

Remittances - The Importance of Them

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Abstract:

Remittances worldwide are estimated to be the second most important financial flow after international aid. In recent years, they are playing an increasingly important role in the development of the world economy. Nature, size, frequency, the impact of remittances, and factors affecting their values have attracted the attention of many scholars and policymakers.

The main purpose of this paper is to contribute to the analysis of determinants and remittances effects in the case of Albania, trying to fill the shortcomings in this research area. The main macro-factors that determine the remittances flows are the economic measures, the stock of migrants and the transfer costs. The main micro-factors result in the level of income, the level of education, the civil status and the decision to return home. The results from the survey showed the importance that emigration and remittances have played in the economy of the area, as well as the potential of return migration.

Key words: Remittances, macro-factors, remittances flows, emigration, return emigration

1. Background and motive of the study

People emigrate and this decision is sometimes permanent, but links to the country of origin are time and distance. One of these concerns is precisely the remittances, the remittances

that the emigrants pay to the family left behind. According to the International Organization for Migration (2006), remittances, in the broad sense of the word, are monetary transfers that migrants carry out in their country of origin. Based on estimates made by the World Bank (2015), the total value of remittances in 2014 was \$ 436 billion, of which a significant proportion went to developing countries. The great interest shown on remittances recently is mainly due to the fact that their stability is turning them into a highly coveted instrument to promote further financial and economic development in developing countries. Based on studies in this field, it turns out that remittances are of utmost importance. According to Taylor and Wyatt (2006), remittances strongly affect the level of income growth and the living standard of the beneficiary country. According to Orozco (2006), and Carrasco and Ro (2007), they are an important factor in the further development of developing countries.

In the early 1990s, with the collapse of the communist system, Albania experienced a wave of emigration which appeared immediately, rattling and explosive, after a near-stop 45 years old. Emigration involved more than a quarter of the population and resulted in the removal of a large part of young people seeking better living opportunities. Consequently, Albania ranks among the countries with a high percentage of the labor force that works and lives abroad. Over the years, this workforce has played a very important role in the country's economy. First, its impact has emerged in bringing new skills that boost productivity in the country and, secondly, in delivering remittances.

In Albania, responsible for assessing and reporting remittance data is the Central Bank. Based on its reports, it turns out that, starting in the 1990s, the remittance trend has always been positive up to 2007 (reaching that year and the historical maximum of Euro 951 million) and further negative by the year 2013. A slight improvement in the situation was noted in 2014 and from the preliminary data it is believed that

it will be followed in 2015. As to the remittances impact on the Albanian economy, according to Zwager et al. (2005), their contribution begins with the reduction of the poverty level and ends with the increase in the level of investment. According to Korovila (1999), in the case of Albania, remittances have played an important role in both stabilizing the economy and stimulating its rapid development. According to Konica and Filer (2009), they were the main source of supply of foreign currency. Also, according to them, remittances played an important role in maintaining the standard of living, in stimulating the private sector (supporting demand and providing capital for business development), as well as reducing the unemployment rate (the latter through removal from the labor market of potential workers - as a result of their reliance on remittances). Increasing the level of demand for goods and services is another effect of remittance remittances. In Albania, they are an important impetus to domestic demand.

2. PURPOSE OF THE STUDY

The main purpose of this paper is to contribute to the analysis of determinants and remittances effects in the case of Albania, trying to fill the shortcomings in this research area. In an effort to understand the main factors affecting remittances, the literature distinguishes between micro and macro determinants. Micro-determinants are those factors that depend on the characteristics of the emigrant (remitters) such as gender, age, status, education, profession, etc. Macro-determinants are factors that do not depend on immigrants themselves but indirectly affect their decisions. Here we can mention the general situation and the economic situation in the host country of remittances, the general situation and the economic situation at the source of remittances, the exchange rate between the two countries, trade exchanges and interest rates between the two countries, the distance between them etc. The main objective in this study is precisely the identification

and analysis of these factors. The realization of the purpose of the study is made possible by the attainment of a set of objectives, which summarize the answers to the following questions:

Regarding the identification and analysis of macro-factors

- To what extent remittance flows are linked and controlled by the economic development of the source country and the host country of remittances;
- To what extent are the remittances flows linked and controlled by the migrant stock;
- What impact has gravitational attraction in determining remittances;
- What is the role of financial sector development, political stability and trust in governance in determining remittance flows?

Regarding the identification and analysis of micro-factors

- To what extent the socio-demographic characteristics affect the decision to send remittances and determine their amount;
- To what extent the emigrant's finances affect;
- What was the impact of the financial crisis of 2008;
- What impact does the decision to return to Albania in determining remittances?

