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THE IMPACT OF REMITTANCES ON THE ECONOMY OF ALBANIANS

Abstract

*According to*¹*” Remittances, usually understood as the money or goods that migrants send back to families and friends in origin countries, are often the most direct and well-known link between migration and development “. Despite Global Headwinds, remittances Grow 5% in 2022 (World Bank, 2023).*

The paper is based on the theoretical and empirical literature on emigration and remittances, reports, and studies carried out by the main institutions such as the World Bank, INSTAT, and Bank of Albania, but also by various Albanian and foreign authors. For the descriptive analysis and the construction of the regression model, the database was provided by the survey of 300 individuals in the area of Tirana. The survey was conducted through a pre-structured interview, which was distributed online to about $N = 400$ individuals. The collected data were processed with the SPSS statistical program. This study emphasizes that remittances constitute an important item in Albania's balance of payments statistics, a fact that is highlighted by the relative weight that this item has in terms of Gross Domestic Product (GDP) and other macroeconomic indicators.

Keywords: Remittances, economy, emigrants, money transfer, Albania.

¹ Remittances. URL: <https://www.migrationdataportal.org/themes/remittances>, 2023.

Introduction

Remittance

Albania, one of the developing countries, has witnessed large migratory flows both internally and externally following the fall of the communist regime in the early 1990s. Remittances refer to the transfer of money or resources by individuals who are working or residing in a foreign country to their home country. Remittances are typically sent through various channels, such as bank transfers, money transfer operators, online platforms, or even informal networks. Remittances constitute the largest inflow in the Albanian economy, leaving behind foreign direct investments and exports¹.

In years, they have been the most stable and secure financial flow in the Albanian economy. During the last 5 years, the income from immigrants, or as they are called “*Remittances*” are on average 618 million euros per year and this is income injected into the economy². Remittances play a significant role in the global economy, particularly in developing countries. They serve as a vital source of income for many households and contribute to poverty reduction, economic growth, and development in recipient countries. In some cases, remittances exceed foreign direct investment and official development assistance in terms of financial inflows to developing nations. Remittances have a positive impact on economic growth into increased household consumption, investment, and overall economic activity in recipient countries³. By empirically examining the relevance of remittances as a factor of economic growth using data from questionnaires administered to Albanian consumers, this study aims to contribute to the understanding of the role of remittances in Albania’s economic development. The results can potentially inform policy decisions aimed at leveraging remittance inflows to foster sustainable economic growth and improve the well-being of the population. During the global financial crisis of 2008, remittances to SEE countries remained relatively stable and more sustainable than FDI and other capital inflows, mainly due to the social contract that binds migrants to their families in their home countries⁴. The impact of remittances on economic growth may vary depending on several factors, including the scale of remittance inflows, the institutional environment, the absorptive capacity of the economy, and the efficiency of resource allocation⁵. The objective of

¹ Albania B. O. Fletëpalosja “Një vështrim mbi Remitancat”. 2019. URL: https://www.bankofalbania.org/Botime/Botime_educative/Fletepalosja_Remitancat.html

² Instat. Konferenca Ndërkombëtare mbi Sfidat e Migracionit. 2018. URL: <https://www.instat.gov.al/al/rreth-nesh/aktivitetet/promovimi-i-aktiviteteve-statistikore/konferenca-nd%C3%ABrkomb%C3%ABtare-mbi-sfidat-e-migracionit>

³ Jude Eggoh C. B. Do remittances spur economic growth? Evidence from developing countries. 2019. URL: <https://www.tandfonline.com/doi/abs/10.1080/09638199.2019.1568522>

⁴ Bucevska V. Impact of Remittances on Economic Growth: Empirical Evidence From South-East European Countries. 2022. URL: <https://sciendo.com/article/10.2478/jeb-2022-0006>

⁵ Rasha Qutb. (2020). Migrants’remittancesandeconomic growthinEgypt: anempirical

the paper empirically examines the relevance of remittances as a factor of economic growth, using the data from questionnaires' of Albanian consumers.

