

MBA DISSERTATION

LABOR MIGRATION AND REMITTANCES IN THE REPUBLIC OF MOLDOVA: ARE THE REMITTANCES EFFICIENTLY USED BY THE MIGRANTS' HOUSEHOLDS?



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Name of the Institution: Dublin Business School

16th August 2013

Table of Contents

Acknowledgements.....	5
Abstract.....	6
Introduction	7
Background of the problem	7
Research objectives	9
Research questions	10
Research hypothesis	11
Research limitations.....	12
Research ethics	13
Personal biases.....	14
Chapter outline	15
Literature Review.....	17
Labor migration.....	17
Theories on international migration.....	17
Migration: Trends and Patterns	19
Impact of migration: positives and negatives.....	21
Perspectives of return.....	23
Diaspora organizations.....	24
Remittances	25
Remittances – object of research	25
Remittances: Trends, Patterns and Use.....	26
Impact of remittances: positives and negatives	29
The financial infrastructure for remittances- formal and informal transfer services.....	31
Formal transfer channels	31
Informal transfer channels.....	32
Transfer cost	33
Efficiency in remittances utilization.....	34
Methodology and methods	38
Proposed methodology.....	38
Research philosophy	38
Research approach.....	39
Research strategy.....	39
Research choice	40
Time horizon	40

Data collection and analysis.....	41
Sampling.....	42
Data analysis and findings.....	43
Statistical analysis	59
Discussion of the results:	64
Conclusions	66
Recommendations	70
Self-reflection on own learning and performance.....	71
Apendices.....	76
Bibliography	83

List of Figures

Figure 1: The Framework for Efficient Use of Remittances	11
Figure 2: Emigrants by Years.....	20
Figure 3. Top 10 recipients of migrant remittances as a share of GDP	27
Figure 4. Research "Onion" and Research Methodology Structured	38
Figure 5: Number of the family members that are currently working abroad.....	44
Figure 6: Distribution of migrants per target countries.....	45
Figure7: Length of stay in the target countries.....	46
Figure8: Legal or illegal stay in the target countries.....	46
Figure9: Working sector and occupations rendered by the migrants	47
Figure10: Migrants' willingness to return back to Moldova.....	48
Figure11: Average amount remitted by the migrant, per month.....	48
Figure12: Average amount of savings, per month.....	49
Figure13: Share of remittances in the budget of migrants' family	50
Figure 14: Transfer channels used by the migrants to remit money.....	51
Figure 15: Migrants' family opinion on remittances influence on family wellbeing	52
Figure 16: Rating of the factors in order of importance in using remittances	53
Figure 17: Migrants' family opinion on remittances investment	54
Figure 18: Migrants' family opinion whether Moldova is an attractive country to start a business.....	54
Figure 19: Migrants' family members' familiarity with Governmental program aiming to help migrants to start a business.....	55
Figure 20: Migrants' family opinion regarding usefulness of the governmental programmes on remittances investment.....	56
Figure 21: Migrants' family willingness to start a business in Moldova	57
Figure 22: Place where remittances are kept by the migrants and migrants' family	58
Figure 23: Money Transfers from Abroad Made in Favor of Natural Persons.....	81
Figure 24: Number of economically active population.....	82

List of Tables

Table 1: Descriptive Statistics- Labor migration vs Current remittances use	60
Table 2: Correlations- Labor migration vs Current remittances use.....	60
Table 3: Descriptive Statistics- Labor migration vs Transfer Channels	61
Table 4: Correlations- Labor migration vs Transfer Channels.....	61
Table 5: Descriptive Statistics- Current remittances use vs Efficient use	62
Table 6: Correlations- Current remittances use vs Efficient Use	62
Table 7: Descriptive Statistics- Efficient use vs Transfer Channels	63
Table 8: Correlations- Efficient use vs Transfer Channel	63

Acknowledgements

Apart from the efforts of myself, the success of any project depends largely on the encouragement and guidelines of many others.

I wish to express sincere gratitude to my thesis supervisor Mr. Andrew Quinn for his continuous support, invaluable comments and guidance. Additionally, I wish to express my gratitude to Diaspora Relations Bureau, especially Victor Lutenco, Natalia Voizian and Dorin Toma for support provided.

I am also grateful to Ghenadie Crețu from International Organization for Migration for providing the data for research.

Deepest gratitude to DBS lecturers for valuable experience and knowledge. I sincerely thank to DBS and Postgraduate Faculty for offering this course. Last but not the least, I would like to thank to all family members and friends who gave me moral support and still trust in me.

Also, I would like to thank those respondents who participated in the survey for their contribution. Thank you!

Abstract

Labor migration and remittances in the Republic of Moldova: Are the remittances efficiently used by migrant household?

This paper analyzes labor migration and remittances as a current phenomenon in the Republic of Moldova. The aim is to investigate how migrant household are using money received and to recommend how remittances can be productively invested. To be more specific, the aim is to illustrate that the amounts received are used mainly for current consumption and are not used for investments. In order to test the research question, questionnaires, as primary data collection tool were distributed to 100 respondents who have at least one family member currently working abroad and who are remittances receivers. Pearson's Correlation Coefficient was calculated to test the correlation between labor migration, current ways of remittances distribution, transfer channel used by the migrant and efficiency in remittances utilization. The obtained results met the expectations and led to the conclusion that there is a significant correlation between current ways of remittances distribution and efficiency in remittances utilization meaning that the more money will be used for current consumption, the less efficient they are used. Regarding the other variables, the results showed that the relationship between them is weak.