This study brings some contributions to the remittance analysis in the case of Albania. Firstly, as regards the identification and analysis of macro-factors determining the remittances flows, the paper is the first one based on bilateral remittances and analyzing them through the Gravity model. The two main dimensions of gravity are economic measures and distance between countries. Given the fluctuations experienced by remittances, over the years, it is judged that macroeconomic developments, both in the country of origin and in the host

country, have played a fundamental role in determining them. Also, remittances generated by countries are clearly manifesting the importance of gravitational attraction. The use of this model is considered to be very appropriate in explaining the remittances flows to Albania. Secondly, as regards the definition and analysis of micro-factors, the data used in the paper are provided through the survey of migrants rather than their relatives. Since the LSMS is a very important source of data on remittances, a good part of the work carried out in Albania in this research field is based precisely on the data generated by it. The difference of these data with those used in this paper lies precisely in the source of information and in our case it is the emigrant himself.

3. METHODOLOGY USED AND LIMITATIONS

The study methodology is largely based on theoretical and empirical literature. To achieve the objectives of this paper, various sources of data as well as different methods of analysis have been used.

In the case of macro-factor analysis, the data used are panel data. They are provided by secondary sources and their analysis is carried out through the Gravity model. The origin of this model derives from the basic principles established by Isaac Newton through the Law of Gravity (1687) and in recent years he has found a widespread use in social sciences. In our study, its basic principle is that bilateral remittances are in proportion to the economic size of the source country and the recipient country of remittances, and in an oblique proportion with the distance between them. To analyze the remittances flows through this model, four different specifications (equations) were considered. In the initial specification, the dependent variable is the level of remittance flows while independent variables are considered; remittance country economic mass, remittance host countries remit and distance between these countries. In the other specifications, step-by-

step are added other control variables that are judged to affect the determination of the dependent variables. Increased variables represent the stock of migrants, the remittance transfer costs, and the quality of good governance. Panel data analysis was performed through the statistical program Stata and the key evaluation methods that were used are the methods that fit the two main models that analyze panel data, Random Effect Model, and Constant Effect Model (Fixed Effect).

In the case of micro-factor analysis, the empirical data base was provided by the survey of 200 Albanian emigrants living in Thessaloniki. The population sample used in this study was selected using a technique called "Achilles" (Snowballing technique). This technique is unprofitable and used in those cases where researchers find it difficult to identify or access the population of interest. The survey was conducted through a previously structured interview. The format used was specially designed to meet the intended goals and objectives. It is composed of four sections and each one is formed by open ended questions and closed-ended questions. Closed-ended questions, for their part, are divided into questions with many alternatives and yes / no answer questions. The data collected through the interviews were processed with that of the SPSS 20 statistical program.

The data analysis in this section begins with descriptive statistics and goes beyond the processing of data with simple models and techniques such as T-test, Probit and the amount of the smaller squares.

The study, despite the efforts made, carries a number of limitations. They relate mainly to the nature of the data, the difficulties in providing them, their breadth, the difficulties of making comparisons with the region, etc.

4. Immigration and its features

The concept of emigration is an old concept of mankind. It is believed that its early roots were found about 1.8 million years ago when *Homo erectus* emigrated from Africa to the Levant corridor¹. The word "migration" comes from the Latin word "migration" which means the physical displacement of people. In terminology, the distinction is made between the word emigration used from the point of view of the country of origin and the word immigration used from the point of view of the host country. International emigrations, the movements of people from one sovereign territory to another, have played and will always play an important and essential role in the history of mankind. There is no other social phenomenon that is so much discussed around the world as to the causes and consequences it carries. Emigration, as part of the development of human history, is in essence an expression of the will and determination of the individual to overcome the difficulties and ensure a better life.

Modern immigration originated at the beginning of the 20th century. XIX is an extremely widespread phenomenon in our day. In 2013, more than 2472 million people, about 3% of the world's population lived in places other than the birthplace. Emigration is mainly seen as displacement of people from less developed or developing countries to industrialized ones. The components of migratory flows have changed according to historical stages. They have also changed their goals, motives, and directions to come to today's globalization era. The causes and motives that lead to the development of immigration are divided into impetus and attraction. According to Lee (1966), "driving" are the reasons motivating individuals to leave a certain country. Some of them are economic hardships, unemployment, tense political situations, climatic conditions, natural disasters, and so on. "Attractive" are considered the causes that encourage and motivate individuals to go to a particular destination.

