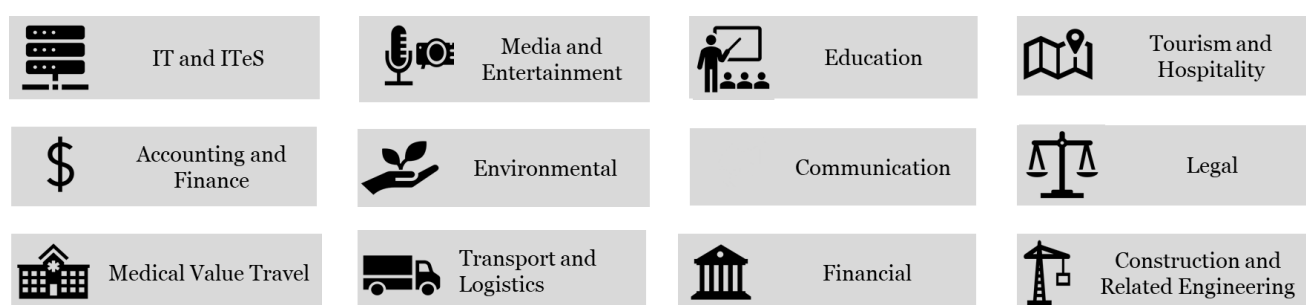
## *Executive Summary*

# Executive Summary

**Champion Services Sector Scheme (CSSS), aims to give thrust to 12 identified Champion Services Sectors by Govt. of India, with focus on promoting Gross Domestic Product (GDP) growth, which would aid in the creation of more jobs and promoting exports in global markets.**

The CSSS was approved by the Government of India (GoI) in February 2018 to give a boost to various services sectors in the Country. Government of India has set a target to increase India's share in the Global services exports to 4.2% (from 3.3% in 2015) and increase the services sector's share in Gross Value Added (GVA) to 60% by 2022. The Government of India has identified twelve champion sectors under the Champion Services Sector Scheme as represented in **figure 1**.

**Figure 1: Twelve Champion Sectors**



Source: Department of Commerce, Government of India, 2018

The CSSS will focus on implementing certain reforms in each of these sectors based on the following 5 pillars:

1. **New Processes:** to improve Ease of Doing Business (EoDB)
2. **New Infrastructure:** to strengthen physical and digital connectivity
3. **New Sector:** to identify untapped sectors for value addition
4. **New Mindset:** to change the official mindset from issuing/approving authority to partnering in business
5. **New Standards:** to strengthen export competitiveness of various service sectors

The CSSS program entails the implementation of a focussed action plan for each of the identified sectors to promote growth of the sectors. A dedicated fund of Rs. 5,000 Crores has been approved under the CSSS for implementing the recommendations approved under this program.

**The Government of Karnataka has identified six champion sectors out of the twelve identified sectors as part of the CSSS with a goal to boost the state's position in these sectors.**

The six sectors identified are Health and Wellness, Transport and Logistics Services, Media and Entertainment, Education services, Construction and Related Engineering Services and Remittances & Emigration.

***The Global Remittances sector is anticipated to grow at a Compound Annual Growth Rate (CAGR) of 19.56% during period 2019-2025<sup>1</sup>***

The World Bank indicates that, in 2018 the Global Remittances have already reached a value of USD 689 billion compared to USD 633 billion in 2017. It is expected to reach USD 746 billion by the end of 2020. As per FY18, Region-wise growth in Remittances sector include East Asia & Pacific (7%), Europe & Central Asia (11%), Latin America & Caribbean (10%), Middle East & North Africa (9%), South Asia (12%) and Sub-Saharan Africa (10%).

***Indian Remittances sector accounted for USD 82.2 billion in 2019 and it has grown with a CAGR of 4.7% during 2008-18 assessment period<sup>2</sup>***

The Remittances sector in India has great potential to grow exponentially in the next 5 years with the emergence of fintech firms. These firms are responsible for providing better payment infrastructure for the transfer of remittances money from the foreign countries. This has been followed by consolidation of services in remittances value chain and partnerships between banks, Non-Banking Financial Companies (NBFCs), Telecom Companies, Tech Startups, Fintech firms and Service companies for information and fund management.

***The Global Emigration sector has witnessed a total of 272 million international workforce migration in 2019 in which Europe emerged as a top destination continent for international migration with 82 million people, followed by North America with 59 million, North Africa and West Asia together with 49 million***

India has contributed a total of 18 million people in international labour migration in 2019 and was a leading country for the supply of international workforce. As a destination country, India has hosted approximately 5 million international migrants in 2019.

***Karnataka continues to be a key player nationally, with significant contribution to the remittances and emigration sector....***

Karnataka is also the leading state in terms of software & service exports, ranking first in the Country in 2018-19 and its share in the National service exports was around 38%.

***..... Resulting in Karnataka state emerging as the top 3 States in remittances sector in India after Kerala and Maharashtra, amounting to about USD 15 billion in 2019-20. The contribution of remittances sector in Karnataka is nearly 6% of the state's GDP.***

However, there are few key issues and bottlenecks which are hindering the growth of the Remittances and Emigration sector in Karnataka. The major issue identified during the study is that there is a lack of proper planning and strategy for the sector. While current markets are getting saturated, there is a necessity to identify and partner with new emerging countries like Japan, Brazil and the Nordic region. There is also a growing need for the development, assessment and monitoring of the state level remittances and emigration plan that should include Monitoring, Analysis and Impact of inward remittances in Karnataka on annual basis.

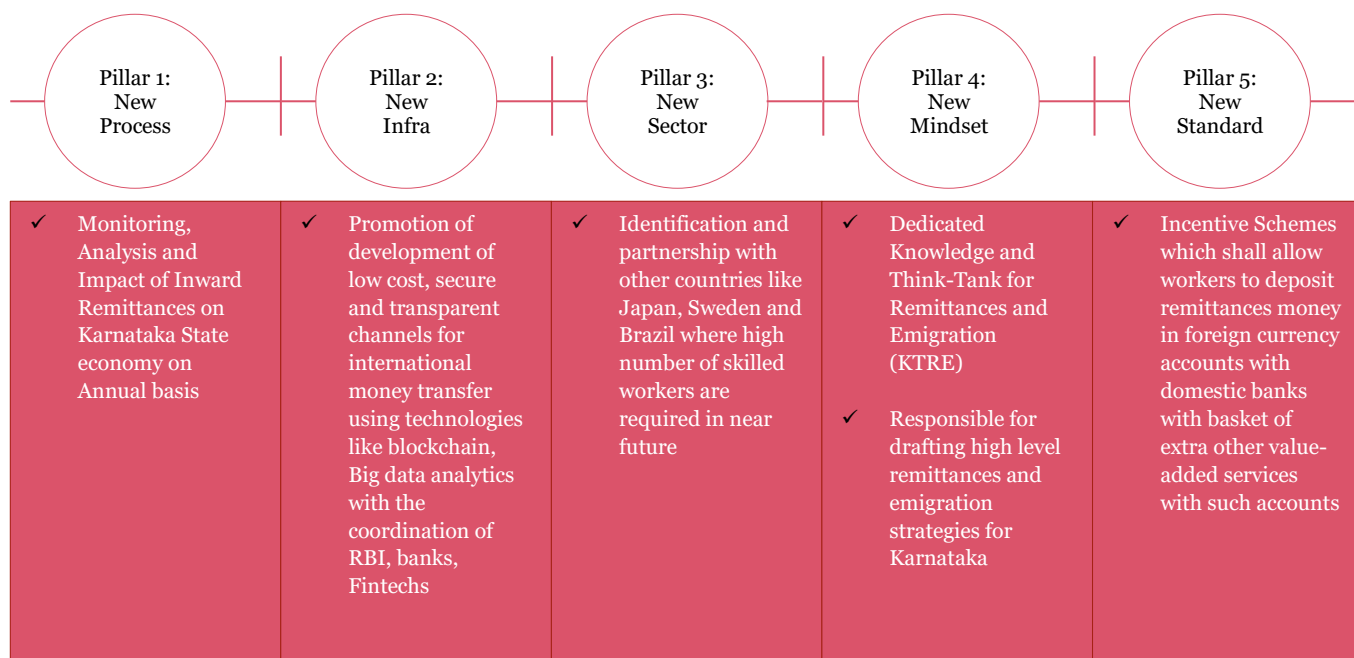
<sup>1</sup> <https://www.industryarc.com/Research/Remittance-Market-Research-502490>

<sup>2</sup> World Bank's Migration and Development Brief 2019

It is suggested that the State Government could chart a dedicated yearly plan with parameters like remittance size, channels, costs, usability and most importantly, the impact of remittances in the economic development of Karnataka.

The study identifies the key interventions that are needed across the value chain, which have the potential to drive the growth of the Remittances and Emigration sector. To achieve the industry potential, the following interventions have been identified in line with the five pillars of the Champion Services Sector Scheme as mentioned in **figure 2**.

**Figure 2: Summary of Strategic Interventions**



Source: Study Team Analysis

It is very important that the implementation of these strategic interventions should happen in a holistic and focussed manner as its success depends on different Departments of the State.





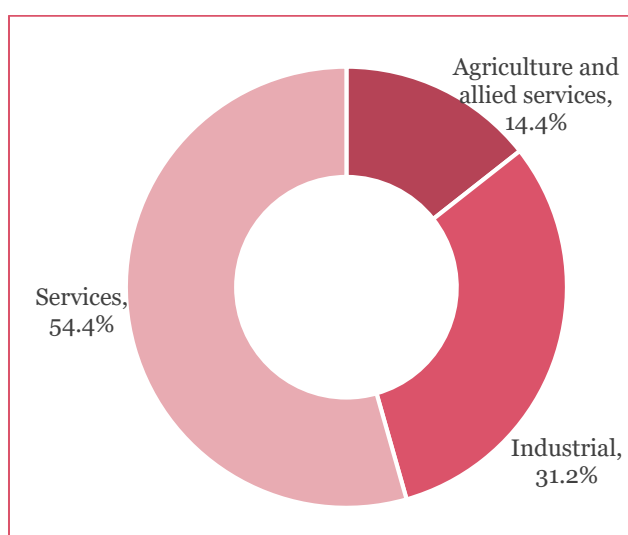
# *Introduction*

# 1. Introduction

## *“Services sector is a key driver for India's Economic Growth”*

India is one of the fastest growing economies in the world, having recorded a GDP growth of 6.8% in FY 2018-19 against 7.2% in FY 2017-18<sup>3</sup>. A burgeoning service sector has been a key driver of this strong economic growth. Unlike other countries, where economic growth has witnessed a shift from agriculture to industries, in India, there has been a shift from agriculture to the services sector, which has evolved as the largest contributor to GDP with 54% share as indicated in **figure 3**. The services sector has also accounted for more than 60% of Foreign Direct Investment (FDI) inflows and 30% of India's exports in 2018-2019<sup>4</sup>.

**Figure 3: Sectoral share in GVA (FY 2018-19)**



Source: Economic Survey of India, FY 2019

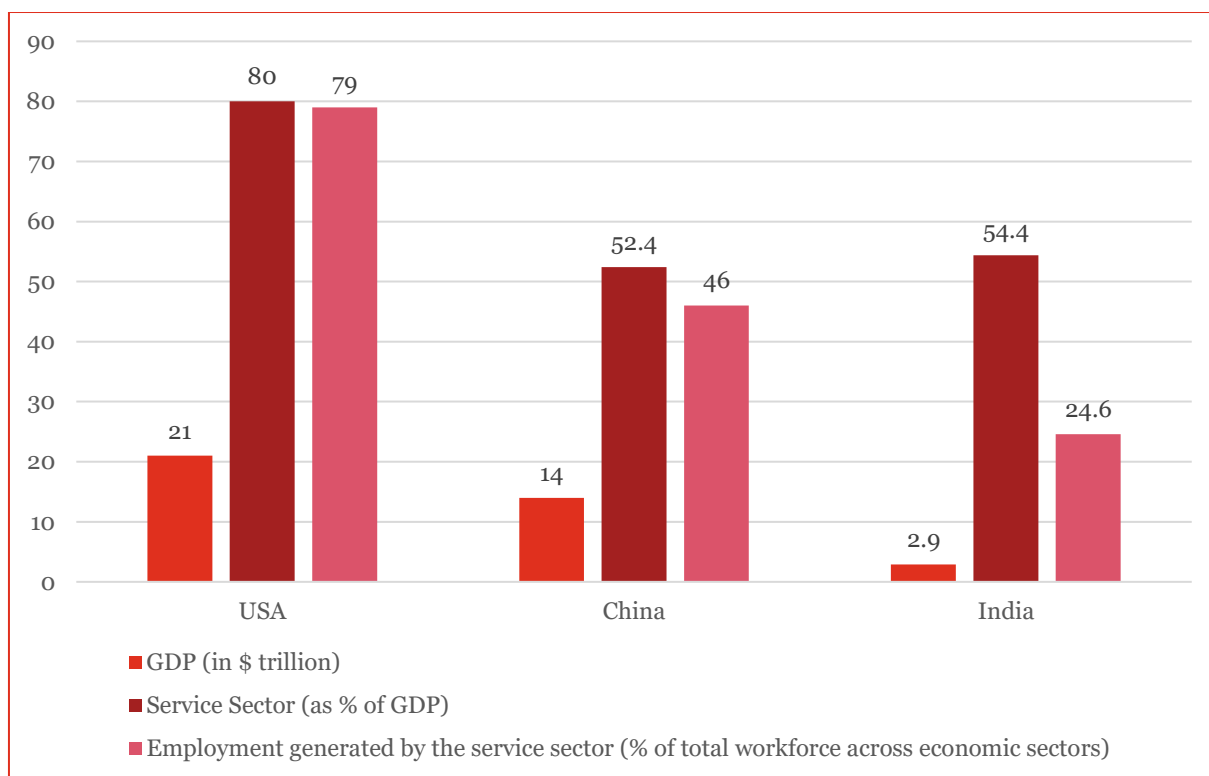
Despite its largest share, India's services sector has not generated jobs in proportion to its share in the economy. The share of services sector in employment was 31.45% in 2018, which is significantly lesser than its share in GVA.

Comparison between India, United States of America (USA) and China on GDP, Service Sector contribution and Employment Generation is shown in **figure 4**. The graph highlights that in 2019, the employment generation by services sector in India accounts for 25% whereas USA and China account for 79% and 46% respectively<sup>5</sup>.

<sup>3</sup> <https://pib.gov.in/newsite/PrintRelease.aspx?relid=191212>

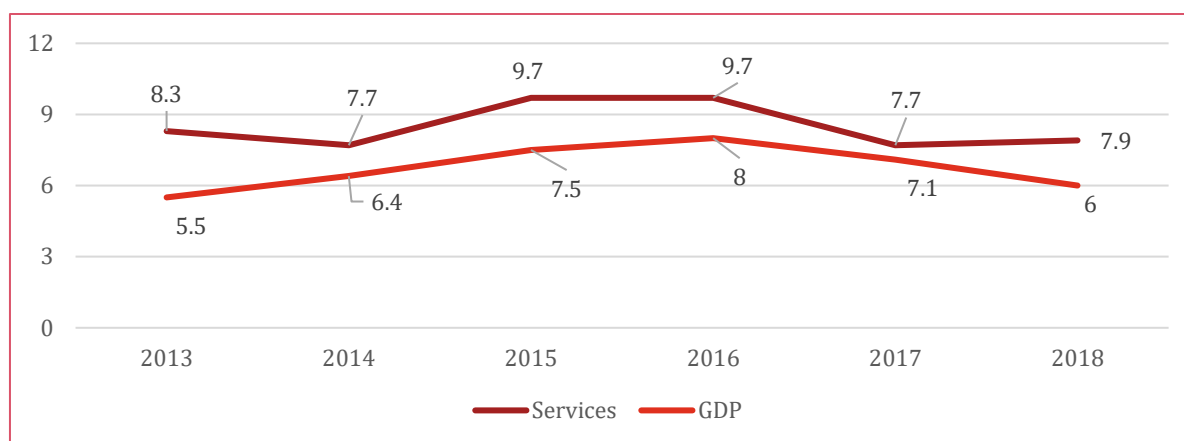
<sup>4</sup> Economic Survey of India 2019

<sup>5</sup> International Monetary Fund (IMF), Statista.com

**Figure 4: Comparison of India's Service Sector with USA and China (2019)**

Source: International Monetary Fund (IMF), Statista.com

The significance of this sector can be gauged by its high growth rate and ramping up the cumulative growth rate of the Indian economy over the last decade as presented in **figure 5**. India has set an ambitious target of becoming a USD 5 trillion economy by 2025. Recognizing the importance of service sector, Government of India has set a sub-target of USD 3 trillion<sup>6</sup> for the Services sector.