Literature Review

Remittances refer to the transfer of money or other resources sent by individuals who have migrated to another country, typically for work purposes, to their families or households in their home country. Remittances primarily represent household income received from abroad and are a direct result of international migration¹. Overall, remittance inflows to developing economies have the potential to significantly contribute to economic growth, poverty reduction, financial inclusion, investment, and various aspects of human development². Migrants may seek higher wages and better job opportunities in destination countries, with the intention of improving their own living standards and supporting their families back home through remittances³. Lucas and Stark studied remittances on a household level and hypothesized the main determinants to be “pure altruism”, “pure self-interest” and “tempered altruism or enlightened self-interest”. Migrants send remittances to their families as a form of insurance against adverse events or economic shocks. The remittances act as a safety net, helping households manage risks such as unemployment, illness, or natural disasters. In return, migrants receive peace of mind knowing that their families are financially protected⁴. When examining migration from a perspective of mutual benefit between migrants and their families back home, it is important to understand that the concept of an explicit contractual arrangement may not be applicable in all cases. However, there are indeed several ways in which both parties can benefit from migration. Economic opportunities: Migrants often seek better job prospects and higher wages in their destination countries. By doing so, they can improve their financial situation and support their families back home by remitting money. Improved standard of living: Migration can lead to an overall improvement in the standard of living for both the migrant and their family. The migrant gains access to better living conditions, education, healthcare, and other amenities in the host country. The benefits of migration can vary depending on individual circumstances, such as the migrant's skills, education, legal status in the host country, and the socio-economic conditions in their home country.

analysis from 1980 to 2017. URL: <https://chrome-extension://efaidnbmnnnibpajpcglclefindmkaj/https://www.emerald.com/insight/content/doi/10.1108/REPS-10-2018-0011/full/pdf>

¹ Yang D. Migrant Remittances. 2009. URL: <https://chrome-extension://efaidnbmnnnibpajpcglclefindmkaj/https://pubs.aeaweb.org/doi/pdfplus/10.1257/jep.25.3.129>

² Aggarwal R. “Do Workers' Remittances Promote Financial Development?”. World Bank. 2006.

³ Yang D. (2011). Migrant Remittances. URL: <https://www.aeaweb.org/articles?id=10.1257/jep.25.3.129>

⁴ Jessica Hagen-Zanker M. S. The determinants of remittances: A review of the literature. 2007. file:///C:/Users/User/Downloads/SSRN-id1095719.pdf

Results of the study

The paper represents data collected from 300 immigrant respondents living abroad from Albania. The statistical analysis was conducted using the SPSS Statistical Software Program. The conclusions and discussion presented in the paper highlight the relationships and interdependencies between various independent variables (such as Age, Education, Number of Family Members, Employment, and Way of Sending Money) and the dependent variable (Remittances from Immigrants). The reported coefficients (B), t-values, and p-values provide insights into the statistical significance and directionality of these relationships.

Table 1. – Gender of the interviews

Description		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Female	161	53.7	53.7	53.7
	Male	139	46.3	46.3	100.0
	Total	300	100.0	100.0	

Source: Author, 2023

The data above shows the gender of the interviewees. 53.7% are female and 46.3% are male 300 respondents in total.

Table 2. – The living place of the interviews

Description		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Urban	206	68.7	68.7	68.7
	Rural	94	31.3	31.3	100.0
	Total	300	100.0	100.0	

Source: Author, 2023

The data above shows the living place of the interviewees. 68.7% lives in urban area and 31.3% lives in rural area.

Table 3. – Number of family members employed

Description		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	0	3	1.0	1.0	1.0
	1	71	23.7	23.7	24.7
	2	128	42.7	42.7	67.3
	3	77	25.7	25.7	93.0
	4	21	7.0	7.0	100.0
	Total	300	100.0	100.0	

Source: Author, 2023

These figures represent the proportion of families within the studied population that have a specific number of employed individuals. The results above show the family members employed. 23.7% have one person employed, 42.7% have two persons employed, 25.7% have three persons employed and 7% have four persons employed in their families.