Here you can we mention such reasons as the highest standards of living in the host country, the most favourable employment opportunities, religious and political freedom, and so on. The world's most preferred migrant destinations are countries such as the United States, Russia, Germany, Saudi Arabia and Canada. Countries with the highest level of emigration among the population are Qatar (87 percent), United Arab Emirates (70 percent), Kuwait (69 percent), Andorra (64 percent) and Cayman Islands (63 percent) ³. Based on official data, the largest immigration corridor in the world is Mexico - the United States with 11.6 million migrants in 2011, followed by Corridors, Former Soviet Union countries - Russia and Bangladesh - India. Regarding the effects of immigration in the country of origin or in the host countries, there are numerous studies and theories that explain and analyze them. Thus, there are theories that present this phenomenon under a positive viewpoint and other theories that present it from a negative point of view.

Theories about immigration are also optimistic, and they tend to see its impact on the global economy. Through immigration, the problem of unemployment is solved, families are left behind, and a new spirit from the most developed countries also comes in the country. This happens both from the cultural, educational or crafts point of view (Smith, 2007). Emigration also leads to the transfer of capital investments and expands the exposure of traditional communities to liberal, rational, democratic ideas and modern knowledge (Nickell and Saleheen, 2008). From this perspective, emigrants (especially those who have returned home) are perceived as important agents, as innovators of change, and as potential investors with a great potential. According to some studies, the removal of migration barriers is thought to lead to benefits that would often pass the benefits of lifting barriers to trade. From studies conducted in this area, with regard to the benefits of emigration and their comparison with other benefits, the following results result: the benefits of eliminating all barriers in the movement

of goods trade are estimated to be between 1.8% (Goldin et al,1993) and 2.8% of world GDP (World Bank, 2001). Similarly, the respective estimates of removing all barriers to capital movement are between 0.1% (Caselli and Feyrer, 2007) and 1.7% of world GDP (Gourinichas and Jeanne, 2006).

Another positive point in this area is the impact the public sector emigrants have. There is a widespread debate as to whether the income that the state benefits from them in the form of taxes is no greater than the costs that the state makes for them. Smith and Edmonston (1997) from studies undertaken in the United States conclude that the net impact is positive for the state budget. As far as the host countries are concerned, immigration has some positive effects. Among the most important are the growth of the workforce (which can boost the economy in the underdeveloped sectors) and the reduction of the production cost (emigrants enjoy and salaries that are lower than the sector's averages). In recent years, with regard to immigration, the term "brain gain", "brain absorption", has been widely used, which entered circulation from a symposium held in Canada in 1990. Conclusions of this symposium noted that Canada it was gaining more talented people and more professionally skilled immigration than those who were losing through emigration (Roth, 1998). Given such conclusions, many developed countries have increased the visa quota for work towards qualified people. In 2000 Congress of the United States of America increased the number of such visas from 115,000 to 195,000 per year.

In addition to optimistic ideas, there is also a widespread debate amongst researchers with regard to the negative effects of immigration. Below are treated some of the theories, considered and as most representative. Concerning countries of final destination of migration, the negative consequences are summarized as follows (Melis, 2006):

- *Increasing criminality as a result of increasing population, cultures and beliefs.*

- *Speculation in the real estate market as a result of overcrowding.*
- *Decrease in investment in technology and productivity as a result of the benefit of the free labor force.*
- *Increase of unfair competition in the labour market and the exclusion of a large number of emigrants in trade unions, etc.*

As far as the country of origin is concerned, another negative effect of migration is the brain drain phenomenon, brain drain (Balmer et al., 2009). This phenomenon was referred to the Royal Society of London⁴ for the first time after World War II. Its consequences are particularly evident in the case of the former German Democratic Republic. The exodus of graduate technicians to the most attractive Western market created in the bow of many months huge gaps in industry and social services.

In addition to the above term there is the one of "brain waste" brain drain. This term refers to the case when highly qualified persons in their country of origin do not fit and find jobs with the same qualification status in the country where they migrate.

5. THE IMPORTANCE OF REMITTANCES AND THEIR CHARACTERISTICS

People emigrate and this decision is sometimes permanent, but links to the country of origin are time and distance. One of these concerns is precisely the remittances, the remittances that the emigrants pay to the family left behind. According to the International Organization for Migration (2006), remittances (remittances), in the broad sense of the word, are the monetary transfers that emigrants carry out in their country of origin. In most cases, they are personal cash transfers from an emigrant to his relatives in the country of origin. They may also be funds invested, deposited or donated. The definition is also extended by personal transfers of "nature"

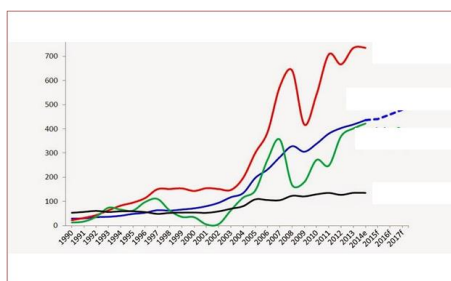
goods and donations. Some schools of thought include the transfer of knowledge, expertise and technology, classifying them as "social remittances".