**Figure 5: GDP and Sectoral GVA Growth (%)**

Source: Challenges, Issues & Policy Suggestions, Working Paper No. 2 / 2017-  
Department of Economic Affairs, Ministry of Finance, Government of India

<sup>6</sup> Department of Economic Affairs, Ministry of Finance, Govt. of India



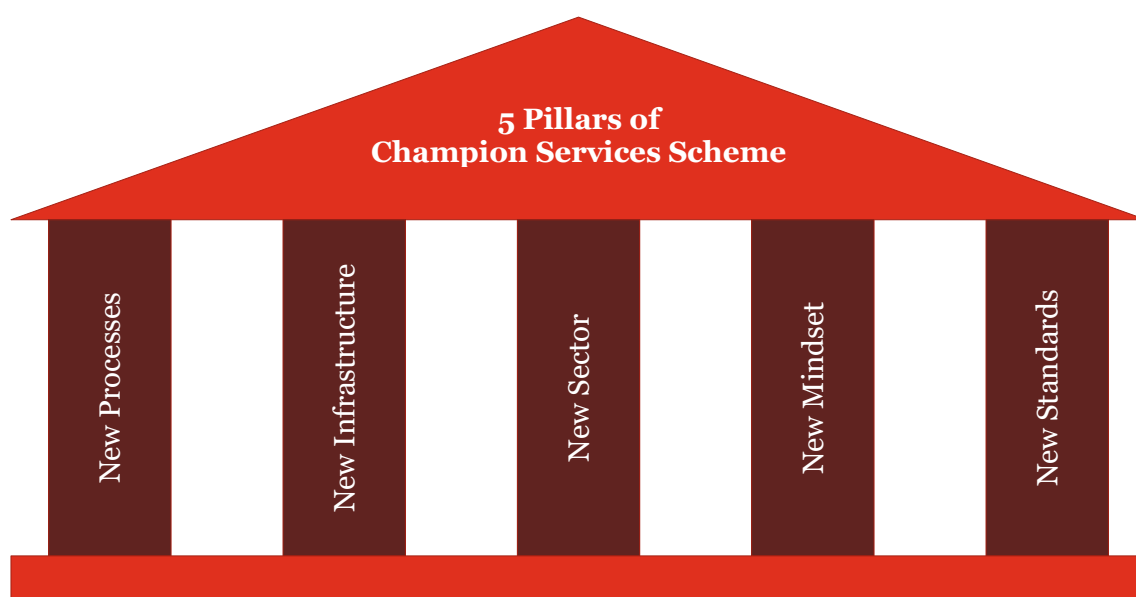
## 1.1 About Champion Services Scheme

The Champion Services Sector Scheme (CSSS) was approved by the Government of India (GoI) in February 2018 to give a boost to various services sectors in the Country. The Government of India has set a target to increase India's share in Global services exports to 4.2% (from 3.3% in 2015) and increase the services sector's share in GVA to 60% by 2022<sup>7</sup>. The Government of India has identified twelve services under the Champion Services scheme. These include:

- i. Information Technology & Information Technology enabled Services (IT & ITeS)
- ii. Tourism and Hospitality Services
- iii. Health and Wellness
- iv. Transport and Logistics Services
- v. Accounting and Finance Services
- vi. Media and Entertainment
- vii. Legal Services
- viii. Communication Services
- ix. Construction and Related Engineering Services
- x. Environmental Services
- xi. Financial Services
- xii. Educational Services

The objective of the CSSS is to increase the competitiveness of the identified service sectors in India thereby promoting GDP growth, employment generation and exports. The CSSS will focus on implementing reforms in each of these sectors based on the following 5 pillars<sup>8</sup> as depicted below in **figure 6**.

**Figure 6: Five Pillars of Champion Services Scheme**



Source: Department of Commerce, Government of India

<sup>7</sup> <https://pib.gov.in/Pressreleaseshare.aspx?PRID=1522078>

<sup>8</sup> Department of Commerce, Govt. of India

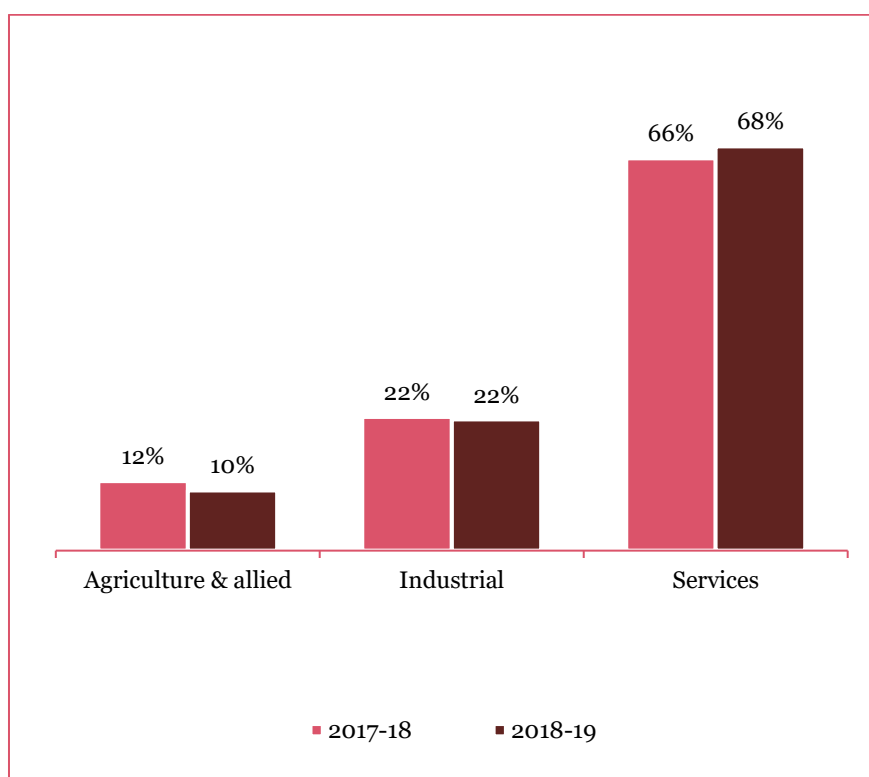
1. **New Processes:** to improve Ease of Doing Business (EoDB)
2. **New Infrastructure:** to strengthen physical and digital connectivity
3. **New Sector:** to identify untapped sectors for value addition
4. **New Mindset:** to change the official mindset from issuing/approving authority to partnering in business
5. **New Standards:** to strengthen export competitiveness of various service sectors

The CSSS entails the implementation of a focussed action plan for each of the identified sectors to promote growth of the sectors. A dedicated fund of Rs.5,000 Crores<sup>9</sup> has been approved under the CSSS for implementing the recommendations approved under the program.

## 1.2 Objective of the Study

The services sector in Karnataka plays an important role in its economy and contributes ~68% of the state's Gross State Domestic Product (GSDP). Its share grew marginally from 65.9% in FY 2017-18 to 67.8% in FY 2018-19<sup>10</sup>, while there was a marginal decline in the share of agriculture and industry sectors as highlighted in **figure 7**. The services sector in Karnataka has registered an annual average growth rate of 10.5% in the last four to five years (2015-2019).

**Figure 7: Sectoral share in Karnataka's GSDP (FY 2018-19)**



Source: Economic Survey of Karnataka, FY 2019

To further boost the service sector in Karnataka, the Government of Karnataka (GoK) has decided to leverage the Champion Services Sector Scheme launched by the GoI to promote the services sector in

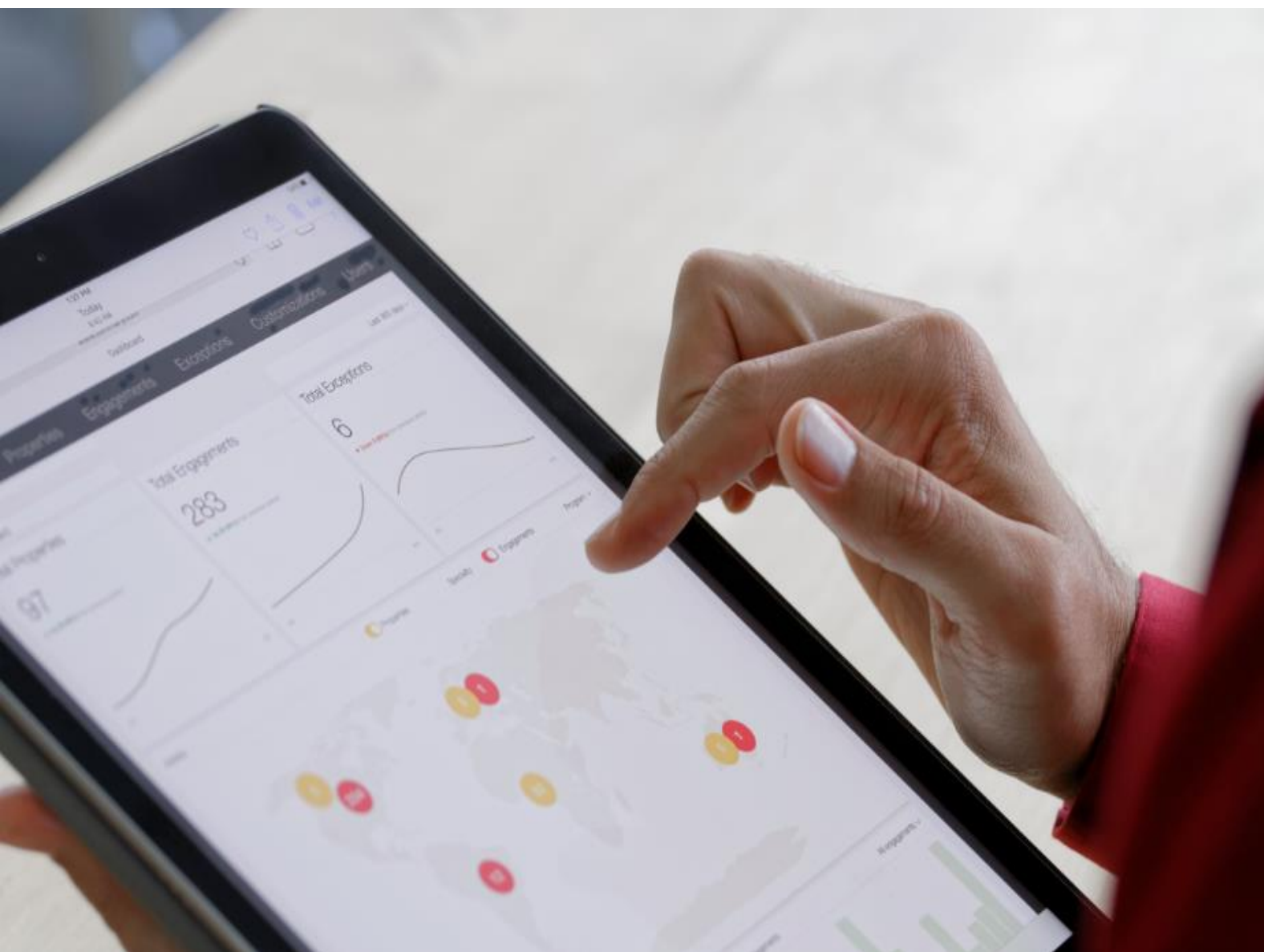
<sup>9</sup> <https://pib.gov.in/newsite/PrintRelease.aspx?relid=191212>

<sup>10</sup> Economic Survey of Karnataka 2019

the state of Karnataka. The State Government has identified six sectors to be promoted under the CSSS to further strengthen Karnataka's position in Services. These include:

- i. Transport and Logistics
- ii. Media and Entertainment
- iii. Education Services
- iv. Health and Wellness
- v. Construction and Related Engineering Services
- vi. Remittances and Emigration

The Government of Karnataka intends to formulate an Action Plan for each of these sectors to make Karnataka, a leader in these sectors not only within India but also globally. It would strengthen India's position in the Global market for services. This report focusses on the Remittances and Emigration Sector and recommends strategic interventions that can increase the competitiveness of Karnataka's Remittances and Emigration Sector globally.



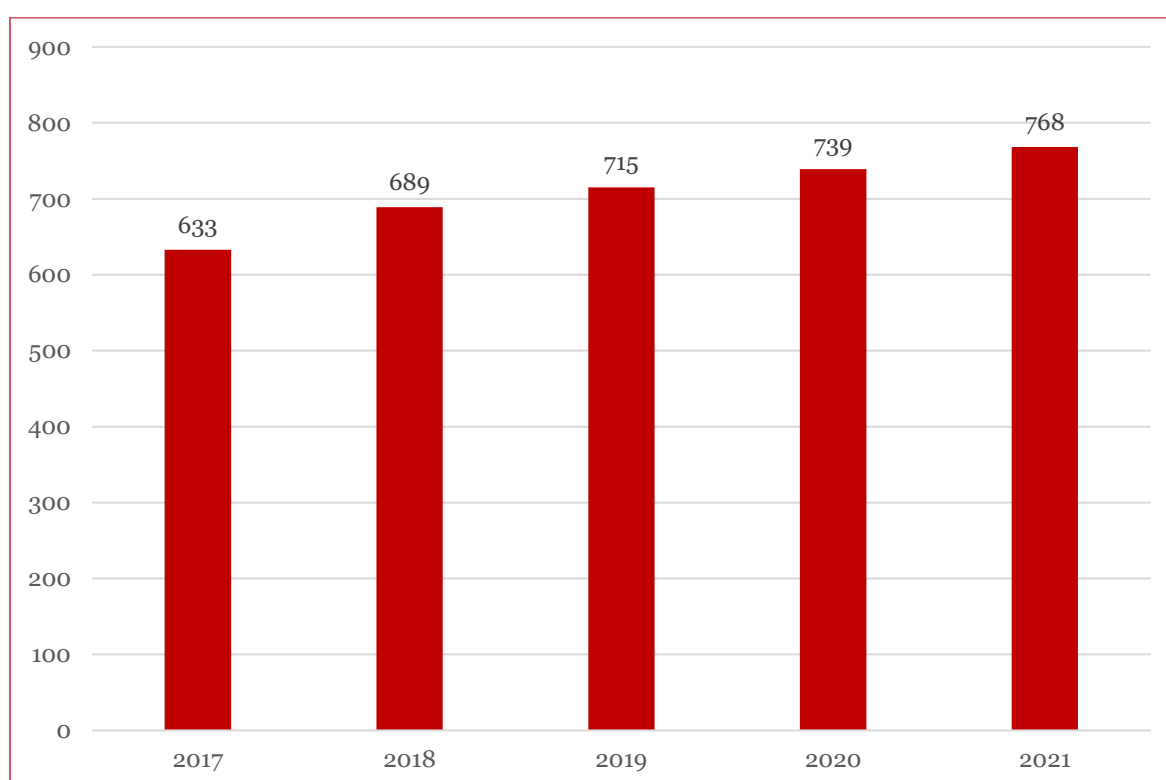
## ***Global Market Assessment***

## 2. Global Market Assessment

### 2.1 Global Scenario of Remittances Sector

According to World Bank's Migration and Development Brief Report on remittances sector, the global remittances have reached a record value of USD 689 billion in 2018 indicating a rise of 8% compared to 2017 which was around USD 633 billion. **Figure 8** highlights that the market size of Global Remittances in 2019 was USD 715 billion<sup>11</sup> indicating a 3.4% rise compared to 2018 statistics.

**Figure 8: Global Remittances Market Size (Current and projected) in USD billion**



Source: World Bank Press Release, December 2018

The World Bank report further indicated that while in 2017 annual remittances flow towards low- and middle-income countries was approximately USD 483 billion, it increased to USD 529 billion in 2018 indicating a growth rate of 9.6%.

Regional segmentation shows that the growth rate of remittance inflows to South Asia and East Asia are 12% and 7% respectively. The comparison of Foreign Direct Investment and remittances data in 2018 highlights that apart from China, the annual remittances flow to low- and middle-income countries stood at USD 462 billion which is 34% higher than FDI flows, at USD 344 billion. **Table 1** provides a detailed information on regional growth of remittances sector globally<sup>12</sup>.

<sup>11</sup> World Bank Press Release 2018

<sup>12</sup> World Bank- KNOMAD Report 2019

**Table 1: Global Remittances flow to low- and middle-income regions (current and projected) in USD billion**

Region	2010	2016	2017	2018	2019	2020	2021
East Asia and Pacific	96	128	134	143	149	156	163
Europe and Central Asia	38	44	53	58	59	62	64
Latin America and Caribbean	56	73	81	89	96	99	103
Middle East and North Africa	39	51	57	58	59	61	63
South Asia	82	111	117	132	139	145	150
Sub Saharan Africa	32	38	42	47	49	51	54
<b>Total</b>	<b>343</b>	<b>444</b>	<b>484</b>	<b>526</b>	<b>551</b>	<b>574</b>	<b>597</b>

Source: World Bank- KNOMAD Report 2019

The growth of remittances has been slow in 2019 as compared to 2018 for most of the global regions except Latin America and Caribbean (LAC) and Sub Saharan Africa. The primary reason for robust growth of the LAC region is mainly due to USA's economic growth of 3.1% for the financial year 2017-18.

The reason for a moderate increase in remittances in South Asia, Sub Saharan Africa and East Asia and Pacific is buoyancy in inflows from the USA being offset by lesser growth of receipts from the Euro area and Gulf Council Cooperation (GCC) Countries.

The factors which primarily impacted growth of remittances in Middle East and North Africa are structural changes like labor market nationalization, introduction of Value Added Tax (VAT) in GCC Countries, while for Europe and Central Asia, it was primarily due to lower oil prices and ruble depreciation.

