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# Response to the rejoinder to “The impact of infectious diseases on remittances inflows to India” by Prof. Stark

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I am thankful to Prof. Stark for drawing attention to the potential link between the volume of remittances and the likelihood of return migration. This is certainly an avenue that future studies must explore. According to the author, the migrants may be of two types. The first category includes the migrants who witness an unplanned, sudden, and quick return due to a shock causing a decline in aggregate volume of remittances. The second category includes the migrants who were not compelled to return but face a significant likelihood of return and as a consequence they tend to upscale their remittances. When the latter effect is strong, it may outweigh the decline in remittances caused by departed migrants and hence the overall volume of remittances may not decrease. As noted by the author, this link has also been empirically validated by Stark and Byra (2020).

In view of the argument, however, it may not be appropriate to conclude that the findings in Shastri (2022) are not useful. A macro analysis of remittances does not offer scope to examine the risks and incentives perceived by individual migrants. However, if the migrants who stay back in the host country are subject to the ‘upscaling effect’ it must reflect in the size/sign of the coefficient capturing the impact of infectious disease on the aggregate remittances. Prima facie, had the aforementioned mechanism been working in the context of India this would have reflected in an insignificant coefficient of infectious disease on aggregate remittances (if rise in remittances from migrants upscaling the remittances completely offsets the fall in remittances owing to departing migrants) or a significant positive coefficient of infectious disease on aggregate remittances (if rise in remittances from migrants upscaling the remittances more than offsets the fall in remittances owing to departing migrants). A negative coefficient associated with the prevalence of infectious diseases on remittances indicates that the stock effect has been stronger in India.

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I believe that the results contained in Shastri (2022) are not contradictory to the recent observations of IMF and World Bank on the “resilience” of aggregate remittances. This is because while Shastri claims that the partial effect of infectious diseases on remittances to India is negative, at the same time remittances to India are countercyclical with respect to economic growth in the home country. The Indian workers tend to remit more during the times of economic hardships at home. Also, the study finds remittances to be largely decoupled from host country macroeconomic fundamentals. The impact of economic growth in the host economy on the remittances is weak in terms of statistical significance. The results thus indicate that migrants do not cut back on the remittances despite economic hardships at the destination. The phenomenon represents the Indian culture of supporting families even at the expense of personal spending. In view of all these effects taken together it is plausible that the remittances might remain resilient even in wake of a detrimental effect caused by COVID 19 pandemic.