With the further development of emigration XIX century. got the development and concept of remittances. Law no. 24 dt. 1.02.1901 of the Italian state "For the protection of remittances and savings of Italian emigrants abroad" 7 marks the first effort in the European legal framework regarding remittances, transparency and their use as important tools of the banking system. Recent years have greatly increased interest among policy-makers and researchers in the field of remittances. The importance and role in the economy is at the center of attention.

Remittances worldwide are estimated to be the second most important financial flow after international aid. Graph. 1.1 presents the comparison of remittance flows with other flows such as FDI, Private Debt and Foreign Assets. Apparently, over the years, the value of remittances has been increasing. Such trend is foreseen in the future.

Based on estimates made by the World Bank (2015), the total value of remittances in 2014 reached \$ 436 billion. A significant part of them goes to developing countries.

Graph 2.1: Remittances compared to other financial flows (1991-2014).



Source: World Bank (2015), Development Indicators, Financial Flows

The largest recipients of remittances in relation to GDP are small economies as well Tajikistan (45%), Moldova (38%), Honduras (25%) 8. At the beginning of the century. XIX, the

main recipients of remittances have been countries that are now in the category of developed countries such as Italy, France, Greece, Spain, Portugal etc. Today, Mexico, India, Morocco, Bangladesh, Pakistan, Brazil etc. (the WB, Factbook 2011) are among the main beneficiaries of remittances. What has changed is the amount of remittance flow. In 1979, the first place in receiving remittances was Spain with an absolute value of about \$ 1.2 billion, (Sospiro 2005). In 2011, the first country to absorb remittances keeps India at \$ 54 billion (WB, Factbook 2011).

In about 30 years the value of remittances is 50. Remittances are playing an increasingly important role in the development of the world economy. The nature, size, frequency and impact of remittances have pulled the attention of many scholars and policymakers. The reason lies in the fact that there is a great stability in the flow and direction.

In this way they are transformed into a highly coveted instrument to stimulate further financial and economic development in developing countries. Based on studies in this field, it results that remittances are of great importance because:

Remittances strongly affect the level of income growth and the living standard of the beneficiary country (Taylor and Wyatt, 2006). Ajayi et al. (2009), through a multiple regression and the use of a 38-nation database, concluded that remittances had a significant impact on improving the welfare of their beneficiaries in Africa. At the same end, Deneulin (2006), or Semyonov and Gorodzeisky (2008), in the case of the Philippines, have reached.

Remittances are also an important factor in the further development of developing countries (Orozco, 2006, Carrasco and Ro, 2007).

Remittances particularly affect poverty alleviation. Richard et al. (2005), in a study on over 71 developing countries, on the importance of remittances in poverty alleviation, concluded that: for every 10% increase in the value

of remittances per capita, the number of individuals living under poverty line decreases by over 3.5%. According to Bracking and Lloyd (2006), in Zimbabwe remittances are critical to poverty reduction. Not only is over 50 percent of the population benefiting from remittances, but most of them depend on the remittances and the vital benefits. More or less, at the same conclusion, Acharya and Leon-Gonzalez (2012) have achieved. According to them, in Nepal there is a very strong correlation between remittances and poverty reduction.

6. THE IMPACT OF REMITTANCES ON MACROECONOMIC INDICATORS

In this regard, the special importance has been given to the impact of remittances on a country's macroeconomic indicators. We mention here the impact on the level of GDP, the level of unemployment, the inflation rate, the growth rate, the balance of payments, the exchange rate, and so on.

According to Rapoport and Docquier (2005), from a macroeconomic point of view, the most important remittance questions are:

- *How much are incomes earned abroad that are repatriated to the homeland?*
- *Which households (within the level of income distribution) are the most affected?*
- *Amounts sent by emigrants are used for investment or for consumption?*

Based on literature, remittances help to maintain macroeconomic stability. According to studies by Ahmed (2000), Yang (2004) and Bugameli and Parterno (2005), evidence is provided that remittances reduce the likelihood of macroeconomic shocks. The reason is that the level of remittances tends to increase if the country where the remittances are oriented finds itself in difficult economic times.

This feature of remittances, as discussed above, is "cyclic behavior".