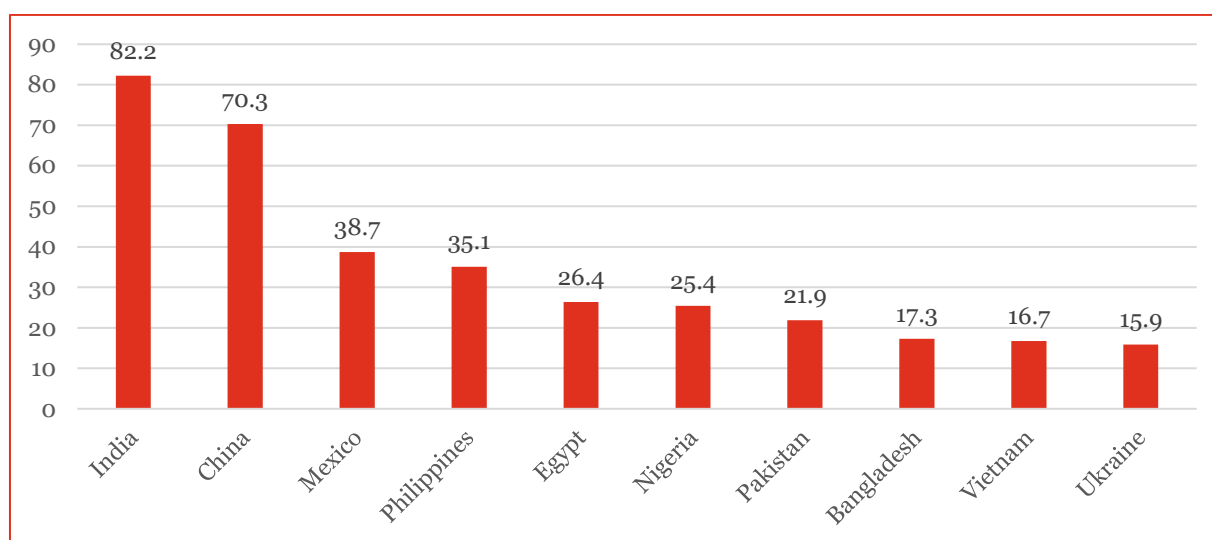
Globally in 2018, North America was leading the region with a market share of USD 232 billion approximately, which was 33.81% of the global remittances market. The reasons for North America's dominance in the remittances sector is increasing number of global immigrants settling in the USA for multiple purposes such as employment, education etc.

India has received the highest inward remittances of USD 80 billion which increased by 2.75% in 2019 to touch USD 82.2 billion<sup>13</sup>. This data reveals that the top countries of inward remittances in 2019, after India are China (USD 70.3 billion), Mexico (USD 38.7 billion), Philippines (USD 35.1 billion), Egypt

<sup>13</sup> World Bank's Migration and Development Brief 2019

(USD 26.4 billion), Nigeria (USD 25.4 billion), Pakistan (USD 21.9 billion), Bangladesh (USD 17.3 billion), Vietnam (USD 16.7 billion) and Ukraine (USD 15.9 billion) as provided in **figure 9**.

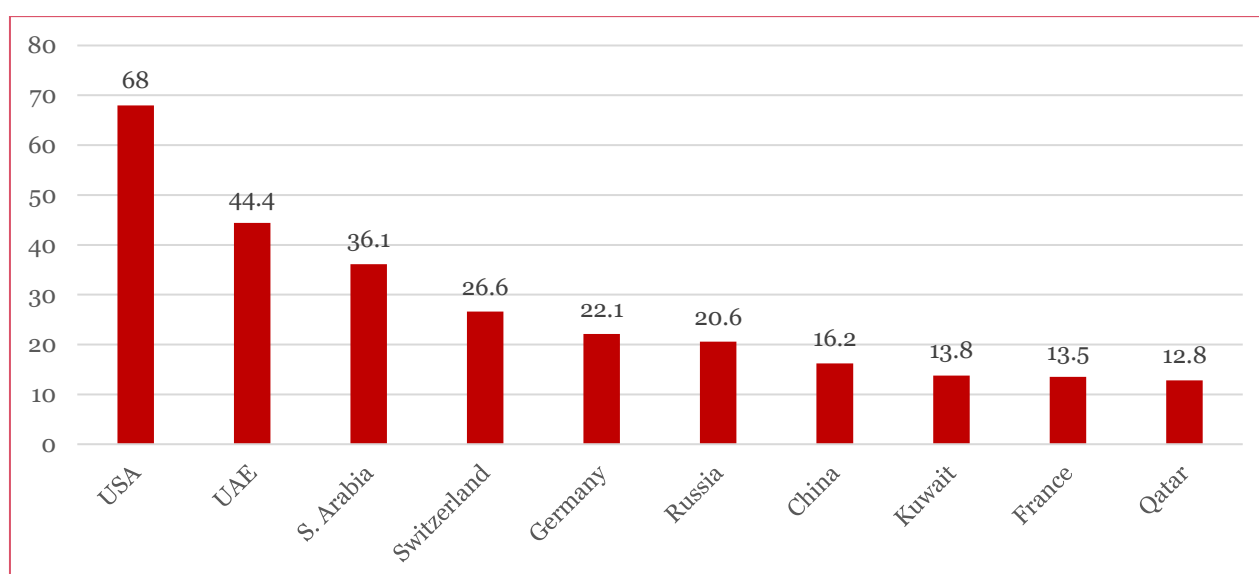
**Figure 9: Top recipients of inward remittances in 2019 in USD billion**



Source: World Bank's Migration and Development Brief 2019

The Migration and Remittances Development and Outlook Report 2019 reveals that the top countries in the world in sending remittances outward are USA with USD 68 billion<sup>14</sup>, followed by United Arab Emirates (UAE) (USD 44.4 billion), Saudi Arabia (USD 36.1 billion), Switzerland (USD 26.6 billion), Germany (USD 22.1 billion), Russia (USD 20.6 billion), China (USD 16.2 billion), Kuwait (USD 13.8 billion), France (USD 13.5 billion), Qatar (USD 12.8 billion) and Ukraine (USD 15.9 billion) as highlighted in **figure 10**.

**Figure 10: Outward Remittances from major source countries in 2017 (in USD billion)**

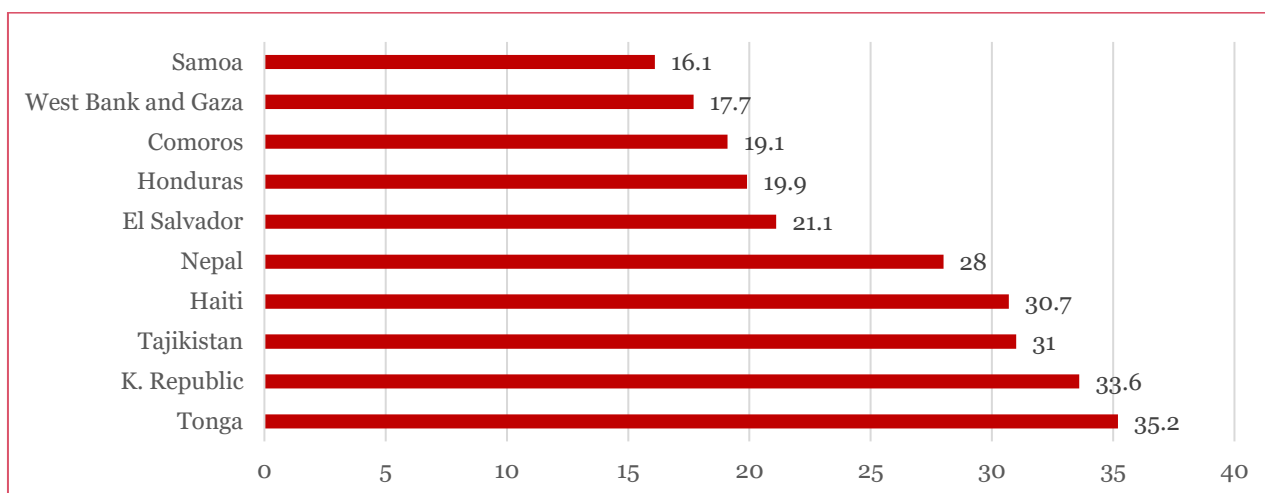


Source: Migration and Remittances Recent Development and Outlook Report 2019

<sup>14</sup> Migration and Remittances Recent Development and Outlook Report 2019

Our analysis proves the fact that globally inward remittances have a greater contribution to the economy for the low- and middle-income countries. Remittances for these countries are even more important than FDI. List of such countries where remittances received are a significant part of the country's economy is listed in **figure 11**.

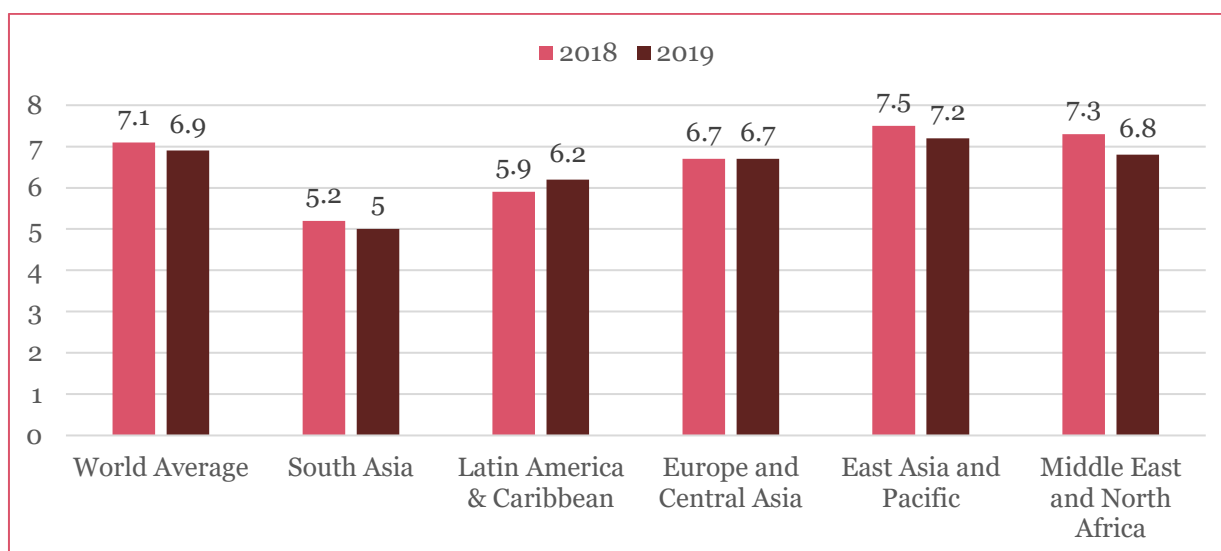
**Figure 11: Remittances received as a share of GDP (in USD billion)**



Source: World Bank's Migration and Development Brief 2019

**Global Average Cost of Sending Remittances:** In the first quarter of 2019, the global average cost of sending remittances remains high around 7% (for sending USD 200). The global target under Sustainable Development Goal (SDG) is to reduce the remittance transfer cost to 3% by 2030<sup>15</sup>. Currently, remittance transfer costs across many African and Asian countries are more than 10% which is very high as per SDG 2030. South Asia had the lowest average remittance cost of any region, at 4.95%. **Figure 12** provides information about cost of sending USD 200 from different regions in the world.

**Figure 12: Cost of sending \$200, comparison of global regions in % of total transfer**



Source: World Bank's Remittance Prices Worldwide Database

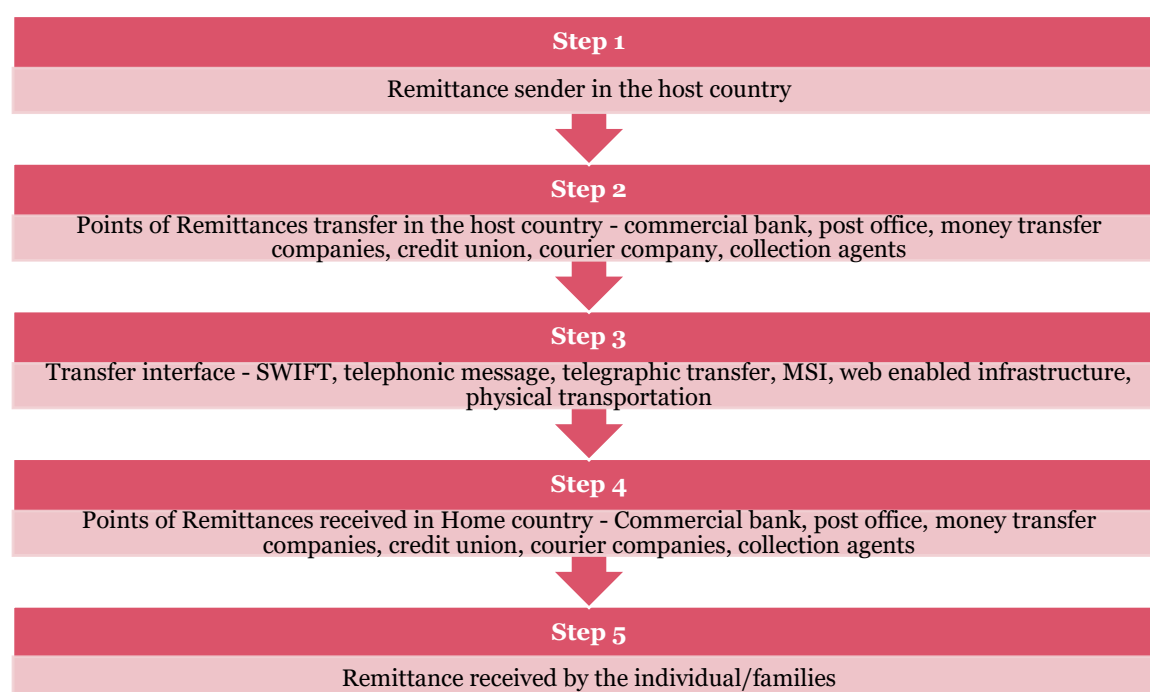
<sup>15</sup> World Bank's Remittance Prices Worldwide Database



## 2.2 Global Framework for International Remittances Channel

**Figure 13** describes the International Remittances transfer cycle highlighting step by step procedure from remittance sender to remittance receiver including transfer interface and points of remittances from both the countries.

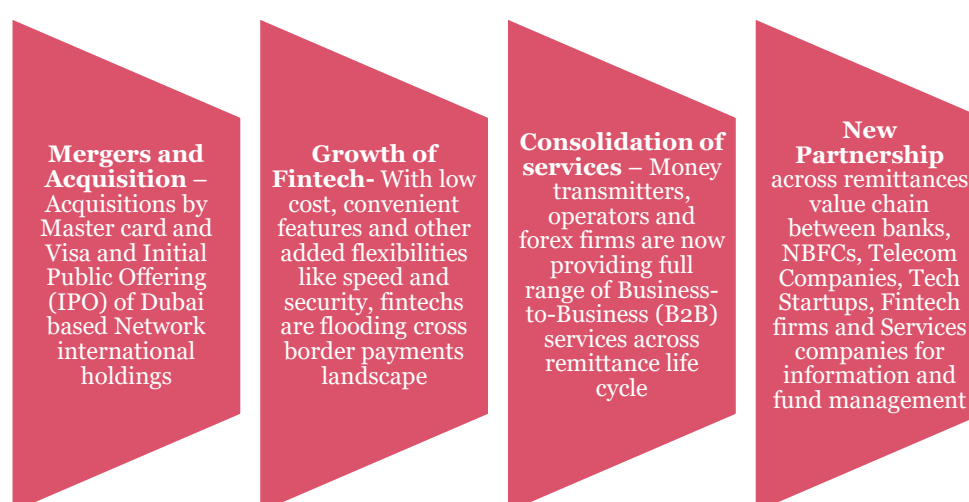
**Figure 13: International Remittances Transfer Cycle**



Source: Study Team Analysis

**Figure 14** highlights global trends in intervention of emerging technologies for safe and secure money transfer, fintech growth with flexible features, end to end services and new partnerships across remittances value chain.

**Figure 14: Global Trends in Technology Intervention for Remittances Value Chain**

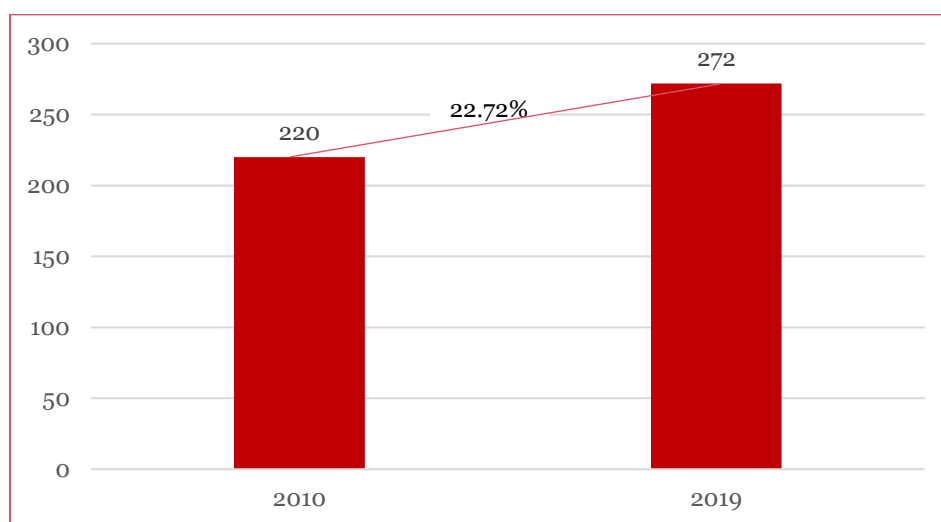


Source: Study Team Analysis

## 2.3 Global scenario of Emigration Sector

According to United Nations Department of Economic and Social Affairs (DESA) research on international migration dataset, ‘The international migration stock 2019’ states the fact that the total number of migrants internationally stood at 272 million<sup>16</sup> approximately. These statistics indicate an increase of 22.72% compared to 2010, with the number of migrants growing from 220 million to 272 million, as indicated in **figure 15**.