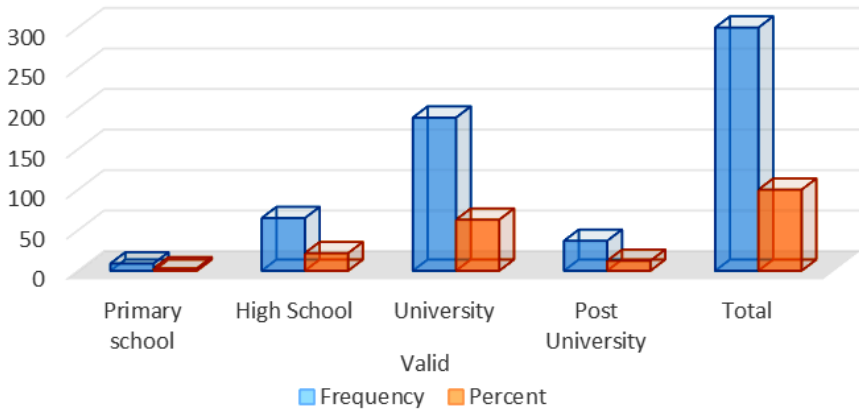


Figure 1. Education of the interviews
 Source: Author, 2023

The results above shows the education of the interviews. 3% are with primary school, 21.7% with high school, 63% with university, and 12.3% with post-university 300 respondents in total.

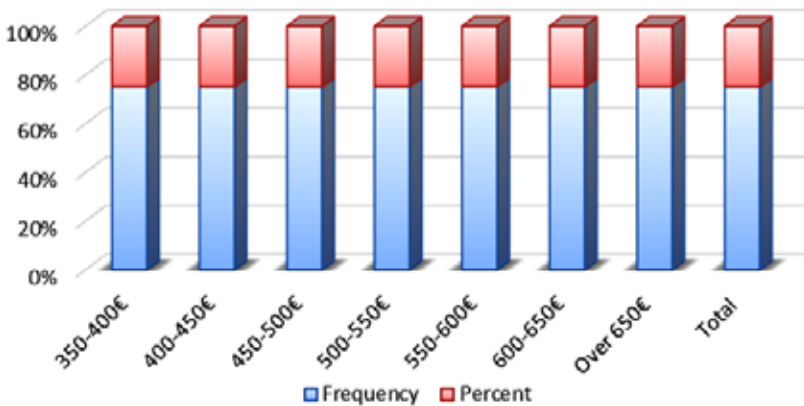


Figure 2. Monthly income of the family interviewers
 Source: Author, 2023

Table 4. – Do you have immigrant family members who help you financially?

Description		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	No	50	16.7	16.7	16.7
	Yes	250	83.3	83.3	100.0
	Total	300	100.0	100.0	

Source, Author, 2023

These percentages represent the proportion of immigrants surveyed who either have or do not have family members abroad in Albania and receive financial support from them. 16.7% of immigrants surveyed stated that they do not have family members abroad in Albania, 83.3% of immigrants surveyed have family members abroad who provide financial assistance.

Table 5. – How many times a year do your relatives bring you money?

Description		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	1	100	33.3	33.3	33.3
	2	36	12.0	12.0	45.3
	3	34	11.3	11.3	56.7
	4	39	13.0	13.0	69.7
	5	19	6.3	6.3	76.0
	Over 6	72	24.0	24.0	100.0
	Total	300	100.0	100.0	

Source: Author, 2023

The data above show the percentage of relatives who bring money for their family. 33.3% send money once per month, 12% twice a month, 11.3% three times per month, 13% four times a month, 6.3% five times a month and 24% send money over six times in a month from 300 respondents.

Table 6. – The ways of sending money from Immigrants

Description		Frequency	Percent	Valid Percent	Cumulative Percent
1	2	3	4	5	6
Valid	Bank	19	6.3	6.3	6.3
	RIA	52	17.3	17.3	23.6
	MoneyGram	94	31.3	31.3	54.9
	Post	30	10.0	10.0	64.9

1	2	3	4	5	6
	PayPal	41	13.7	13.7	78.6
	Western Union	64	21.3	21.3	100.0
	Total	300	100.0	100.0	

Source: Author, 2023

The data above represent the frequency at which immigrants send money. 6.3% of the money is sent using Bank.17.3% of the money is sent using RIA, 31.3% of the money is sent using MoneyGram, 10% of the money is sent using the Post, 13.7% of the money is sent using PayPal, and 21.3% of the money is sent using Western Union. These percentages represent the distribution of money sent by immigrants using different methods or services.