Generally, remittances can positively impact the economy through several channels, such as through increased savings, increased investment, rising consumption, reducing unemployment, reducing poverty and redistributing income, thus affecting the level of GDP as well as the level of economic growth. If remittances are invested, they contribute to increased production; if remittances are consumed, they generate positive effects associated with the growth effect of the consumer multiplier (Stahl and Arnold, 1986). More or less the same conclusion has been reached by Durand and Parado (1996), who argue that remittances can stimulate a country's economic activity through two ways: directly they can affect the economy through investments and indirectly through consumption. Even if most of the remittances are used for private consumption, some of them are still used in productive investments.

Remittances can go to the country of origin of the emigrant as a component of foreign savings and as such they complement national savings. In this way, they increase the total amount of liquid resources available for investment. Remittances, also being used as sources of finance for small businesses, often impact on reducing unemployment by creating employment opportunities in certain areas (Addison, 2004).

A major impact of remittances is their effect on the current account of the Balance of Payments. Remittances help increase national incomes, thus securing foreign currency to fund core imports in the event of a crisis (Adelman and Taylor, 1990; Buch et al, 2002). According to Bugamelli and Paterno (2005), remittances help reduce the probability of financial crises. Based on the conclusions of their work, a high level of remittances in terms of GDP helps to overcome current account problems. The latter may be caused by the growth of external debt or the decline of the international reserve stock. The effects of remittances on the real exchange rate of exchange are

among the most popular and most widely recognized effects, however, there are also contradictions regarding the various results obtained (Ratha, 2006).

Regarding the impact of remittances at a country's inflation rate, according to Narayan et al. (2011), it can be viewed from three different angles: from the point of view of the exchange rate estimate, from the point of view of money supply growth and from the balance of payments perspective. Increasing the level of remittances in emerging economies usually has a significant effect on increasing the level of spending and this causes an increase in the overall level of prices. In a study conducted with a panel of 54 developing countries, including Albania, Narayan et al. (2011) concluded that remittances created inflationary pressures. According to Lartey et al. (2008), the Salter-Swan-Corden-Dornbusch model provides a convenient way to understand the theoretical connection between capital inflows (in our case, remittances), the price level, and the real exchange rate in emerging economies. The model shows that an increase in remittances can trigger a real exchange rate appreciation by increasing domestic prices. Reinhart and Rogoff (2004), show that different exchange rate regimes have different effects on macroeconomic variables. Under a fixed exchange rate regime, an increase in remittances would shift resources from the tradable sector to the non-tradable sector. This would result in an increase in the price level. On the other hand, under a flexible exchange rate regime, the effect would be to raise the price level and appreciate the exchange rate. Rodrik (2007) provides evidence that the appreciation of the real exchange rate (after a rise in remittances) causes an underestimate of long-term economic growth, especially for emerging economies. This can potentially lead to an increase in inflation.

Throughout the 1980s, the essence of the debate on the impact of remittances shifted from productivity to inequality (Stark, Taylor and Yitzhaki, 1986; Taylor and Wyatt, 1996). These studies point out that remittance reduce the economic

inequality in the communities of origin and contribute to the alleviation of liquidity constraints, promoting investments in agricultural techniques, education etc. Thus, remittances manage to compensate for some of the production losses that a developing country may suffer from the emigration of skilled labour. According to McLeod and Molina (2005), a 62-nation survey found that remittances help alleviate poverty, reduce inequality, and increase human capital investment by enrolling in school. In this area the debate continues to remain open, as there are other authors who are not convinced of the equalizing effect of remittances. According to Barham and Boucher (1995), remittances more affect the increase in inequality rather than decrease it. If immigrants who went abroad would stay in their home country, they would have reduced income, same with other community members. Remittances also help to compensate for the loss of incomes due to immigration (Desai et al., 2001).

Emigrant remittances help developing countries also increase external financing through what is known as "credit insurance." In this type of transaction, banks that receive shipment can issue bonds to foreign investors backed by expected future delivery flows. Different developing countries, "led" by Brazil, have provided billions of dollars through this technique (Carrasco and Ro, 2007).

6. MICRO' AND 'MACRO' REMITTANCE DETERMINANTS

Studies on remittance determinants are divided into two main categories. The first category deals with the microeconomic remittance determinants. These include social and demographic characteristics of immigrants such as employment status, civil status, gender, family members, education level, years of emigration, etc. With regard to this category, the most important issues debated among researchers are the reasons for sending remittances, the characteristics of the sender, the ways

and means of delivery and the purpose of use. The second category is about macro makers. This category includes factors such as migrant stock, wage rates and economic situation in the host country, general situation and economic situation in the country of origin, exchange rates, relative interest rates between the two countries, political risk in each of them etc.