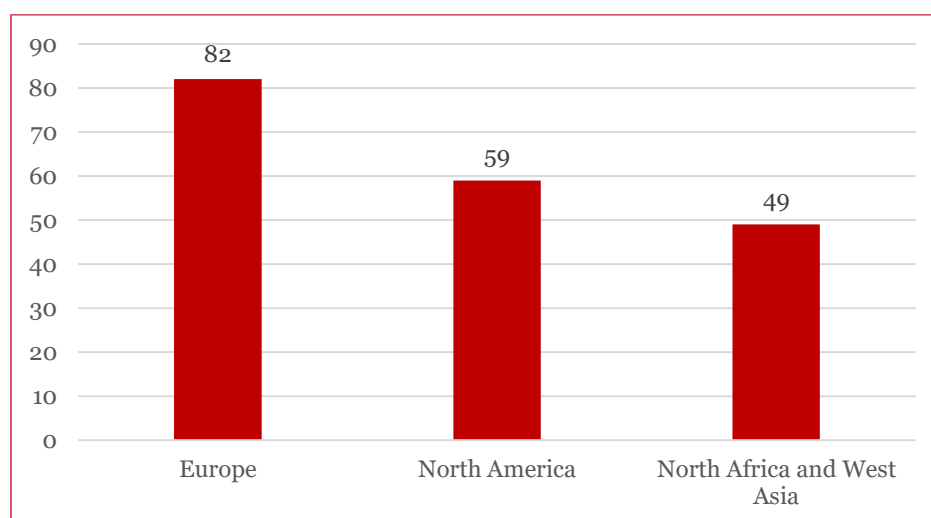
**Figure 15: Total number of International Migrants: 2010 vs 2019 comparison**



Source: United Nations Department of Economic and Social Affairs (DESA), International Migrant Stock 2019

The **figure 16** indicates the top 3 regions that hosted the largest number of international migrants in 2019, with Europe being the top host with 82 million international migrants, followed by North America, North Africa & West Asia with 59 million and 49 million respectively.

**Figure 16: Regional segmentation of International Migration 2019 in million**

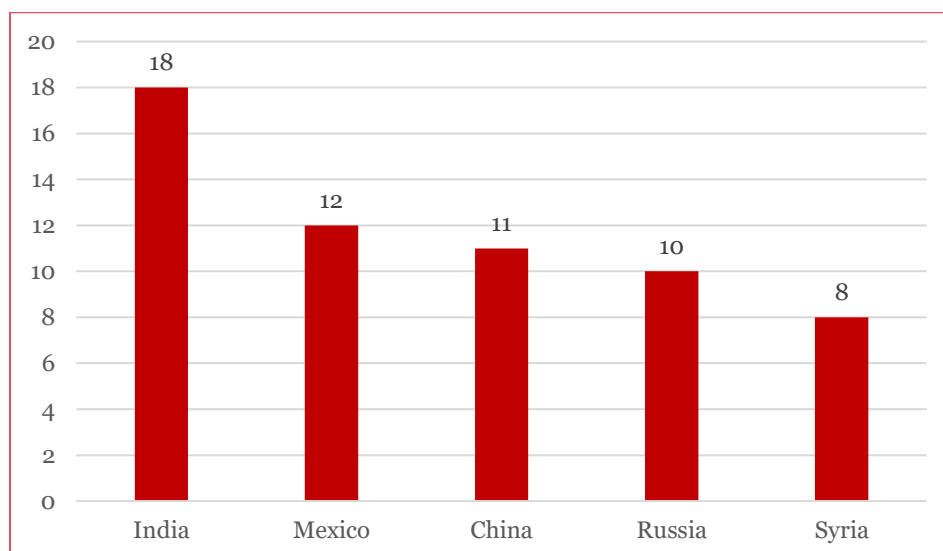


Source: International Migrant Dataset 2019

<sup>16</sup> UN DESA's 'The international migration stock 2019'

**Top countries responsible for international Migration for employment<sup>17</sup>:** The top five countries responsible for international migration for employment are India (18 million), Mexico (12 million), China (11 million), Russia (10 million) and Syria (8 million) as indicated in **figure 17**.

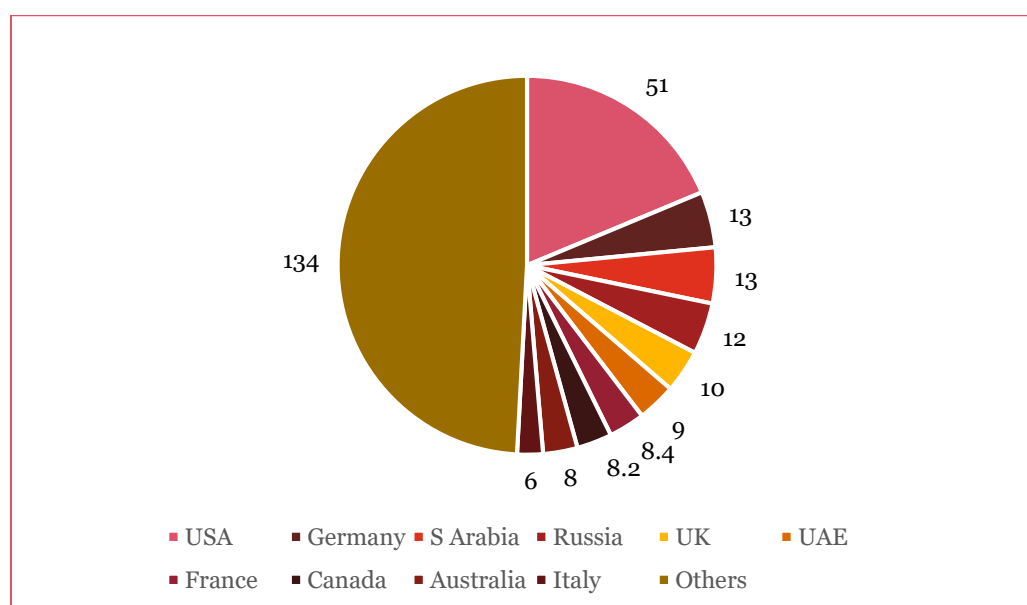
**Figure 17: Top countries responsible for International Migration for Employment in 2019**



Source: *The International Migrant Stock 2019, United Nations Department of Economic and Social Affairs*

**Top host countries for international Migration for employment:** The top ten host countries for international migration for employment are USA (51 million), Germany (13 million), Saudi Arabia (13 million), Russia (12 million), United Kingdom (UK) (10 million), UAE (9 million), France (8.4 million), Canada (8.2 million), Australia (8 million) and Italy (6 million) as highlighted in **figure 18**. About half of the total international migrants residing in these countries are for employment.

**Figure 18: Top host countries for International Migration for Employment in 2019**

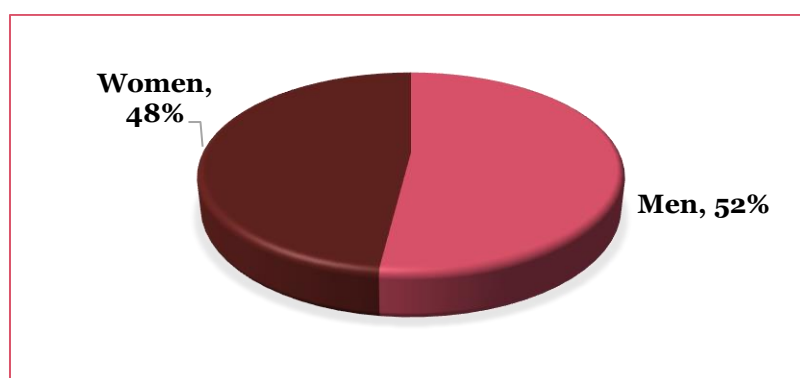


Source: *The international Migrant Stock 2019, United Nations Department of Economic and Social Affairs*

<sup>17</sup> The International Migrant Stock 2019, United Nations Department of Economic and Social Affairs

**Gender Composition in International Migration:** Of the total 272 million international migrants, around 52% are Men and 48% are Women as indicated in **figure 19**. The highest region wise share of women in international migration belongs to North America (52%) followed by Europe (51%). The lowest migration of women percentage was recorded for Sub Saharan Africa (47%) and West Asia (36%).

**Figure 19: Gender Composition in International Migration 2019**

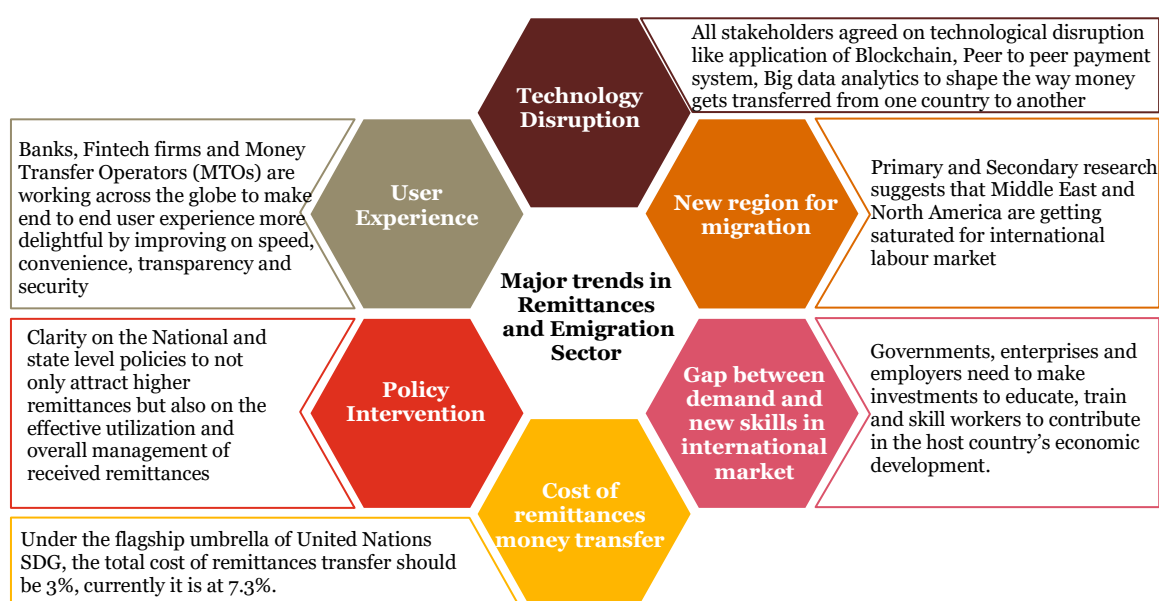


Source: United Nations, International Migrant Stock 2019

## 2.4 Global trends in Remittances and Emigration

The Global trend impacting the Remittances and Emigration value chain is Technology disruption. It includes the application of digital technology like Artificial Intelligence, Blockchain and Big data Analytics into the area of payment and transfer. These interventions provide more importance to user experience by the banks and fintech firms. Another trend evolving is the special emphasis on reducing the cost of sending money. A detailed list of trends in Remittances sector is provided in **figure 20**.

**Figure 20: Top trends in Remittances and Emigration sector in 2019<sup>18</sup>**



Source: World Bank's Migration and Development Brief 2019

<sup>18</sup> World Bank's Migration and Development Brief 2019

## 2.5 Impact of Covid on Remittance

The remittances across the globe are projected to decline sharply by approximately 20% in 2020 due to economic crisis induced by Covid-19 and shutdown<sup>19</sup>. The fall in the employment and wages are more prevalent for migrant workers (who tend to be more vulnerable to loss of employment and wages in the host country) during an economic crisis in the respective host countries. Remittance flows are expected to fall across all World Bank Group regions, most notably in Europe and Central Asia (27.5 percent), followed by Sub-Saharan Africa (23.1 percent), South Asia (22.1 percent), the Middle East and North Africa (19.6 percent), Latin America and the Caribbean (19.3 percent), and East Asia and the Pacific (13 percent).

Remittance to South Asia grew at 6.1% in 2019. The economic downturn due to the coronavirus outbreak, oil price decline and introduction of legislative changes in middle eastern countries to restrict the number of foreign workers would lead to a sharp reduction in the remittances in 2020. The remittances to South Asia are projected to decline by 22% to USD 109 in 2020. The recovery of the receiving countries can be prolonged and arduous especially for countries like India with a large number of internal (~100 million) and international migrant labourers.

In India, World bank expects a fall by 23% in remittances for 2020, to USD 64 billion. India received USD 83 billion in 2019 with a growth of 5.5% from the previous year. The coronavirus related global slowdown and travel restrictions will also affect migratory movements, and this is likely to keep remittances subdued in 2021.

## 2.6 Good Practices in work with remittance

There are few of the identified practices adopted by various global institutions for the management of the remittances. The practices are divided into four thematic areas.

### 1. Modernization of money transfers

- a. Reduction in the cost of transfer
- b. Adding of value to the transfer
- c. Increase convenience
- d. Improve the trust and reputation

### 2. Financial Inclusions

Financial inclusion is of fundamental importance for households receiving remittances because they have greater savings capacity than the general population as a result of the increase in disposable income created by the remittance. Financial inclusion can be said to comprise four categories:

- a. Access to services
- b. Promotion of financial products
- c. Creation of high-quality financial products specifically for low-income population
- d. Financial education

<sup>19</sup> World Bank's press release on April 22nd, 2020

### 3. *Investment of migrant capital*

Investment of migrant capital is the placing of liquid or fixed assets by a citizen residing abroad who invests in microenterprises and small businesses in their country of origin. The investment is the least common economic activity among migrants. In general, between 5 and 10% of the diaspora make an investment of this each year.

### 4. *Diaspora philanthropy for development*

Diaspora philanthropy refers to the act of collecting funds from migrants to make donations to nonprofit projects. This philanthropy is a relatively well-known practice with a range of variations in its application in development and diaspora issues, including philanthropy in the country of origin, migrant philanthropy and transnational donations.<sup>18</sup> Diaspora philanthropy includes charitable donations in money or in kind by migrants to meet the needs of people in their home communities through clubs and associations abroad.

The **Table 2** describe some of the best practices adopted by different institutions on remittance management.

**Table 2: Best practices adopted on remittance management across the globe**

Institution	Description
<b>a. Reduce informality and improve transfers</b>	
FEDECACES (El Salvador)	Development of remittance payment services provided by cooperatives
Banco Industrial	Remittance payments and cross-selling
<b>b. Increase financial inclusion</b>	
DMA	Financial education in Tajikistan
El Comercio (Paraguay)	Remittance-receiving services in rural areas provided by MFIs
<b>c. Investment of migrant capital</b>	
AACE Foods	Food manufacturing and distribution business for the internal market

4+1	Promotion of creation and strengthening of agricultural microenterprises
Zafen.org	Investment in microenterprises
ADM	USAID diaspora investment partnership
<b>d. Philanthropic activities</b>	
3x1	Social development projects: sewing workshops
Manos Unidas	Workforce education project

## 2.7 Future Outlook & Drivers of Growth

The growth of remittances is crucial not only for the remittance industry but for the future economic development of many receiving countries as well. It is one of the reasons that the United Nations SDG include remittances as one of its top goals. Following are some of the key drivers that help to grow and sustain Remittance sector:

- **Boost from SDGs**
  - Reduction in Transaction fees from 7.1% in 2018 to 3% by financial institutions will help migrants to enjoy money transfers effectively.
  - Increase in efficiency is likely to contribute towards an increase in market share in the long run.
  - Furthermore, the decline in fees has prompted Money Transfer Operators (MTOs) to differentiate themselves by offering novel services such as virtual bank accounts and prepaid debit cards, resulting in a greater inflow of customers.
- **World Bank Support**
  - The World Bank has undertaken initiatives such as mobilising funds on migration to provide support to migrants with the overarching objective of alleviating poverty. This has been a major factor in disrupting the market size of remittances globally.
- **Development in Mobile Payment Services**
  - Remittance vendors have been successfully leveraging developments in the global mobile payments and FinTech industries.
  - Mobile payment services add a layer of autonomy and transparency that helps users to initiate transactions themselves with the help of their smartphones.
  - Added privacy and security has incentivised remittance senders to use these services.
- **Instant Remittance as Major Trend**
  - UN's stand on lowering the transaction fee has led to instant remittance becoming a major trend.
  - It has disrupted the market with competitive charges of 0.5% on the transaction for limited amounts and increased transparency in the otherwise opaque market of international money transfers.
  - Examples of global vendors offering instant remittance are InstaRem and Peer Transfer.
- **Increasing Client-base**
  - Although only 10-15% of migrants in the US and Europe moved from brick-and-mortar service providers to online or mobile platforms, the client base of digital money transfer service providers has been increasing steadily.
  - 85-90% of individuals using bank channels and young millennials shifting to other countries for work.
  - B2B services, a segment previously dominated by banks, has now witnessed Money Transfer Operators entering and expanding into the market.
  - In addition to this, Forex firms in several countries are offering lucrative rates to high-end investors for their investments.





