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# A rejoinder to "The impact of infectious diseases on remittances inflows to India"

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## Abstract

We argue that the volume of remittances sent home by migrants is influenced by the exogenous likelihood that the duration of their migration will be cut short. A higher probability of reverse migration, brought about by the collapse of jobs in the wake of COVID-19, made migrants attach greater importance to the creation of a social and economic environment in their places of origin that can support them when they return. There are several ways in which this can be done. One is by instilling gratitude. When bigger remittances are responded to by greater gratitude, the support will be bigger. An impact of the COVID-19 pandemic on migrants' perceived duration of their migration is an increase in the uncertainty of the duration. The good will of migrants' families and communities at origin is a form of insurance. A standard response to uncertainty is to take out insurance, and when uncertainty is higher, insurance is more valuable, and there is a tendency to acquire more of it. As it happens, the link between the volume of remittances and the likelihood of return migration does not feature at all in Shastri's (2022) paper, nor for that matter in related writings by the World Bank and the IMF. The purpose of this rejoinder is to draw attention to this link, inducing students of migrants' remittances to explore the link.

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In a recent paper, [Shastri \(2022\)](#) sought to unravel the relationship between the flow of migrants' remittances to India and the incidence of pre COVID-19 infectious diseases in the countries that host Indian migrants. There is a natural and explicit presumption that inferences from past such experience could serve as a helpful guide to understanding and predicting remittance behavior in the COVID-19 era.

The concern we raise in this rejoinder is that it is not possible to understand the dynamics of remittance behavior without forming a link between the inclination to remit and likelihood of return migration. Shastri's paper is devoid of any reference to or discussion of return migration. This weakens the usefulness of the paper. We come back to this point later.

In 2020 there was a massive return of migrants to their home villages. The reason for the return was not expulsion orders but, rather, the COVID-19 pandemic: as a consequence of the pandemic, jobs were collapsing, and so was the ability of migrants to sustain themselves in their places of work in cities and foreign countries. There is evidence that millions of migrants in India, China, and other countries took whatever means of transportation, even long walks, to reach their villages of origin.<sup>1</sup> Concern was raised that as a result of the loss of work in host cities and countries, the aggregate volume of remittances sent home could be expected to decline measurably. Several commentators, including the World Bank, predicted that the decrease in the "stock" of migrants will lower migrants' remittances significantly. One estimate put the expected decrease in remittances at 14% ([World Bank, 2020](#)). When preliminary data appeared to indicate that far from plunging, the aggregate volume of remittances stayed approximately the same, the World Bank expressed surprise, predicting that "In 2021 remittances to low- and middle-income countries are projected to reach \$589bn, a 5.5% increase over pre-pandemic levels in 2019." ([World Bank, 2021](#).) The IMF also expressed surprise, for example in a paper entitled "Defying the odds: Remittances during the COVID-19 pandemic" ([Kpodar et al., 2021](#)). What explains the apparent "resilience" of the aggregate volume of remittances?

We take a critical look at the notion that a decline in the "stock" of migrants should be expected to translate into a decline in the volume of migrants' remittances. Our argument is as follows. A reason for sending remittances to families and communities is to create a social and economic environment that will be hospitable to migrants when they return to their places of origin. There are several channels through which a "conversion" occurs. One such channel is by instilling gratitude, an input into a production function of support that a migrant will receive upon return. The greater the gratitude, the greater the support. The value to a migrant of the gratitude that his remittances help to generate is higher when the exogenous likelihood of his return is higher. A migrant can influence the intensity of gratitude by adjusting his remittances.<sup>2</sup>

There are many reasons for remitting (consult [Stark, 2009](#)), and there are many reasons for return migration (consult [Stark, 2019](#)). Perhaps the two most formidable impacts of the COVID-19 pandemic on migrants' perceived duration of their migration are the lessening of their control of this duration, and an increase in the uncertainty of the duration. The good will of migrants' families and communities at origin is a form of insurance. A standard response to uncertainty is to acquire insurance. And when uncertainty is higher, insurance becomes more valuable, and there is an inclination to acquire more of it.

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<sup>1</sup> For a vivid journalistic account, consult Bhupinder Singh "Covid-19 Exodus: Migrant Workers All Over India Walk Their Way Back Home." *India Times* April 26, 2021 (<https://www.indiatimes.com/trending/social-relevance/covid-19-crisis-migrant-worker-return-to-home-on-foot-during-21-day-lockdown-509433.html>).

<sup>2</sup> Models of gratitude formation are presented in [Stark and Falk \(1998\)](#), and in [Stark and Budzinski \(2022\)](#).

The COVID-19 pandemic rendered involuntary return more likely than had there been no pandemic. We can consider two types of migrants. There are migrants whose unplanned, sudden, and quick return does not leave them with much time to adjust their remittances, so these departing migrants are “responsible” for a decline in the aggregated volume of remittances. And there are migrants who were not compelled to return, yet faced a significantly different likelihood of return, so these migrants had both the opportunity and incentive to upscale their remittances. When this effect is strong enough, the overall volume of remittances may not decrease: the total volume of remittances sent by 90 migrants who remit 110 rupees each is (essentially) not smaller than the volume of remittances sent by 100 migrants who remit 100 rupees each.

The essence of our argument is similar to the reasoning provided by [Stark and Byra \(2020\)](#) concerning the response of undocumented migrants to deportation. Stark and Byra ask how the deportation of a number of undocumented migrants influences the decisions regarding labor supply, consumption, and savings of the remaining undocumented migrants. Stark and Byra assume that the intensity of deportation serves as an indicator to the remaining undocumented migrants when they assess the probability of being deported. Stark and Byra show that a higher rate of deportation induces undocumented migrants to work harder, consume less and, as a result of those responses, save more. Assuming that the purpose of deportation policy is to reduce the aggregate labor supply of undocumented migrants in order to raise the wages of low-skilled native workers, Stark and Byra conclude that the policy can backfire: an increase in the labor supply of the remaining undocumented migrants can more than offset the reduction in the labor supply arising from the deportation of some undocumented migrants. Simulation shows that if the number of deportations in relation to the size of the undocumented migrant workforce is small, then the combined effect of the reduction in the labor supply of the deportees and the increase in the labor supply of the remaining undocumented migrants can be such that the aggregate labor supply of undocumented migrants will increase. Similarly, the response of remittances to an increased incidence of return migration can be such that the aggregate “supply” of remittances by the migrants who stay more than offsets the reduced “supply” of remittances on account of the migrants who leave.

One way in which the research effort of Shastri could have been made more profound is by forging a connection between the change in the incidence of return migration to India from a given host country and the change in the aggregate remittances sent by Indian migrants who reside in that country. When developed further, an inquiry that follows in the steps taken by Shastri could help to establish a novel and useful link between the strand of migration research into migrants’ remittances and the strand of migration research into return migration, thus, in particular, providing fresh insights into the dynamics of remittance flows.

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