7. IMMIGRATION AND ITS FEATURES

Modern immigration is an extremely widespread phenomenon in our day. Its origin dates back to the beginning of the century. XIX. With regard to modern Albanian emigration, it is divided into three periods¹⁸: i) Immigration before 1944; ii) the emigration of 1944-1990; iii) post-communist emigration after the 1990s. The first stage of modern emigration is considered the stage before 1944. At that time, the main motive for emigration was the economic one, and the preferred destinations were the United States and some Latin American countries. In the years 1944-1990, with the establishment of the communist regime, another emigration wave was formed in Albania, which was smaller in size and had a political character. The main destinations at that time were those border guards. In the third phase, after 1990, emigration out of Albania involved more than 25 percent of the population and appeared immediately, rattling and explosive after an almost 45 year stop (IOM, 2008).

In 1989, Aristide Zolberg, a renowned international immigration researcher, wrote that if the whole world were to consist of Albania on the one hand and Japan on the other, there would be no need to study this phenomenon¹⁹. Only a year later, the situation would change fundamentally. With the collapse of the communist system, Albania suffered a huge outflow of young people seeking jobs and better opportunities abroad. Emigration is one of the main reasons for reducing the number of people in Albania between 2001 and 2011²⁰. In 2011, Albania was the ninth country in the world in the

ranking of countries that send more migrants, in percentage to the population, reaching 45 , 4%. The same source shows that in the same year, about 1.4 million Albanians lived abroad, a figure nearly doubling since 2005 when it was about 860 thousand (WB-Factbook, 2011).

According to Kule et al. (2002), the main reasons that led to the emigration of Albanian youth were the economic reasons (in the period 1990-1997) and beyond, the political-social ones (in the period 1997-1998). According to them, after this year, the situation has calmed down and migration flows have been fewer and more regular. In addition to poverty, lack of employment or political and social turmoil, there have been other factors that have contributed to emigration. Such are the collapse of pyramid schemes, the crisis of Kosovo, etc. (World Bank, 2006; Hernández-Coss and Martinez, 2006). In their work, Shehaj et al. (2011) have found that the determinants of the intention to migrate abroad to the most educated population are of individual, family and macro nature. Emigration has been mainly oriented towards the two neighboring countries of the EU, Italy and Greece (Uruçi and Gëdeshi, 2003).

Over the years, the selection of the destination of migration has been influenced by several factors, such as geographical proximity, cultural and linguistic proximity, legal adaptation opportunities in different countries, etc. (World Bank, 2006). The main destinations during the first phase of emigration (before 1944) were places such as the USA, Canada, Australia, Argentina, New Zealand. Further, these countries were left in limbo by being replaced by destinations such as Italy, Greece, Germany and Switzerland. According to OECD data (2012), 47 percent of Albanian emigrants in 2011 lived in Italy, making this country the most sought-after and closely followed by Greece, with 43 percent of emigrants.

Instead of the third, the US was ranked with a margin. In the early 1990s, the distribution of immigrants by destination was slightly different from that of 2011. The severe

crisis in which the country was found shortly after the collapse of the communist regime greatly increased the desperation of the Albanian people and this materialized in the desire to leave and seek better opportunities abroad. When this desire faced difficulties in realization as a result of the strict visa requirements, many people tried to cross the border illegally to Greece and Italy. According to Korovila (1999), in the period between 1992-1996 about 90% of Albanian emigrants preferred to seek employment in Greece. One of the reasons for this election was that Greece was more tolerant of immigrants.

After several years of migration, in 1995-1996, the United States and Canada (Kring, 2007) returned to the top of the list of target destinations. Already twenty-five years later, Albanian emigration continues to be fueled by poverty, unemployment, poor living conditions, and the desire to seek better opportunities. Albania continues to produce migratory flows. The number of Albanian asylum seekers in Western countries is growing more and more. The main reasons for emigrating remain the economic and social motive.

Apart from the goal for employment and for a better economic life, Albanians have left the country for other reasons, such as study abroad, family reunion, or for humanitarian or religious activities. As far as education is concerned, a growing number of Albanian students (4,000-5,000 every year²¹ over the last few years) enroll in universities in Italy, France, other EU countries, and United States universities America. Career opportunities abroad remain a key factor for these students.

Immigration policies in Albania have been oriented from the relevant strategic documents. Here we can mention the Strategy for Migration Management 2005-2010 (mainly focused on labor-labor exports); The Integrated Border Management Strategy and Action Plan 2008-2013, and the Strategy for the Reintegration of Returned Albanian Migrants and the Action Plan 2010-2015 (IOM, 2015).