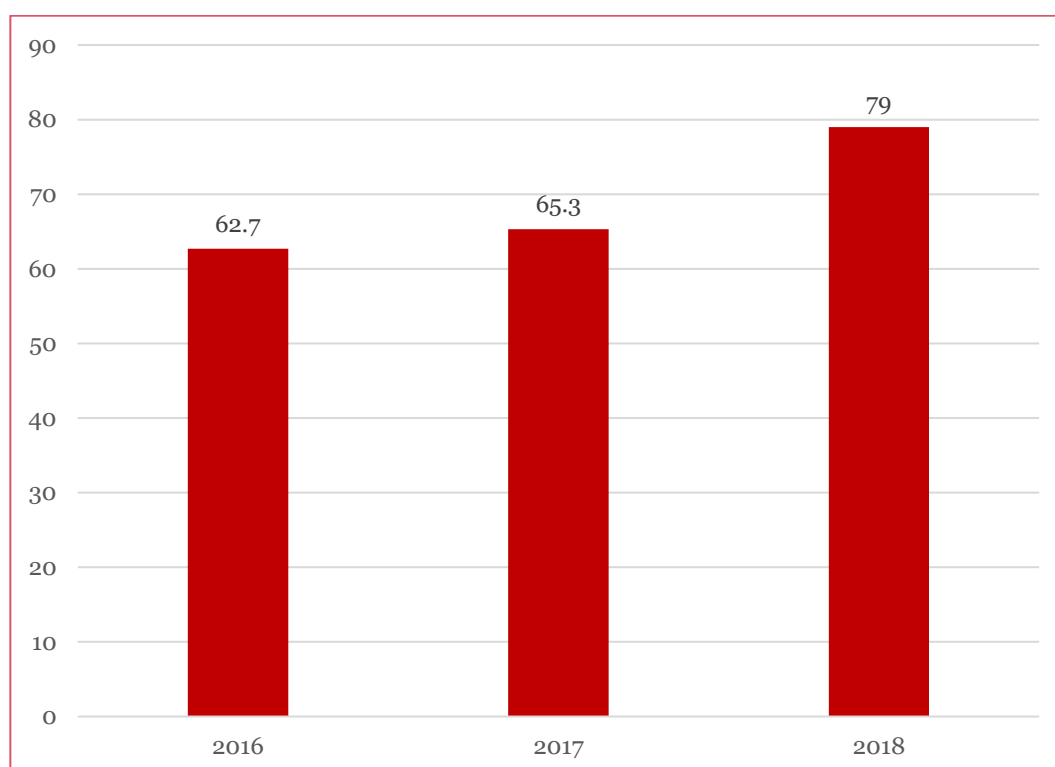
# *National Scenario for Remittances & Emigration Sector*

## 3. National Scenario for Remittances & Emigration Sector

### 3.1 Indian Remittance Sector overview

As per the most recent World Bank Report on Migration and Development, India has received the highest amount of remittances globally. India is ranked first for last 4 years in receiving remittances from all over the world. The remittance data from 2016-18 reveals that India has received a total of USD 207 billion in remittances in that duration averaging USD 69 billion per year. The latest World Bank Report indicates that, India has received USD 79 billion back home in 2018, USD 65.3 billion in 2017 and USD 62.7 billion in 2016<sup>20</sup> as shown in **figure 21**. The contribution of remittances money in the Indian GDP in 2018 was approximately 2.90%.

**Figure 21: India's Remittances Sector Growth from 2016-18 (in USD billion)**



Source: World Bank-Global Knowledge Partnership on Migration and Development (KNOMAD)

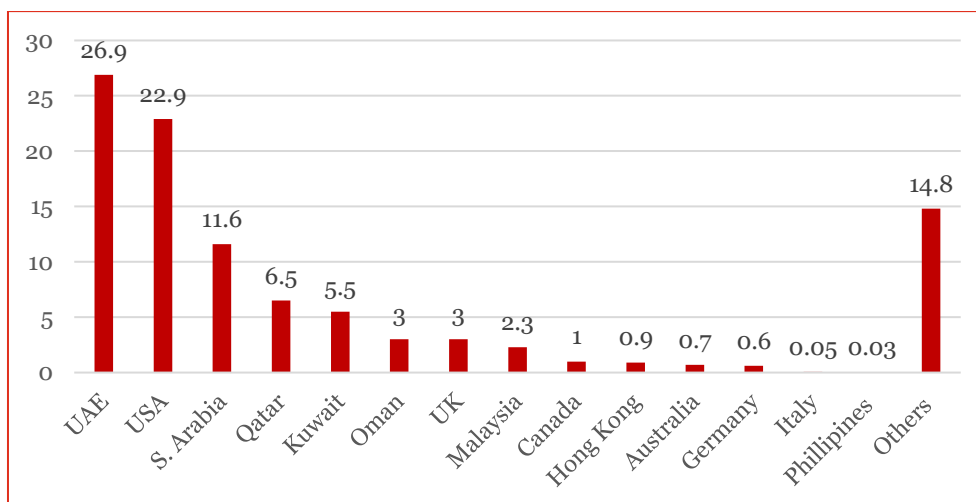
In 2018, the overall inflow remittances to South Asia grew by 12% with USD 131 billion compared to 2017, when the growth rate was only 6%. On the other hand, India has outpaced the regional growth in remittance sector by 21.5% with USD 79 billion as compared to 2017. Historical data proves that India has displayed a remarkable upward trend in receiving global remittances from USD 50 billion in 2008 to USD 79 billion in 2018 with a CAGR of 4.68%. Between the period 2016-18, India showed a strong increase of CAGR at 12.25% in total remittances received.

<sup>20</sup> World Bank-Global Knowledge Partnership on Migration and Development (KNOMAD)

### 3.2 Major Source countries for Inward Remittances for India

More than 80% of India's total inward remittances are received from 8 countries i.e., UAE, USA, Saudi Arabia, Qatar, Kuwait, Oman, the United Kingdom and Malaysia<sup>21</sup> as represented in **figure 22**.

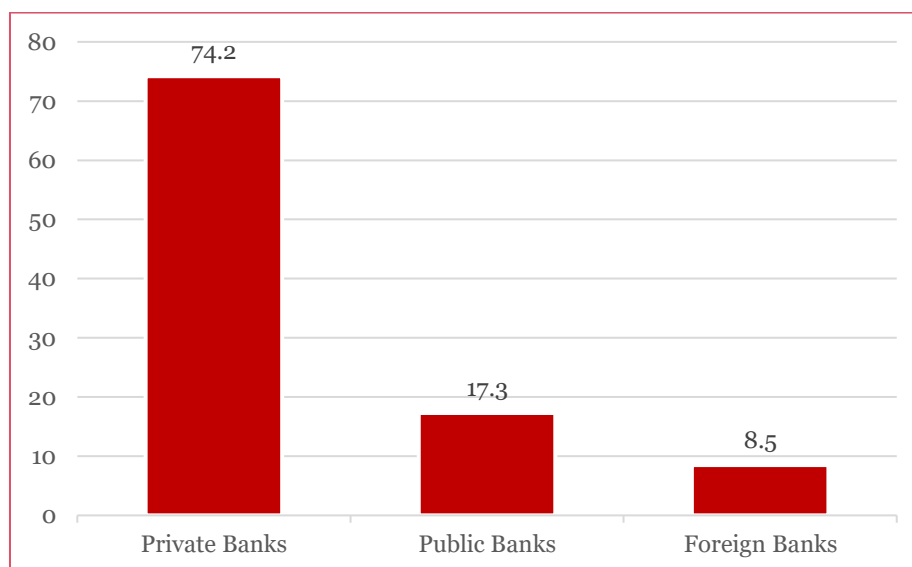
**Figure 22: Major source countries for Indian Inward Remittances (in %)**



Source: Reserve Bank of India's (RBIs) Report 2018 on Globalizing people: India's Inward Remittances

There are 3 banking channels that are being utilized for remittances transfer in India and those channels can be categorized as Private, Public and Foreign banks. Private sector banks hold the top position in remittances transfer in India with 74.2% followed by public sector banks (17.3 per cent) and foreign banks (8.5 per cent) as presented in **figure 23**.

**Figure 23: Banking channels utilization for Remittance Transfer in India (in %)**

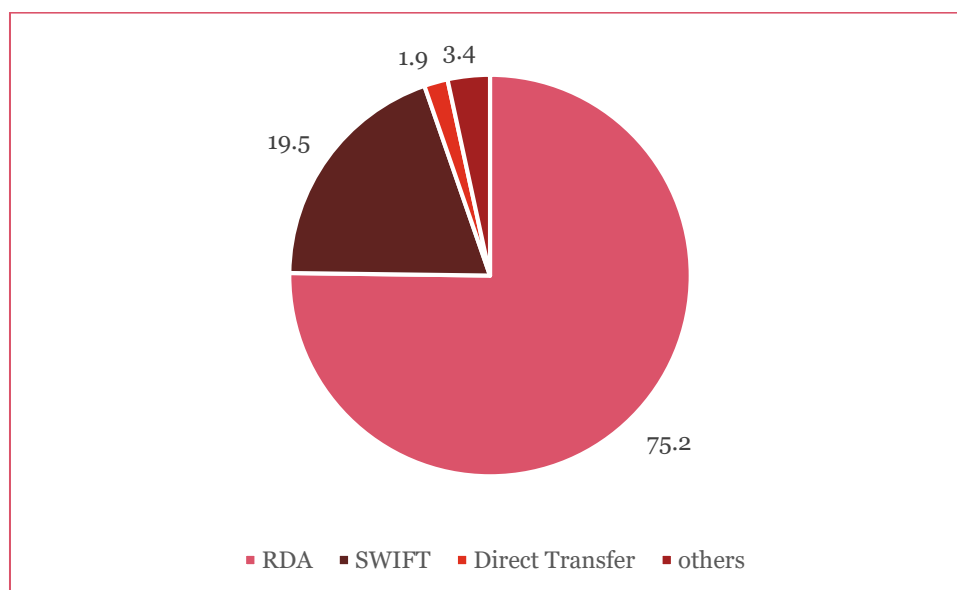


Source: RBI's 2018 Report on India's Inward Remittances

<sup>21</sup> RBI 2018 Report on Globalizing people: India's Inward Remittances

The most popular channel for remittances transfers to India is Rupee Drawing Arrangement (RDA) which contributes to 75.2%<sup>22</sup> of total remittances in the country. RDA is followed by Society for Worldwide Interbank Financial Telecommunication (SWIFT) (19.5%) and direct transfer (1.9%) while other channels contribute rest of the transfers as represented in **figure 24**.

**Figure 24: Transfer channels comparison for Remittances in India (in %)**



Source: RBI's 2018 Report on India's Inward Remittances

The size of inward Remittances analysis indicates that in India more than 70% of all remittances occur with transactions of more than USD 500, while 27.3% remittances happen with a transaction between USD 500 and USD 200, whereas 2.7% remittances occur with a transaction of less than USD 200.

**Table 3: Size of Inward Remittances Transactions in percent**

S. No	Size of transaction	Percent
1	>USD 500	70
2	USD 500 – USD 200	27.3
3	< USD 200	2.7

Source: RBI's 2018 Report on India's Inward Remittances

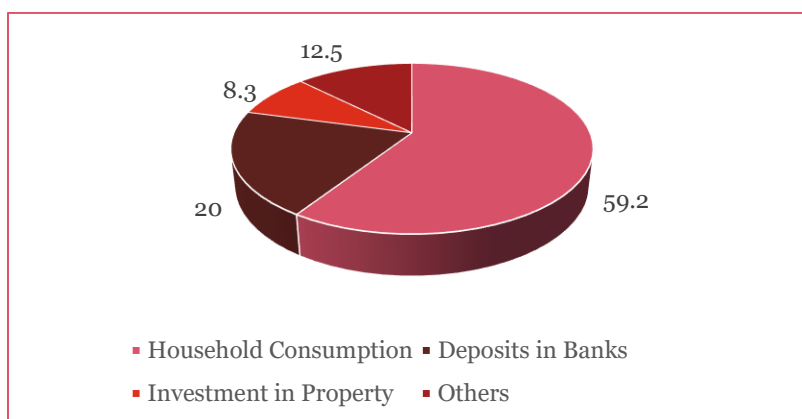
**Remittances Money Utilization:** The utilization of remittances money in India has been categorized<sup>23</sup> into 4 areas: 1) Household consumption, 2) Deposits in Banks, 3) Property Investment and 4) others. Among these categories, Household consumption has a major share with 59.2% followed

<sup>22</sup> RBI 2018 Report on India's Inward Remittances

<sup>23</sup> RBI's 2018 Report on India's Inward Remittances

by Deposits in banks, others (miscellaneous) and property investment with a share of 20%, 12.5% and 8.3% respectively as mentioned in **Figure 25**.

**Figure 25: Remittances Money Utilization in India (in %)**



Source: RBI's 2018 Report on India's Inward Remittances

**Indian States Contribution to total inward remittances in India in 2017:** Kerala is the top Indian state in terms of inward remittances with USD 13.10 billion followed by Maharashtra, Karnataka and Tamilnadu with USD 11.5 billion, USD 10.35 billion and USD 5.52 billion respectively. These four states collectively received 58.7% of the total USD 69 billion of remittances in 2017 as indicated in **Table 4**.

**Table 4: Indian States contribution in Total Inward Remittances**

S. No	State	Percent share in Total Inward Remittances
1	Kerala	19.0
2	Maharashtra	16.7
3	Karnataka	15.0
4	Tamil Nadu	8.0
5	Delhi	5.9
6	Andhra Pradesh	4.0
7	Uttar Pradesh	3.1
8	West Bengal	2.7

9	Gujarat	2.1
10	Punjab	1.7
11	Bihar	1.3
12	Rajasthan	1.2
13	Goa	0.8
14	Haryana	0.8
15	Madhya Pradesh	0.4
16	Orissa	0.4
17	Jharkhand	0.3
18	Uttaranchal	0.2
19	Puducherry	0.2
20	Chandigarh	0.2
21	Jammu and Kashmir	0.2
22	Assam	0.1
23	Himachal Pradesh	0.1
24	Chhattisgarh	0.1
25	Others*	15.5
26	Total	100.0

*Source: RBI's Report on India's Inward Remittances in 2018*



### 3.3 Indian Migration sector overview

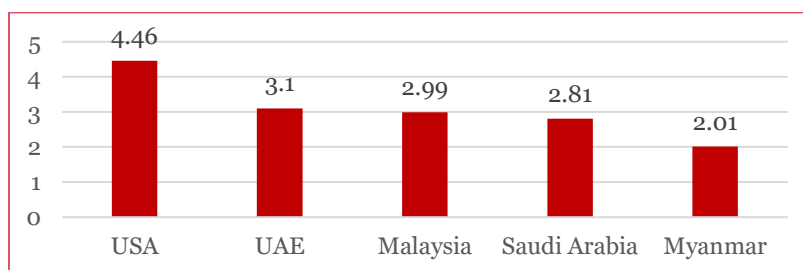
According to International Migrant Stock 2019, a dataset was released by the Population Division of the UN, Department of Economic and Social Affairs (DESA) which indicates that India is the leading country of origin for international migration contributing almost 17.5 million international workers in 2019. Globally the number of migrants stood at 272 million in 2019. As a host nation, approximately 5.1 million international migrants were hosted by India in 2019.

According to Indian Spend analysis of data from the United Nations Department of Economic Affairs, while India's contribution to global outward emigration industry in 1990 was just 7 million, by the end of 2019 it increased by 150% to reach 17.5 million international workers.

According to the Asian Economic Integration report 2018 by Asian development Bank (ADB), the number of unskilled migrants leaving the country is going down. In 2011, the total number of such workers were 637,000 while in 2017, it was 391,000 which is a decrease of 38%<sup>24</sup>.

**List of countries with the highest number of Indians overseas:** USA is the most preferred destination<sup>25</sup> for the Indian workforce followed by the UAE, Malaysia and Saudi Arabia as presented in figure 26.

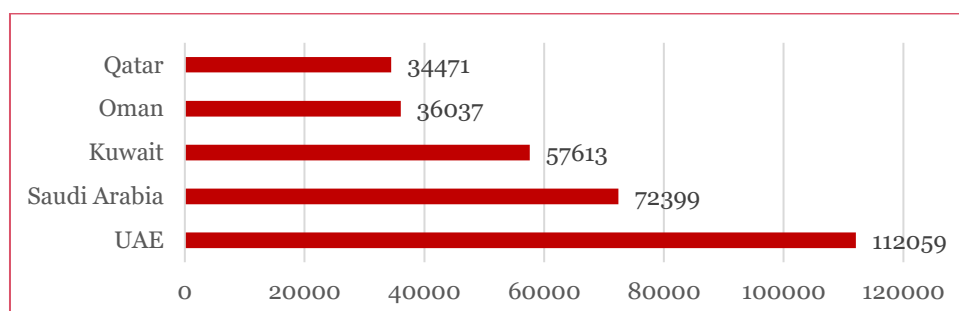
**Figure 26: Countries with highest number of Indian citizens overseas**



Source: Ministry of External Affairs (Dec 2018)

**List of Countries with highest low skilled Indian workforce migration in 2018:** The figure 27 provides information about list of countries where the highest number of low skilled workforce<sup>26</sup> migrate to.