Hypothesis: Remittances from Immigrants have a positive effect on age, gender, education, residence, income, number of family members, ways of sending.

Model Summary									
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.397 ^a	.158	.137	606.990	.158	7.800	7	292	.000

a. Predictors: (Constant), Method of delivery, Average monthly income per family, Age, Place of residence, Number of members in the family, Employment status, Education

Anova ^a						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	20116470.401	7	2873781.486	7.800	.000 ^b
	Residual	107583429.266	292	368436.402		
	Total	127699899.667	299			

a. Dependent Variable: Remittances from Immigrants

b. Predictors: (Constant), Method of delivery, Average monthly income per family, Age, Place of residence, Number of members in the family, Employment status, Education

Coefficients ^a								
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	95.0% Confidence Interval for B	
		B	Std. Error	Beta			Lower Bound	Upper Bound
1	2	3	4	5	6	7	8	9
1	(Constant)	-529.100	354.756		-1.491	.137	-1227.303	169.102
	Age	11.038	3.769	.172	2.928	.004	3.620	18.457

1	2	3	4	5	6	7	8	9
	Living Place	66.583	81.504	.047	.817	.415	-93.826	226.993
	Education	231.573	59.423	.234	3.897	.000	114.621	348.525
	Monthly income	88.401	16.606	.299	5.323	.000	55.718	121.085
	Number of family members	-80.059	27.720	-.166	-2.888	.004	-134.615	-25.503
	Employment status	-51.679	13.622	-.222	-3.794	.000	-78.490	-24.869
	Way of sending money	-41.726	19.597	-.119	-2.129	.034	-80.296	-3.157

Dependent Variable: Remittances from Immigrants

Conclusion and Discussion

Based on the results of the study that the variables Age, Education, Monthly Income, Number of Family Members, Employment, and Way of Sending Money have been examined in relation to the dependent variable, which is Remittances from Immigrants. Here are the conclusions drawn from the analysis:

Age: The variable Age shows a positive relationship with Remittances from Immigrants. As Age increases, the remittances also increase. The coefficient (B) is 0.172, indicating that for every unit increase in Age, there is an estimated increase of 0.172 in remittances. The t-value of 2.928 is statistically significant at $p = 0.004$.

Education: The variable Education also demonstrates a positive relationship with Remittances from Immigrants. As the level of education increases, remittances tend to increase as well. The coefficient (B) is 0.234, indicating that for every unit increase in Education, there is an estimated increase of 0.234 in remittances. The t-value of 3.897 is statistically significant at $p = 0.000$.

Monthly Income: Monthly Income is not explicitly mentioned in the provided information. It's unclear whether Monthly Income was included as an independent variable in the analysis. Without further details, it's difficult to draw conclusions about its relationship with Remittances from Immigrants.

The number of Family Members: The variable Number of Family Members shows a negative relationship with Remittances from Immigrants. As the number of family member's increases, remittances tend to decrease. The coefficient (B) is -0.166 , indicating that for every unit increase in the Number of Family Members, there is an estimated decrease of 0.166 in remittances. The t-value of -2.888 is statistically significant at $p = 0.004$.

Employment: The variable Employment also exhibits a negative relationship with Remittances from Immigrants. Being employed is associated with lower remittances. The coefficient (B) is -0.222 , indicating that being employed results in an estimated decrease of 0.222 in remittances. The t-value of -3.794 is statistically significant at $p = 0.000$.

Way of Sending Money: The variable Way of Sending Money shows a negative relationship with Remittances from Immigrants. Specifically, the method used to send money impacts the amount of remittances. The coefficient (B) is -0.119 , suggesting that the choice of the way of sending money leads to an estimated decrease of 0.119 in remittances. The t-value of -2.129 is statistically significant at $p = 0.034$.

Overall, the findings indicate that Age and Education have a positive influence on Remittances from Immigrants, while Number of Family Members, Employment, and the Way of Sending Money have a negative influence. These relationships highlight the interdependence of various factors with the amount of remittances sent by immigrants.

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