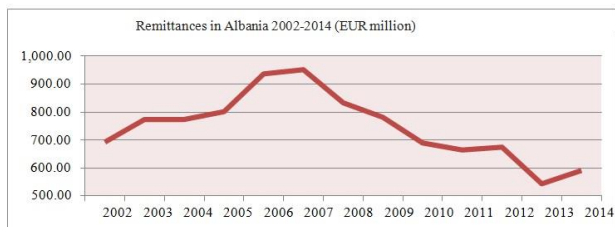
After the 1990s, emigration has played an important role in alleviating unemployment and poverty throughout the

difficult transition years (Velcan, 2013). According to the same author, emigration and remittances have positively impacted on the growth of material well-being; remittances by Albanian emigrants have contributed to the provision of valuable economic assistance not only to their families but also to the socio-economic stabilization of the country as a whole.

8. REMITTANCES OVER THE YEARS IN THE COUNTRY AND THE REGION

Based on the data provided by the Bank of Albania, the chart below shows the trend of remittances starting in 2004. Their value is expressed in millions of Euros. As evident from the graph, this trend has been positive until 2007 (reaching that year and the historic maximum of Euro 951 million) and further negative by 2013. A slight improvement in the situation has been noted in 2014 and preliminary data, it is believed that it will be followed in 2015. For the period April-June 2015, based on Bank of Albania data²³, remittances were 161.7 million Euros from 138.1 million one-year first. In total, as a 6-month, the income that emigrants have sent to their families were 305 million Euros, or about 48.5 million more than the first half of last year.

Graph 3.1: Remittances over the years in Albania.



Source: Bank of Albania (2015), Statistical Report 2015

If we start analyzing the level of remittances from 1993²⁴, we can say that their values have had a positive trend in the first years after the opening of the borders. This growth is mainly

due to the increase in the number of emigrants, who were referring to European countries and beyond. In 1996, remittances reached their maximum value during the first 10 years after 1990. It is thought that the cause of that large inflow of payments was devoted to their investment in the "Financial Schemes²⁵" created in 1996. The great popularity of these firms was created by the fact that they provided high returns and guaranteed to the first investors who participated in them.

In 1997, as a result of the collapse of these pyramid schemes and riots occurring in the country, uncertainty caused the level of remittances to fall sharply.

The absence of immigrants from Albania as a result of fear and insecurity compromised the delivery of money from migrants to their families. Especially if we take into account the fact that the vast majority of remittances at that time were carried out personally by immigrants themselves, without the use of transfer agencies or banks. The situation improved slightly in 1998. Based on the work of Korovila (1999), despite the considerable political and economic disruption that took place in 1997, the Albanian economy soon afterwards came back to the recovery route and the most likely explanation for this recovery is thought to be the impact of immigrants and remittances sent to the country. According to him, the country's problems caused a new wave of emigration to Italy and Greece. As a consequence, the increase in the number of emigrated Albanians, and the sense of helping relatives in difficulty, made the flow of remittances considerably larger. However, the destabilization that characterized in 1999 left a mark on their values. The period of conflict in Kosovo and uncertainties regarding the forecasting of events made this time the remittances to fall.

With the improvement of the situation, after 2000, remittance values also improved by increasing 2.5 times by 2007. Further, as a result of the financial crisis launched in 2007- 2008, their value suffered a shake. The deterioration of

the economic situation in most of Europe and the increase in the unemployment rate in all these countries caused the level of remittances to suffer a significant decline. During this period, the value of remittances went to the level of 2003-2004 values. The flow of shipments, which once marked a few times more than foreign investment, since 2008 began to fade. The decline of their level each year and more leaves a series of questions and uncertainties about their future tendencies. This situation continued until 2013. After this year, a slight positive trend has been observed.

In the Fact Sheet on Migration and Deliveries (World Bank, 2011), Albania was ranked 19th in the world's ranking of remittance recipients as a percentage of GDP, with a value of about 11%. The ratio of remittances to gross domestic product is an important and valuable indicator in the study of remittance impact on the economy. Its values over the years are presented in the appendices to this chapter, in table 3.1.