**Figure 27: Countries with highest number of Indian low skilled workforce movement in 2018**



Source: Indian Parliament Question (Feb 2019)

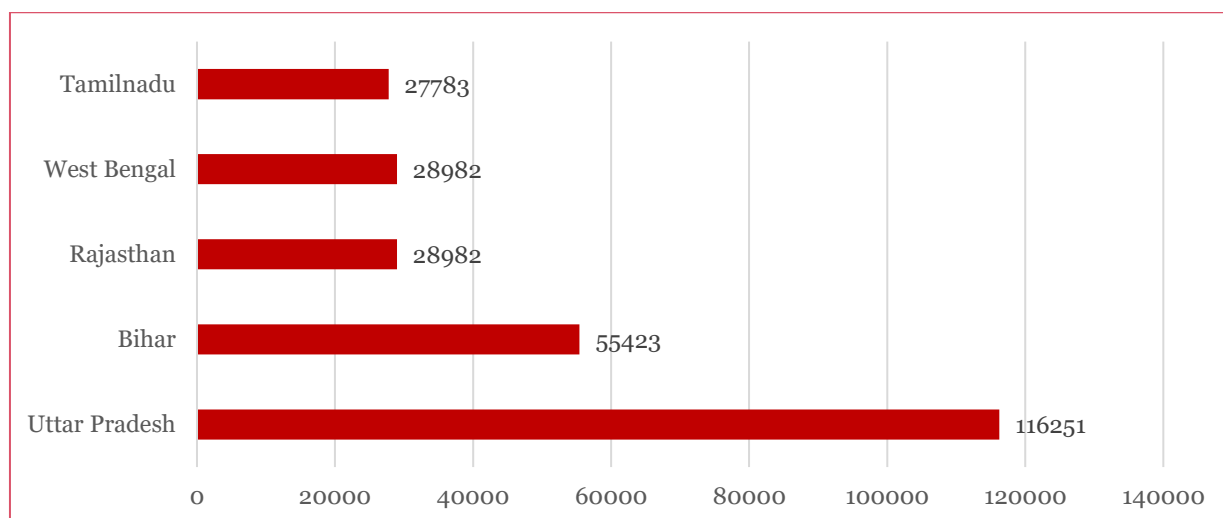
<sup>24</sup> <https://www.indiaspend.com/as-india-becomes-wealthier-more-indians-leave-its-shores/>

<sup>25</sup> Ministry of External Affairs, Govt. of India (Dec 2018)

<sup>26</sup> Indian Parliament Question 2019

**Top five labor sending states in 2019<sup>27</sup>:** Among the Indian states, Uttar Pradesh sends the highest number of workforces to foreign countries followed by Bihar, Rajasthan, West Bengal and Tamilnadu as mentioned in **figure 28**.

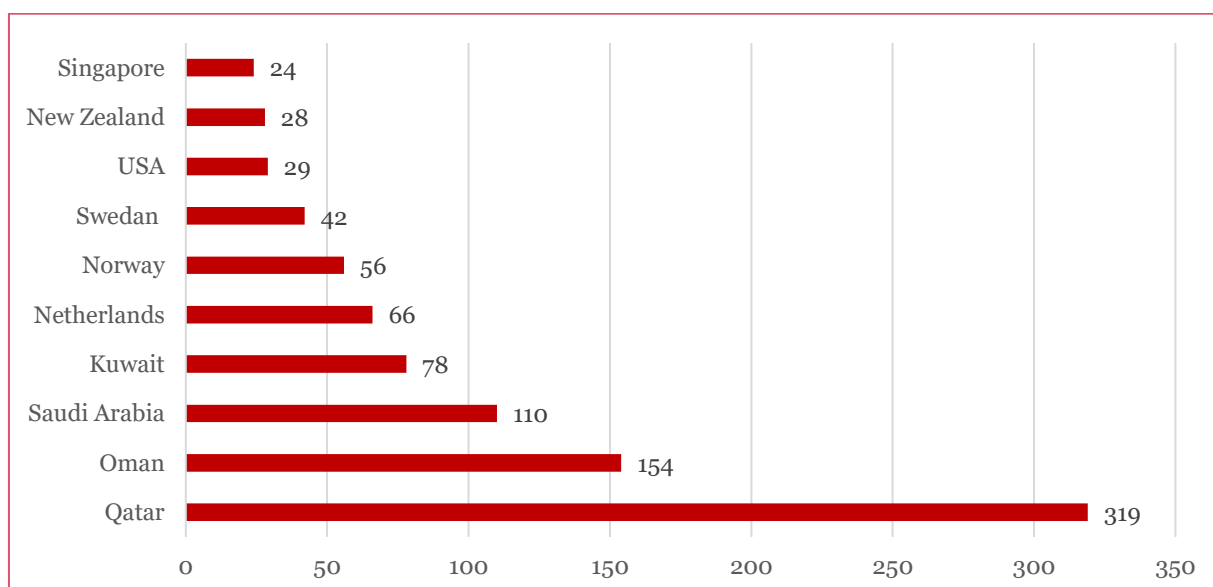
*Figure 28: Top Global labor sending States: 2019*



*Source: Ministry of External Affairs e-Migrate portal*

During the study, it was found that among all the countries where Indian workforce has migrated during 2010-2017, Qatar stood at number one position with 319%<sup>28</sup> which was followed by Oman (154%), Saudi Arabia (110%) and Kuwait (78%). **Figure 29** indicates the top 10 countries where Indian workforce has migrated during the period 2010-17.

*Figure 29: List of countries with increase in Indian Population 2010-2017 (in percent)*



*Source: India Spend analysis of data from the United Nations Department of Economic Affairs*

<sup>27</sup> Ministry of External Affairs, Govt. of India's e-Migrate portal

<sup>28</sup> India Spend analysis from United Nations Department of Economic Affairs



**Changing emigration landscape of Indian states:** Considering Indian emigration data, the southern states like Kerala and Tamilnadu are traditional sources of low skilled labor for international countries especially Middle East and South East Asia. However, it is witnessed that there is a shift in the migrant states where Uttar Pradesh and Bihar are sending a greater number of low skilled labourers now.

It is understood that the reasons for such migration can be socio economic differences, employment scenarios, health and education sectors in those states. **Figure 30** depicts the states that are contributing more migration to other countries. States like Uttar Pradesh, Bihar, Andhra Pradesh and West Bengal have evolved as new suppliers for Indian international workforce migration.

*Figure 30: New emerging states as international workforce supplier*



Source: India Migration watch

### ***3.4 Initiatives undertaken by Government of India***

The Government of India along with the Indian Council of Migration undertook various initiatives

1. To develop and enhance the skill and employability of the migrant labourers
2. Introduce collaborative learning system with foreign universities
3. Ease the procedures for migration
4. Digital initiatives for transparent and efficient monitoring and mapping.

The major initiatives undertaken are;

#### **a. e-migrate system**

The system is to regulate the overseas employment especially for protection of less educated blue-collar workers, the emigration check required is regulated through a unique computerized system called e-migrate. This is a system which is integrated with the Passport Sewa Project of the Ministry of External Affairs and Bureau of Immigration of the Ministry of Home Affairs on one-hand and the Indian Missions in the 18 ECR countries, Foreign Employers and the Registered Recruiting Agents on the other.

#### **b. Pravasi Kaushal Vikas Yojana**

The program aims at training and certifying individuals who are seeking for overseas employment. The program will be developed by National Skill Development Corporation. The skill training will be imparted in those sectors that have high demand in the global labour market and will be of International standards.

#### **c. Pre-Departure Orientation and Training (PDOT)**

PDOT is one of the several initiatives and mechanisms of Ministry of External Affairs to ensure a safe, orderly, legal and humane migration process. PDOT programmes are aimed at enhancing soft skills of our migrant workers in terms of culture, language, tradition and local rules and regulations of the destination country, to sensitize them about pathways to safe and legal migration and various government programmes for their welfare and protection.

#### **d. Pravasi Bharatiya Sahayata Kendra (PBSK)**

The PBSKs are offices situated in various parts of the world, mostly in MEA, for the welfare of Indian citizens in those countries. The offices support the expatriates in need especially at challenging times like COVID-19.

#### **e. Aatmanirbhar Skilled Employee Employer Mapping**

Ministry of Skill Development developed the portal to help skilled people find sustainable livelihood opportunities. Aatmanirbhar Skilled Employee Employer Mapping (ASEEM) refers to all the data, trends and analytics which describe the workforce market and map demand of skilled workforce to supply. It will provide real-time granular information by identifying relevant skilling requirements and employment prospects.



# *Karnataka's Competitive Assessment for Remittances and Emigration*

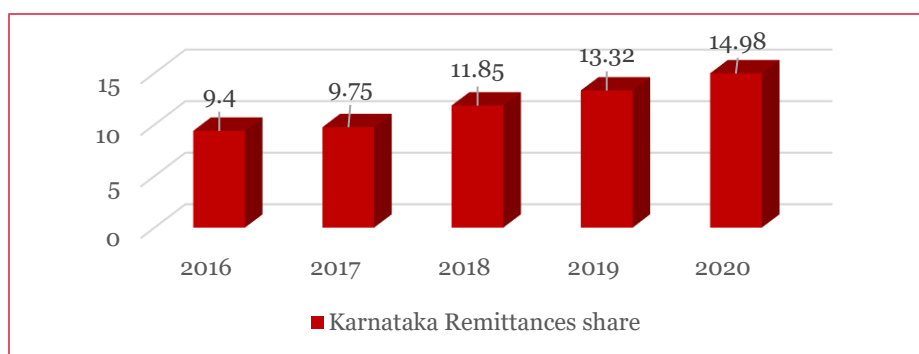
## 4. Karnataka's Competitive Assessment for Remittances and Emigration

### 4.1 Current Remittances Sector Scenario

As per the RBI report on inward remittances, Karnataka's contribution to India's total remittances value was USD 9.8 billion<sup>29</sup> with a share of 15% in FY19. Karnataka was positioned at third in the list of states with highest remittances received, after Kerala and Maharashtra.

Taking into consideration the growth in last 3 years in remittances, India's remittances grew from USD 62.5 billion to USD 79 billion, maintaining a CAGR of 12.25%. **Figure 31** shows Karnataka's share in national inward remittances for the last 5 years.

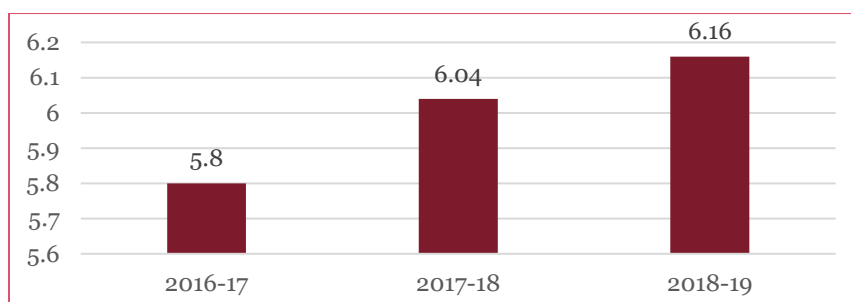
**Figure 31: Karnataka's Total Inward Remittances from 2016-20 (in USD billion)**



Source: RBI's 2018 Report on Globalizing people: India's Inward Remittances

The importance of Inward Remittances for the Karnataka economy has been growing consistently in the last few years. In 2018, the contribution of inward remittances to the state GDP was 6.16%<sup>30</sup> and **figure 32** depicts the growing significance of remittances for the state GDP.

**Figure 32: Remittances contribution in State GDP (in %)**



Source: India's Brand Equity Foundation Report on Indian states economy and business in Karnataka<sup>31</sup>

<sup>29</sup> RBI's 2018 Report on Globalizing people: India's Inward Remittances

<sup>30</sup> India's Brand Equity Foundation Report 2019 on Indian states economy and business in Karnataka

<sup>31</sup> Betterplace blue collar jobs report based on a sample of 198,539 employed in 532 companies

The purpose of remittances received to Indian states are primarily consumption / family maintenance (~59%), Deposits in banks (~20%), and Investments (8%). Private banks control 74% of the total remittances followed by public sector banks (17.3%) and foreign banks (8.5%). The cost of sending and receiving money to India is given in **Table 5** and **Table 6**. The same cost can be considered for the state of Karnataka<sup>32</sup>.

**Table 5: Cost of sending USD 200 and USD 500 to India**

Per Cent						
	USD 200			USD 500		
Bank Type/mode	Public Sector Bank	Private Sector Bank	Foreign banks	Public Sector Bank	Private Sector Bank	Foreign banks
Direct Transfer to Bank Account/Electronic Wire	0-6.7	0-4.0	0-2.1	0-5.5	0-1.7	0-3.1
SWIFT	0-21.3	0-22.7	0-12.7	0-8.6	0-9.2	0-7.7
RDA/Vostro Account	0-13.5	0-11.8	0-8.5	0-5.5	0-4.8	0-14.1

**Table 6: Cost of Receiving USD 200 and USD 500 to India**

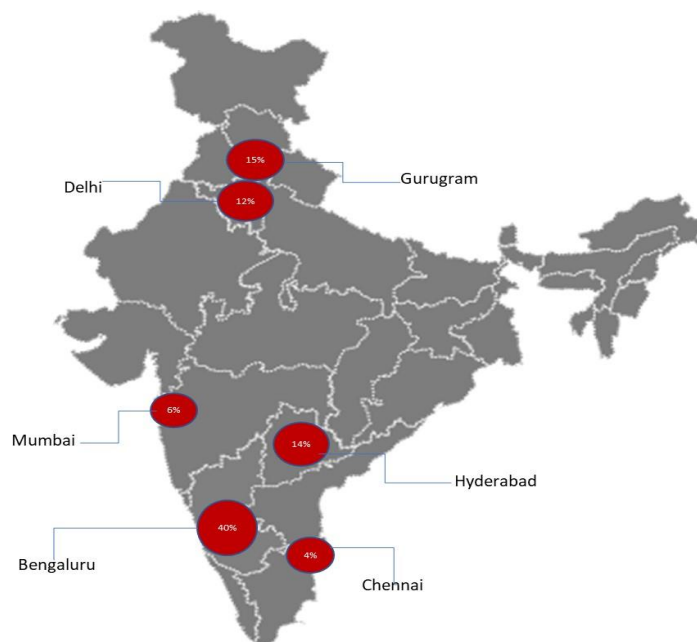
Per Cent						
	USD 200			USD 500		
Bank Type/mode	Public Sector Bank	Private Sector Bank	Foreign banks	Public Sector Bank	Private Sector Bank	Foreign banks
Direct Transfer to Bank Account/Electronic Wire	0-1.5	0-1.9	0-2.0	0-0.7	0-1.1	0-0.8
SWIFT	0-5-4.4	0-12.7	0-13.3	0-2.5	0-6.3	0-5.4
RDA/Vostro Account	0-2.4	0-4.5	0-5.5	0-1.0	0-1.8	0-2.0
Others (Including Cheque and draft)	0-2.3	0-12.6	0-40.4	0-1.0	0-5.1	0-16.4

<sup>32</sup> RBI's 2018 Report on Globalizing people: India's Inward Remittances

## 4.2 Emigration Sector Scenario

HR-tech firm Betterplace's report on internal movement in blue-collar migrants' places Bengaluru as one of the country's biggest destination for blue collar migrants. The city has attracted 5 to 7 million workforces of the total 120 million low skilled workers, moving from rural areas from different parts of India. As per the same report, Delhi and Mumbai were traditional host cities for low skilled workforce in India, however, there has been a tremendous shift in recent years where more and more blue-collared migrants are moving to Karnataka. According to the World Economic Forum, India has a total of 139 million internal migrants.

**Figure 33: Indian Map highlighting blue collar migrants**



Source: Betterplace blue collar jobs report based on a sample of 198,539 employed in 532 companies

Government of Karnataka has published a roadmap to establish International Migration Centre – Karnataka (IMC-K<sup>33</sup>) which is aimed at building pathways for overseas employment and global recognition. It was highlighted in the report that the Kerala conducts a migration survey once in three years to understand, analyze and predict the number of migrants from Kerala. It is also being replicated in other states like Tamil Nadu, Uttar Pradesh and Goa. Similarly, Karnataka government should undertake a migration survey to garner primary data on the competitive advantages of the state. This survey will help in analyzing the current pattern of and the future potential for employment overseas such as how many people are migrating from Karnataka, in what sectors and to which destinations; what occupations are they migrating for, and what occupations should be the focus in the near future; and to which geographies; and finally, what is their rate of return etc.

