Soon after the global lockdown following the declaration of Pandemic, in April 2020, The World Bank experts suggested that remittance flows were expected to drop by about $100 billion, or 20 per cent, in 2020 (World Bank, 2020). Understandably this was thought to be due to a decline in wages and employment, especially in immigration countries. Nevertheless, earlier work shown that in times of crisis, remittances show resilience in many places (Sirkeci et al., 2012) and this was evidently the case during the Pandemic according to the IMF (International Monetary Fund) estimations (Quayyum and Kpodar, 2020). There was a dip for a couple of months (March and April) in many corridors while some others continued to rise and overall remittances bounced back in summer 2020. The full picture is yet to be seen, though.

However, the elephant in the room is the cost of remittances and heavy regulations. An earlier study published in Remittances Review clearly shown that some poorest countries were the most expensive places to send remittances (Sirkeci and Přívara, 2017). The British government has issued a call “on policy makers to declare remittances an essential financial service” back in April 2020 “helping to mitigate a decline of cash flows in the UK-Zimbabwe corridor” (Robinson and Jäger, 2020). Ambassadors of the UK and Switzerland asked regulators to ease requirements as well as offering help to banks to continue remittance banking services during the crisis. They also called on remittance service providers to reduce transfer costs. This is a call in the crisis but any positive response must go beyond the end of the current pandemic because the negative effects of high transfer costs are well established and there is hardly anything to defend.

Remittances Review’s October issue presents three interesting research articles. Fernando César Costa Xavier discusses the terminology of irregular
remittances with a particular reference to the Venezuelan immigrants’ money sending practices. Informal Value Transfer Systems are commonly used across the world and many terms used in the literature on this particular topic. Departing from a user perspective emphasising the crucial role played by irregular remittances for those who are struggling in their countries, the author refers to Ludwig Wittgenstein’s work on ostensive definition to make sense of the words we use ordinarily.

Kimm Sena Gnangnon, a regular author of Remittances Review, examines the effect of remittances inflows on public finance by examining the effect of remittances inflows on fiscal space using a sample of 109 receiving countries over the period 1980-2015. Gnangnon shows that remittances contribute to the expansion of fiscal space in relatively less developed receiving countries, while in advanced economies, these capital inflows lead to a shrinking of fiscal space.

The last paper by Rodolfo García Zamora and Selene Gaspar Olvera shows that Mexican migrants’ remittances from the US had been suffering the effects of COVID-19 in April 2020 and saw a drop of 28 per cent in relation to increasing unemployment levels.

We hope these articles will be of use to researchers and others in understanding remittances during and after the COVID-19 pandemic.

References