9. REASONS FOR SENDING REMITTANCES

Lucas and Stark (1985) are among the founding authors of theories on motivating migrants to send remittances to the family left behind. They studied remittances at a family level and raised the hypothesis that the main motivations for sending remittances are "pure altruism," "pure personal interest," and "altruism mixed with self-interest." In an attempt to study the factors that encourage migrants to send shipments to Albania, the work and research in this area have been numerous. In their work, Uruci and Gëdeshi (2003) conclude that more than half of the interviewed immigrants questioned why they send remittances to Albania have responded because of their moral obligations. Such a fact is understandable from the transition period that Albanian families have experienced and the tradition of unity that characterizes them. According to Hysa (2012), Albanian emigrants send remittances driven by altruistic motives. According to him, immigrants who have

more siblings and brothers abroad send fewer to their families. This evidence confirms the idea that siblings tend to share the burden of family support and not compete with each other in order to benefit from inheritance. The results of Shimamoto's work (d.d) suggest that immigrants in Albania are reluctant to send remittances due to a combination of altruistic motifs with the possibility of gaining inheritance. Hagen-Zanker and Siegel, (2008), in their study of the motive of sending in the case of Albania, found that it is not easy to give a correct answer on this issue. According to them, in reality, the separation between selflessness and self-interest in sending remittances is not very clear. Emigrants may have more than one motivation when sending them.

CONCLUSIONS

People emigrate and this decision is sometimes permanent, but links to the country of origin are time and distance. One of these links is precisely with remittances. Remittances are defined as the total of current transfers made by emigrants and employee compensation. Remittances are playing an increasingly important role in the development of the world economy. Worldwide, they are considered to be the second most important financial flow after international aid. Over the years, the value of remittances has been increasing, and such trend is foreseen in the future as well. The nature, size, frequency and impact of remittances have attracted the attention of many researchers. The reason behind this motive lies in the fact that there is stability in the flow and direction, and thus they appear to be an overly coveted instrument to stimulate further financial and economic development in developing countries. Remittances contribute to many areas. Here we can mention their impact on increasing income levels and living standards in beneficiary countries, impact on further development of the economy in developing countries, impact on poverty alleviation, etc.

The main purpose in this chapter was to review literature concerning immigration and in particular remittances. It addressed issues related to the characteristics, effects and main determinants of remittances.

The main features of remittances are stability, cyclical behaviour and time structure. Stability, in the sense of low volatility, is the one that puts remittances in the front compared to other capital flows such as foreign direct investment or development aid. In other words, remittances are among the only flows that over the years are not characterized by drastic drops or euphoric increases. 'Cyclical behaviour' refers to the correlation between the cyclical components of remittances to a country and the level of GDP growth. As far as the remit structure is concerned, the idea that it is presented in the form of an overturned "U" has recently been widely accepted and reaches the maximum level after 5 to 10 years of emigration experience.

Regarding the effects of remittances, the works in this area are numerous and varied. They move from the effects of remittances to improving the quality and living conditions of their beneficiaries and the macroeconomic effects they have on the economy.

Studies on remittance determinants are divided into two main categories. The first category deals with microeconomic determinants and includes social and demographic characteristics of immigrants such as employment status, civil status, migrant gender, number of home children, migrant education level, number of emigration years, etc. . The second category is related to macro makers and includes factors such as migrant stock, wage rates and economic situation in the host country, general situation and economic situation in the country of origin, exchange rates, relative rates of the interest between the two countries, the political risk in each of them etc. Based on official statistics as well as published literature in this area, a clear picture of their changes over the years was unclear. Particular attention is paid to the behavior of

remittance flows, the main factors that have determined them, as well as their effects.

With the collapse of the communist system, Albania suffered a large outflow of young people seeking jobs and better opportunities abroad. The main reasons that led to their emigration were economic and political-social reasons. Already twenty-five years later, Albania continues to produce migratory flows. The number of Albanian asylum seekers in Western countries is growing steadily. The main motives of the desire to emigrate remain economic and social motives.

Remittances have been and continue to be very important immigration accompanying. Albania ranks among the countries that have a high share of the labour force that lives and works abroad. This labour force, through remittances to their families, has played a very important role in supplying the country with foreign currency and stimulating the Albanian economy. Since the early 1990s, the trend of remittances has been positive until 2007 (reaching that year and the historic maximum of Euro 951 million) and further negative until 2013. A slight improvement in the situation is noticed in 2014 and from preliminary data it is believed that it will be followed in 2015. Most remittances in Albania come from Greece and Italy. A special space in this part was also devoted to the micro and macro characteristics of remittances. Issues such as sending remittances, delivery routes, sender characteristics, micro-remittance determinants, and the impact these remittances have had on beneficiaries' lives were addressed in the micro section. In the macro, attention focused on the impact of remittances on such factors as migrant stock, wage rates and economic situation in the country where emigrants live and work, the general situation and the economic situation in the host country of remittances, exchange rates, relative interest rates between the two countries, political risk in each of them, etc.

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