<sup>33</sup> <https://pacindia.org/wp-content/uploads/International-Migration-Centre-Karnataka.pdf>



### 4.3 State programs on Skill Development

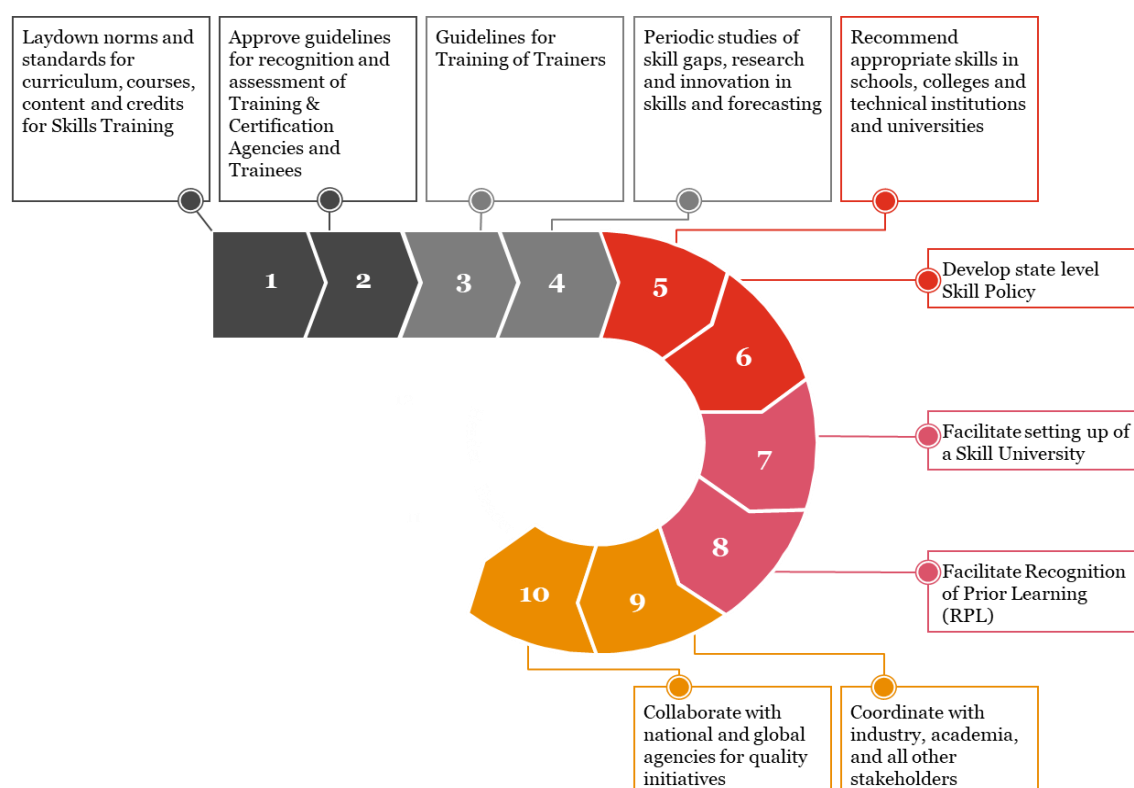
Government of Karnataka has setup the Skill Development, Entrepreneurship and Livelihood Department (SDEL) to help the youth to acquire necessary skills and expertise to increase their employment opportunity in India as well as outside the country. Its major objective is to:

- Undertake the functions of regulation
- Standardization
- Promotion
- Implementation and monitoring of all skill development programs in the state

In 2017, the Department launched its web portal Kaushalkar.com<sup>34</sup> to provide its services to a larger base of citizens in the state. According to the web portal, in 2016, the number of youths requiring vocational and other forms of training were approximately 7.5 million, which would go up to 18.8 million by the year 2030 with a CAGR of 6.78%.

Karnataka Skill Development Authority (KSDA) is the principle organization to regulate skill development and monitoring in the state of Karnataka.

**Figure 34: Functions of KSDA**



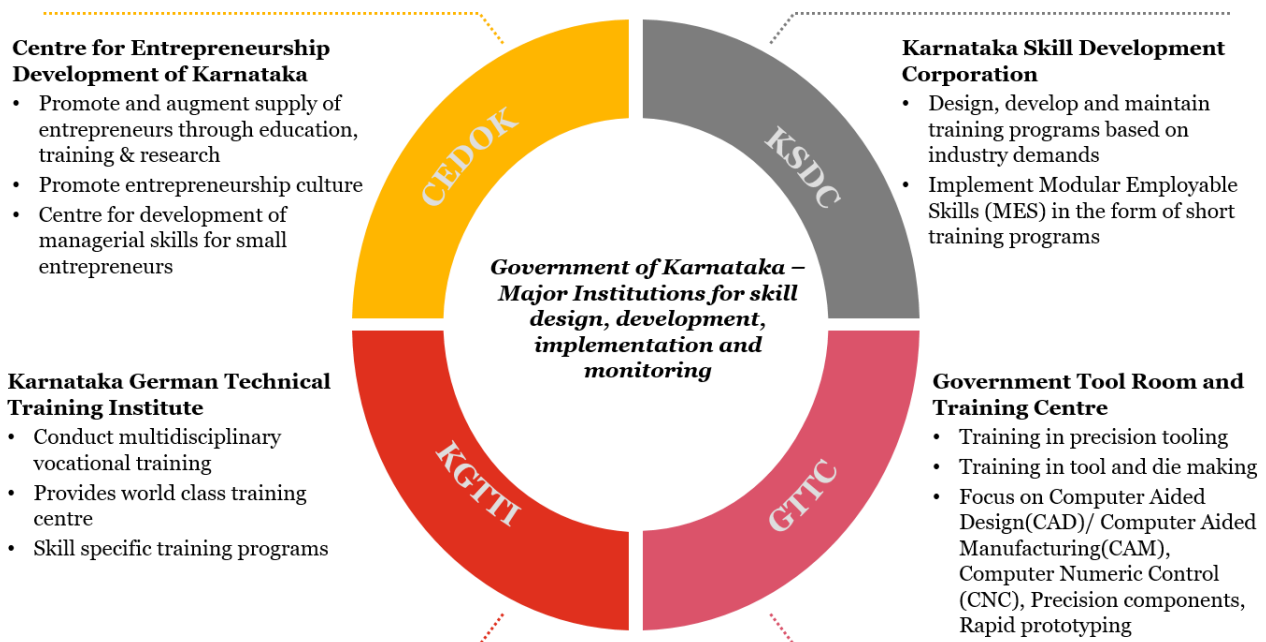
Source: Department of Skill Development and Entrepreneurship and Livelihood, Karnataka

Major Government institutions working on skill development in the state are Centre for Entrepreneurship Development of Karnataka (CEDOK), Karnataka Skill Development Corporation

<sup>34</sup> Department of Skill Development, Entrepreneurship and Livelihood, Karnataka

(KSDC), Karnataka German Technical Training Institute (KGTTI) and Government Tool Room and Training Centre (GTTC). The detailed activities of those institutions are shown in **Figure 35**.

**Figure 35: Government run Skill Development Institutions in Karnataka**



Source: Department of Skill Development and Entrepreneurship and Livelihood. Karnataka

Major schemes and initiatives launched by the Department of skill development for skill upliftment in Karnataka are:

**Chief Minister's Kaushalya Karnataka Yojane (CMKKY)**

**Rajiv Gandhi Chaitanya Yojane (RGCY)**

**Skill Tube**

**International Migration Centre, Karnataka**

**Shrama Samarthya**

**Asha Deepa**



**Chief Minister's Kaushalya Karnataka Yojane (CMKKY):** Skill Development and Upliftment of 5 lakh youth annually including standardization of various skills, corresponding job roles, content, syllabus, selection of Trainees, selection of Training Providers, assessment of Trainees and their Placement.

**Rajiv Gandhi Chaitanya Yojane (RGCY):** It is a state-run project that trains and deploys youth belonging to diverse sections of the society. As per RGCY portal, 93,887<sup>35</sup> youth have been trained and a total amount of Rs.99.58 crores was spent for the underlying activities.

**Skill Tube:** Multimedia and multi-language e-learning channel (web based)

**International Migration Centre, Karnataka:** To provide authentic information, guidance, training and recruitment assessment for overseas employment.

**Shrama Samarthya:** The state Government has implemented this scheme for the overall welfare and development of construction workers. The plan under this scheme is to educate and train construction workers. As per the data available through public sources, the Government has allocated nearly Rs 99.98 crore for the project with an aim to train 37,440 construction workers.

**Asha Deepa:** The state Government has launched this scheme to encourage private sector industries/ companies to provide employment opportunities to people belonging to SC & ST categories to ensure social justice.

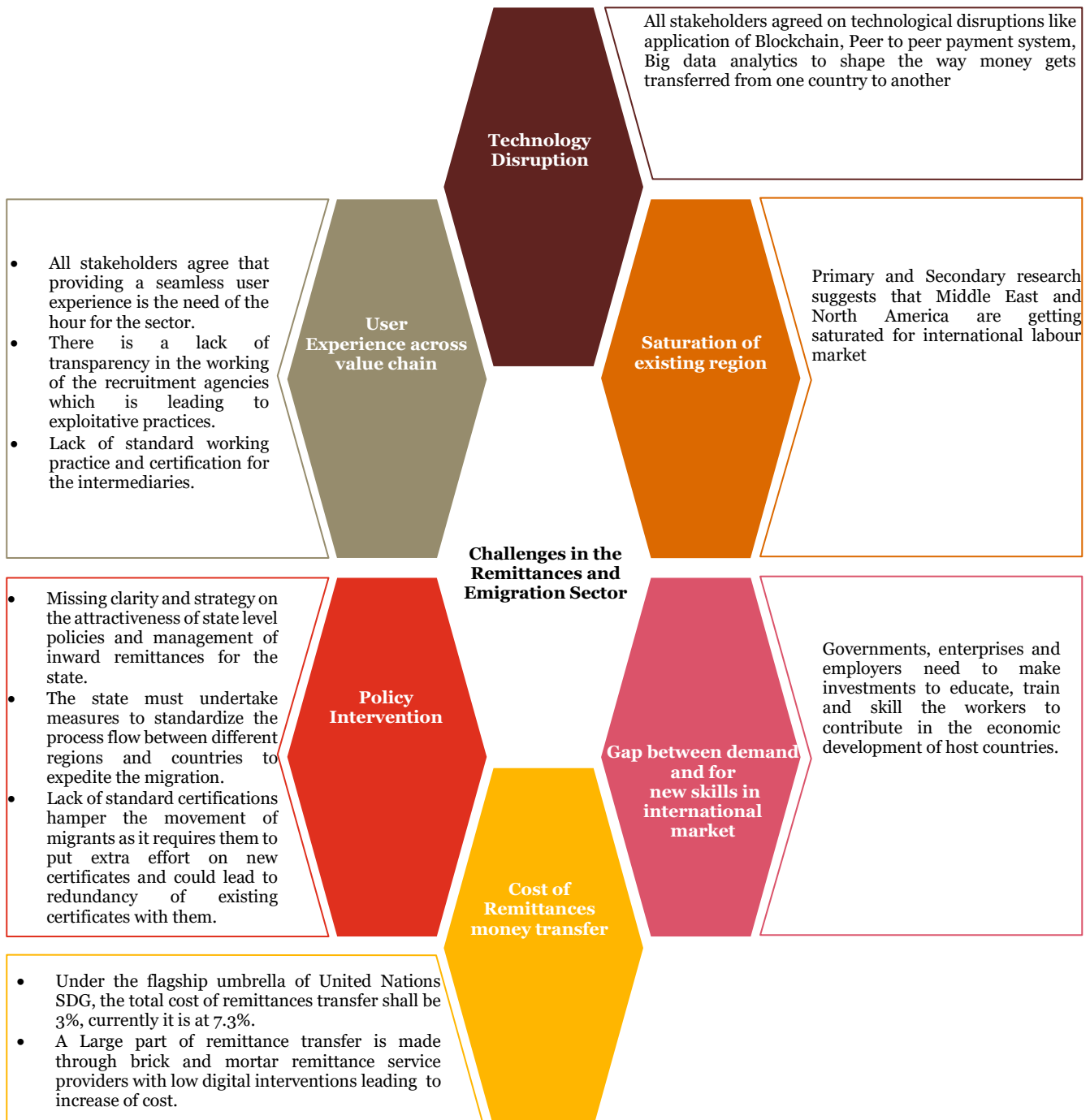
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<sup>35</sup> RGCY portal

## 4.4 Identification of Key Issues and Bottlenecks

Interactions with stakeholders have revealed that there are several bottlenecks curtailing the growth of the remittances and emigration sector in the state. These challenges have been grouped into six core areas i.e., Technology Disruption, Saturation of Existing Region, High Gap between demand and supply of skilled labour, High cost of remittances of money transfer, Certain policy interventions and user experience.

**Figure 36: Major challenges for the Remittances and Emigration sector**



Source: Study Team Analysis



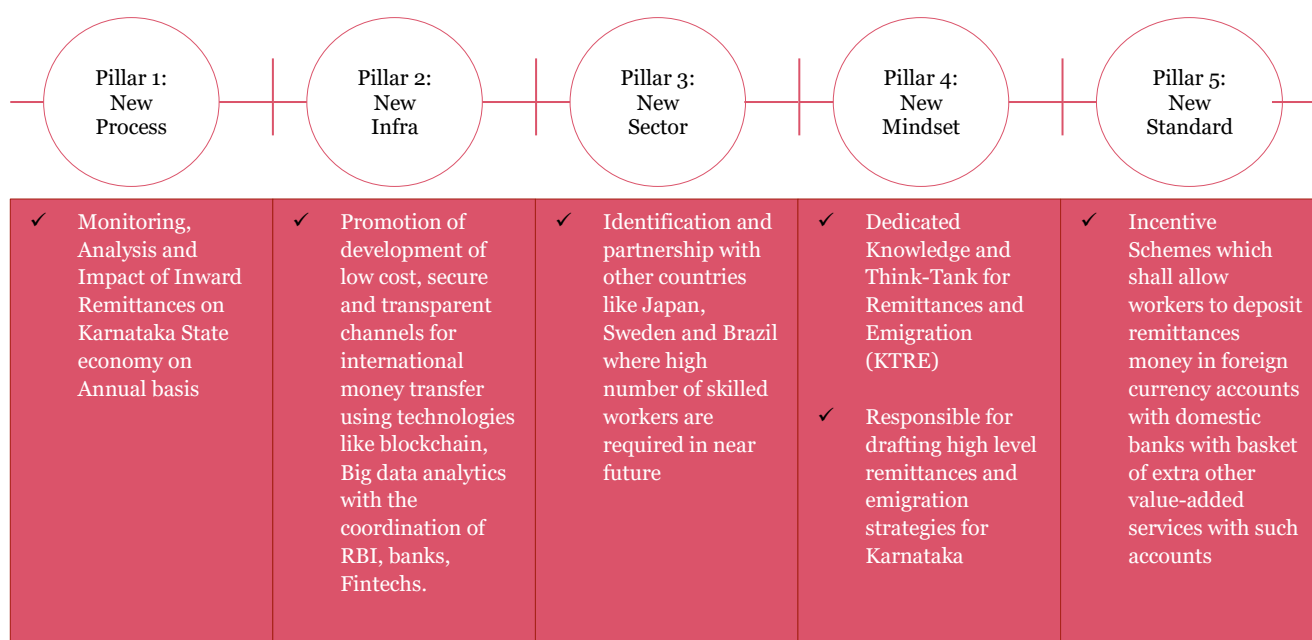
# ***Sector Development Strategy***

## 5. Sector Development Strategy

Based on stakeholder consultations and secondary research, it has been assessed that the state of Karnataka can undertake a lot of initiatives to maximize its potential in the Remittances and Emigration Sector owing to multiple reasons stated in above sections.

To address the issues identified in the previous sections and achieve the industry potential, it is proposed to implement a five-pronged strategy that will enable the industry by undertaking physical, policy and institutional interventions. This is summarized below with the proposed strategic interventions that are required for a robust Remittance and Emigration sector.

**Figure 37: Strategic Interventions**



Source: Study Team Analysis

### 5.1 Monitoring, Analysis and Impact of Inward Remittances in Karnataka

One centralized portal can be created to manage all the inward remittances for the state. The overall objectives would be:

- Implement the overall strategy for remittances for the short term and long-term inflows in the state
- Capture data related to size, channels, cost and usability pattern
- Study the impact of remittances on overall economy of the state
- Decide on focus areas for development
- Fine tune strategies for intervention of technical disruptions in the sector
- Design strategy to compete with other leading states like Kerala and Maharashtra
- Establish partnerships and collaboration with Banks, Fintech and MTO
- Implement plans to increase state remittances
- Overall monitoring and management of remittance life cycle

## 5.2 A Dedicated Knowledge and Think-Tank Centre for Remittances and Emigration

A Knowledge Think-Tank of Remittances and Emigration (KTRE) is proposed to be structured by the Government of Karnataka for continuous development & monitoring of the sector in the State. KTRE will be responsible for identifying developmental strategies, policy reviews and implementation plan for this sector. KTRE will also be a forum for representation in National and international fora and will also act as a recommendatory body for resolution of sector-specific issues in the State. This group is proposed to be constituted by Government officials and will include Industry leaders in the Remittances and Emigration sector. The core functions for this Think-Tank would be:

- Draft the high-level strategies and set goals for the total inward remittances on yearly basis
- Analyse the high demand workforce (low and medium skill set) in different parts of world, for example, in Japan due to increasing old age population, it is estimated that it may face shortage of 270,000 nurses by 2025
- Establish partnerships with countries in other emerging markets like Europe, Africa and Latin America to export low and medium skilled workforce from Karnataka. For example, Brazil, Mexico and Greece are suffering from skill shortage of 51%, 44% and 42% respectively
- Development of roadmap for world class skill and training services in Karnataka
- Development of strategies around effective and productive use of inward Remittances
- Design and develop policy and strategy around improvement of financial access and remittance and skill development services for individuals and households
- Define high level strategy on how the remittances money received could be utilized for the development of retail payment systems, to reduce transfer cost and how the resources could be utilized for productive investment

## 5.3 Introduce and Promote Schemes

Government of Karnataka together with other leading states like Kerala and Maharashtra, can promote the introduction of certain favourable remittances schemes like:

- **Incentives schemes** that shall allow workers to deposit remittances money in foreign currency accounts with domestic banks with a basket of extra other value-added services with such accounts.
- **Schemes to promote inward remittances and entrepreneurship** to promote parallel growth of inflows of remittances and entrepreneurship in the state. The Government shall draft some policies for offering some subsidies to families who receive highest remittances on annual basis and are willing to become entrepreneurs.
- **Other schemes** which could be jointly launched with banks and RBI, where RBI is the issuer of favourable certificates in return for foreign currency deposits which could be redeemed later at a higher rate both in foreign and domestic currency.

## 5.4 Partnerships with other countries

Government of Karnataka shall identify new geographies where demand is high for skilled workforce and establish partnerships for skilled workforce movement. The Government can get into agreements with countries like Japan, Latin America, Brazil, Argentina, Puerto Rico and African countries like South Africa to export skilled workforce. The **figure 38** classifies the geography and skill set of the targetted countries. One of the major focus areas that the Government could look at is the first quadrant of the figure which is the intersection of newer areas and newer skill sets.

**Figure 38: Targetted countries with Targetted skill sets**



Source: Study Team Analysis

## 5.5 Recruitment and Placement

There is a need for interventions by the Government of Karnataka for improving the Recruitment and Placement of the skilled resources present in the state. The measures which can be undertaken by the state for bringing opportunities for the state require two major steps:

### Strengthening the system

- Develop a digital system for aspirants to submit their qualifications.
- Verify & improve the credibility of the data submitted by the resources.

### Increase participation of foreign institutions

- Create skill transfer pacts with other nations and institutions.
- Promote exchange programs with other educational institutions
- Identify and Invite foreign companies which require the skills in the pool to participate in the Job fairs.



## 5.6 Certification of Skills and Occupations

One of the major challenges faced for the smooth transfer of aspirant migrants are the lack of standard certificates and opportunity to map their skills with the occupations present abroad. The aspirants tend to overlook the opportunities due to the lack of awareness among them regarding the terms and languages present in the other nations. Majority of the aspirants undertake multiple examinations to match the certificate requirements for various nations. This leads to unnecessary cost and loss of time. The various initiatives the Government can undertake are mentioned below which could bring a holistic change for the aspirant's employability in various nations.

Create a databank to map the skills and certificates in India with the requirements in various nations and states.

**Data Bank**

Develop standard certifications which are acceptable across nations through agreements and mapping of requirements.

**Standardization**

Invest in institutes that offer courses which provide certifications that are required by foreign nations for employability.

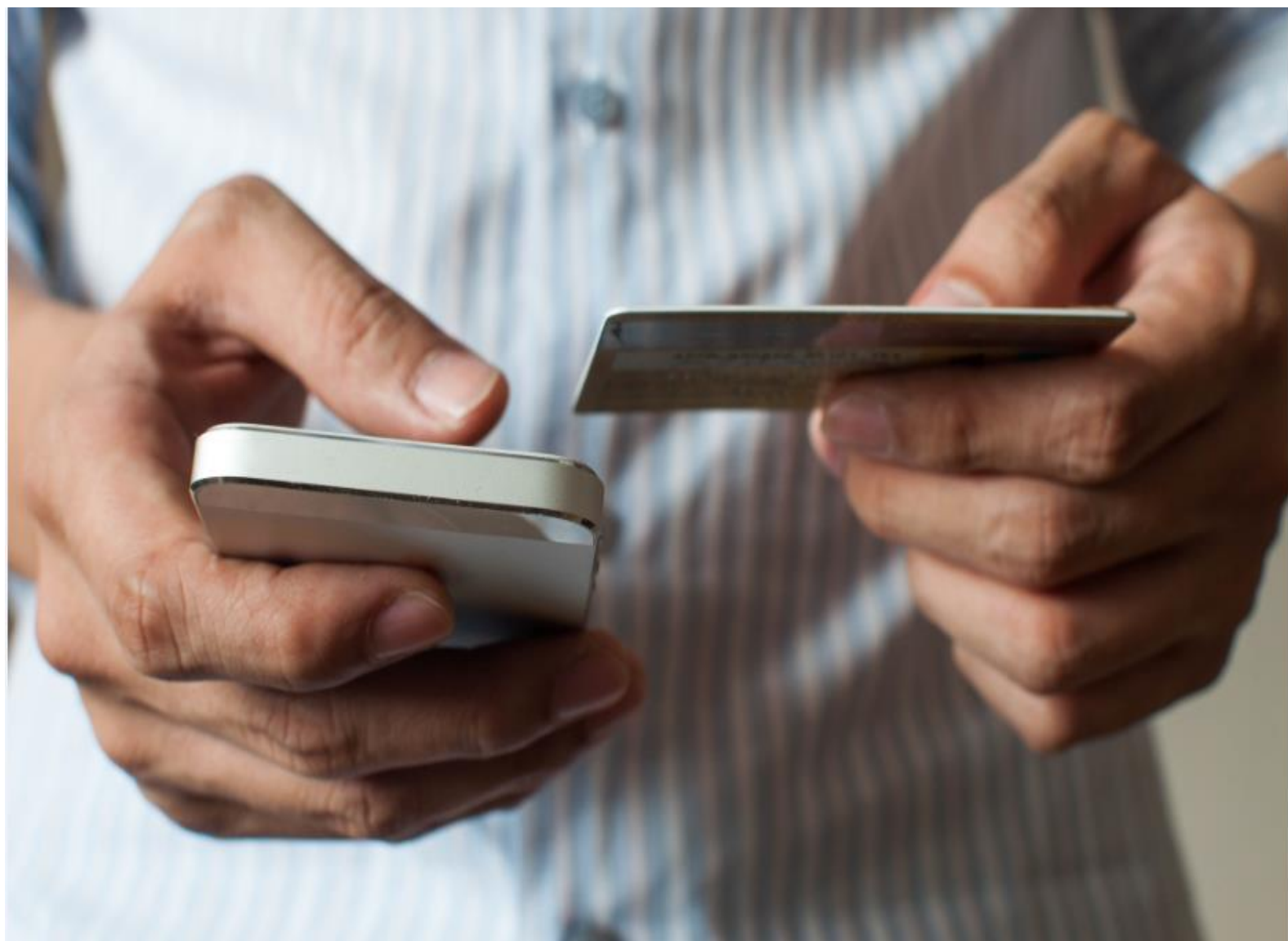
Incentivise institutions to undertake courses which are relevant in different nations

**Certificate providers**

Identify and support eligible aspirants to undertake courses which are of high demand across nations.

Provide scholarships and other benefits to increase the participation

**Identify and Support**



## *Implementation and Funding Plan*



## 6. Implementation and Funding Plan

The objective of the report was to prepare an Action Plan for Remittances and Emigration Sector for Karnataka under the Champion Services Sector Scheme. In the previous sections, the Global, National and Regional demand in the R&E sector were analyzed, issues pertaining to the sector in the State were identified and the Sector development strategy with action points has been laid out.

In this section, implementation mechanism and funding requirement for each of the interventions under the proposed action plans have been explored. For each of these interventions, **Table 7** summarizes the responsible agency for implementing the suggested intervention and the suggested funding requirement for the same. The table also aligns each of the proposed interventions with the champion service pillars (i.e. new processes, new infrastructure, new sector, new mindset and new standards).

**Table 7: Implementing Authority with proposed funding and pillars**

SI. No	Action	Champion Services Pillars	Proposed Funding	Implementing Agency
<b>Development of Common Centralized Portal</b>				
1	Development of one centralized portal for monitoring, analysis and impact measurement of inward remittances in Karnataka	New Process	~INR 10 Crores	Department of Skill Development, Entrepreneurship and Livelihood
<b>Dedicated Knowledge Think-Tank</b>				
2	Formation of a dedicated Knowledge Thinktank of Remittances and Emigration	New Mindset	~ INR 2 Crores	Department of Skill Development, Entrepreneurship and Livelihood
<b>Introduction of Schemes</b>				
3	Introduction of Comprehensive Schemes	New Standards	NA	Department of Skill Development, Entrepreneurship and Livelihood
4	Set up Council for skill development to ensure that Indian Skills / expertise is recognized globally through skill recognition in the concerned countries	New Standards	NA	Department of Skill Development, Entrepreneurship and Livelihood
5	Set up councils (similar to the Nursing Council) which define globally acceptable standards for services like daycare, housework, plumbing, electrician, welding etc.	New Standards	NA	Department of Skill Development, Entrepreneurship and Livelihood

SI. No	Action	Champion Services Pillars	Proposed Funding	Implementing Agency
<b>Study of Karnataka migration through a Survey</b>				
6	Karnataka Migration Survey	New Sector	~ INR 2.5 Crores	Department of Skill Development, Entrepreneurship and Livelihood
7	Other Development Areas	New Sector	~ INR 5-10 Crores	Department of Skill Development, Entrepreneurship and Livelihood

The above table summarizes the proposed interventions for each of the segments along with the required funding, the agency responsible for implementation of the intervention and the CSSS pillar under which the proposed actions fall. The total funding proposed for implementing all the interventions under the Champion Services Action Plan for Remittances and Emigration Sector in Karnataka is ~ INR 25 Crores.

Going forward, a proposal for the CSSS - Remittances and Emigration Sector needs to be formulated by the State Nodal Department in the prescribed format mentioned in the Champion Services Sector Guidelines issued by the Government of India. It is suggested that the Nodal Department of Government of Karnataka engage a Project Monitoring Unit (PMU) to provide support for executing the select proposed interventions. This will ensure strategic interventions proposed are implemented in a holistic, timely and orderly manner.



## *Annexure*

## 7. Annexure

The details of stakeholder consultations for Remittances and Emigration Sector are given below in **Table 8:**

**Table 8: Stakeholders Consultations Summary**

Sl. No	Date	Representative	Designation & Department	Key Discussion Points
<b>Meetings Conducted</b>				
1	14.08.2019	Mrs. Vijaya Vasee Reddy Jyothsna, IAS	Director Skill Mission (Member Convenor)	<ul style="list-style-type: none"> <li>Brief details of the CSS Scheme, the proposed approach for development of Action Plan and the way forward</li> <li>The Member Convenor explained the workings and components of IMC-K (International Migration Centre, Karnataka) – an institutional setup to provide authentic information, guidance training and recruitment for overseas employment</li> <li>Director, Skill Mission advised the Knowledge Partner to meet Mr. Raghavendra, in-charge of IMC-K for further discussions</li> <li>Director suggested that she would need more clarity from the State Government on the key action points and way forward</li> </ul>
2	11.09.2019	Mr. Devanandan	Manager, Forex, Reserve Bank of India, Bangalore	<ul style="list-style-type: none"> <li>Mr. Devanandan informed us that all remittances related data such as channel specific data, State specific data, and Cost Specific data are maintained by RBI DPSS Central team based out of RBI Mumbai HQ</li> <li>He suggested to contact following RBI teams subsequently for more information and data (i) FETRS Department (ii) DPSS Department</li> <li>He further agreed to share export/import remittances data for Karnataka.</li> </ul>

				<ul style="list-style-type: none"> <li>• He also agreed to share the export/import remittances grievances related data for Karnataka region</li> </ul>
3.	13.09.2019	FED Bangalore	Trade Division, Foreign Exchange Division, Reserve Bank of India	<ul style="list-style-type: none"> <li>• Follow up for import/export remittances data for Karnataka region. It was informed that FED Bangalore would not be able to share the data considering its sensitivity.</li> </ul>
4.	17.10.2019	Mr. Mahitosh Mahare	Manager, Forex, ICICI Bank	<ul style="list-style-type: none"> <li>• Brief details of the CSS Scheme, the proposed approach for development of Action Plan and the way forward</li> <li>• Mr. Mahitosh explained about different challenges that remittances industry is facing currently.</li> <li>• He emphasized that cost of sending the funds from foreign countries must be brought down for increased volumes</li> <li>• He explained the importance of remittances transfer like commercial bank and money transfer company as well as network linkages and infrastructure like swift and other methods like cash and telephonic transfers</li> <li>• He informed that process level study shall be done for selected countries like UAE, USA, Saudi Arabia, Qatar and Kuwait which are among the leaders in remitting money to India.</li> </ul>
5.	18.10.2019	Mr. Piyush Kumar Deshpande	Head Solutions, Cross Border Payments, ICICI Bank	<ul style="list-style-type: none"> <li>• Brief details of the CSS Scheme, the proposed approach for development of Action Plan and the way forward</li> <li>• Mr. Piyush Kumar was interested to know that how banks like ICICI can play a bigger role in this Government initiative.</li> <li>• He explained the fact that in the context of the contribution of remittances sector to boost the</li> </ul>

				<p>GSDP of Karnataka and India overall there must be processes implemented to transfer the money through more organized channels as compared to unorganized channels which constitute a large part of money transfer</p> <ul style="list-style-type: none"> <li>• He informed that southern states dominate in money transfer primarily due to the supply of high skilled individual professionals.</li> <li>• He explained the importance of swift and RDA in the process of money transfer from outside India</li> <li>• He highlighted the importance of improvement of payment infrastructure and policies regarding migration of individuals</li> </ul>
6	19.10.2019	Mr. Kaushik Ghose	Regional Director, Thunes.com	<ul style="list-style-type: none"> <li>• Brief details of the CSS Scheme, the proposed approach for development of Action Plan and the way forward</li> <li>• Mr. Kaushik explained that although the southern states dominate in the overall remittances sector of India, in the long-term northern states like Uttar Pradesh and Bihar are going to acquire greater significance when it comes to the supply of low skilled labour.</li> <li>• He emphasized the need to transfer money from foreign countries through organized sector to boost the GSDP of the state.</li> <li>• He explained that currently Rupee Drawing Arrangements (RDAs) is the most preferred mode for money transfer accounting to approximately 75 % of remittances, particularly from the GCC countries to India</li> </ul>

7	20.10.2019	Mr. Rajarshi Dubey	Ministry of External Affairs, Government of India	<ul style="list-style-type: none"> <li>• Brief details of the CSS Scheme, the proposed approach for development of Action Plan and the way forward</li> <li>• Mr. Rajarshi explained that most of the data with respect to Emigration are maintained by Home Ministry, Government of India.</li> <li>• He explained that states must come out with clear policies around Emigration and skill supply.</li> <li>• He highlighted the importance of opening of skill development and skill upgradation centres so that demand coming from other countries can be fulfilled and at the same time the wages of the person who is working, shall be well enough</li> </ul>
8	21.10.2019	Mrs. Prathibha L	Manager, Trade finance and Forex, ICICI Bank	<ul style="list-style-type: none"> <li>• Brief details of the CSS Scheme, the proposed approach for development of Action Plan and the way forward</li> <li>• Mrs. Prathibha explained that with individual remittances, B2B remittances are also very important when considering boosting the GSDP of the state especially in case of trade finance.</li> <li>• She explained that ICICI as a bank maintained lowest cost for money transfer and most of the activities processed in a single business day.</li> <li>• She also explained that RDA enables tie-ups between AD-I banks and non-resident exchange houses for opening and maintaining their Vostro accounts.</li> <li>• She explained that Banks disburse remittances to the final recipient immediately after the cheque/draft is deposited.</li> </ul>

9	21.10.2019	Mr. Nitin Aggarwal	Regional head, Trade Finance and Forex, ICICI Bank	<ul style="list-style-type: none"> <li>• Brief details of the CSS Scheme, the proposed approach for development of Action Plan and the way forward</li> <li>• Mr. Nitin Aggarwal explained the importance of B2B remittances inflow into India apart from C2C or individual remittances.</li> <li>• He explained that C2C remittances are primarily used for the family welfare purposes and are generally small while B2B transactions are bigger in size and hence infrastructure requirement for both sectors are quite different.</li> <li>• He opined that RDA and Swift are more popular channels followed by cheque and drafts.</li> </ul>
10	22.11.2019	Mrs. V.V Jyothsna Reddy	Director, Skill Mission, Government of Karnataka	<ul style="list-style-type: none"> <li>• Brief details of the CSS Scheme, the proposed approach for development of Action Plan and the way forward</li> <li>• Explained the importance of high skilled workers and Department's initiatives.</li> </ul>