Introduction

Background of the problem

According to Cuc (2005) “Labor migration and remittances have increasingly become a part of the global landscape, with profound economic and social consequences”. Moldova, a small, low-income country where an estimated third of the economically active population has been working abroad, is an interesting illustration of this trend (Cuc, 2005). Labor migration affects economical and social development of Moldova since 1999 (IOM, 2007). The most recent official figures point out that about 690.000 Moldovans are working abroad (Moldova National Bureau of Statistics, 2012), but these numbers are approximate as majority of them are working illegally so that the total number of immigrants is not provided. Economic slumps, political instability, high unemployment rate and collapsing incomes are the main reasons that lead to a large scale emigration from Republic of Moldova (Craciun, 2006). The phenomenon of migration is influencing the level of remittances sent by the migrants to the migrant-sending countries. Remittances have become a dominant factor as a major source of domestic financing in the economy, as well as the major source of financing of the households, who have at least one member working abroad. According to World Bank (2012) in 2011 the level of remittances as part of GDP were 22,86% which means that Moldova were on the fifth place in top of recipients of remittances. In other words, remittances constitute main part of the GDP and influence Moldova’s economic growth. Also in terms of the money transfers from abroad via official ways the numbers are increasing from 89.62 million USD in 1999 to 1,494.23 million USD in 2012 (National Bank of Moldova, 2013). These numbers does not include money transfers using informal channels such as putting money in an envelope and mailing it. Every third Moldovan household receives remittances and for every second among them money sent from abroad accounts for more than 50% of the total income (IOM, 2013). The research is taking place due to several problems which are considered up-to-date subject in Moldova: continuous labor migration, remittance uses by migrants and recipients, the financial infrastructure for remittances and efficient use of them.

The official data regarding labor migration in recent years shows that the numbers are increasing each year so that are remittances, except economic crisis period (National Bank, 2013). The increasing number of remittances influence the ways they are used by migrants and recipients, especially level of “productive investments”. As stated by Massey and Taylor (2004) remittances are consumed instead of invested in a productive way. Another

issue which has negative impact on remittances is informal channels of sending them to migrants-sending countries as these numbers cannot be statistically analyzed and therefore these remittances cannot be used by the Government for economic investments and for paying off the trade debts. Also remittance utilization and the financial infrastructure for remittances demonstrate that most of the migrants are not informed about efficient use of these sums in order to obtain benefits for both migrants and national economy.

The research describes labor migration and remittances as part of the Republic of Moldova's current phenomenon and gives recommendations to migrants for "productive" use of remittances. The topic is up-to-date and is analyzed at macro level by the Government. Until now no studies have been conducted on migrants' perception of efficient use of remittances. The aim is to demonstrate that the biggest share of remittances is used for current consumption rather than productive investments. This implies analysis of current use of remittances as well as current money transfer methods used by immigrants. The researcher previous experience in analyzing labor migration and remittances in the Republic of Moldova can strengthen the analysis and provide additional data resulted from previous researches.

The results of this research can be used as public information, especially by migrants and remittance receivers regarding efficiency in remittances utilization. Also data can be used by the policy makers to better understand migrants' perception about remittances and to formulate adequate conclusions and policies in order to emphasize the benefits at micro and macroeconomic levels.

Research objectives

The research objectives are the following:

1. To establish relationship between labor migration and current ways of remittances distribution.
2. To establish relationship between labor migration and transfer channel choice.
3. To establish relationship between current ways of remittances distribution and efficient use of remittances.
4. To establish relationship between transfer channel choice and efficient use of remittances.

Research questions

The research aims to analyze the factors which are influencing the efficient use of remittances by the migrants. To obtain this information it is needed to analyze the core factors such as labor migration and remittances features to illustrate what the current trend is and how it can be improved. The proposed research questions are:

1) What are the features of labor migration in the Republic of Moldova?

The objective of this question is to highlight the characteristics of the labor migration in Republic of Moldova and the negative and positive effects which labor migration has on the origin country.

2) How are the remittances used by migrants and migrants' families?

This question is demonstrating how remittances are used by migrants and their families taking into consideration the aspects of the migration and the migrants' behavior.

3) What transfer channels are used by remittances senders?

The main purpose of this question is to show migrants' choice regarding transfer channels used to remit the money and on which considerations this choice is made. Furthermore, it is emphasizing the aspects of both formal and informal channels of remitting the money.

4) What are the efficient ways of remittances utilization?

The aim of this question is to provide potential "productive" use of the remittances by comparing how the remittances are currently used and how they can be used to produce benefits for migrants. Hence, it is shown that efficient use of remittances have a positive impact at macroeconomic level.

Research hypothesis

The research analyzes the correlation between labor migration, current ways of remittances distribution, the financial infrastructure for remittances in terms of transfer channels used and efficient use of remittances by the migrants. All the hypotheses tested assume that all the factors will be positively affecting the dependant variables besides H3, where the “Current ways of remittances distribution” will be negatively affecting the “Efficient use of remittances” due to the fact that at this stage migrants are using remittances for consumption which is not seen as a “productive investment” so that once the use of remittances in consumption increases, the use of remittances for investments and savings decreases. The correlation is show in Figure 1:

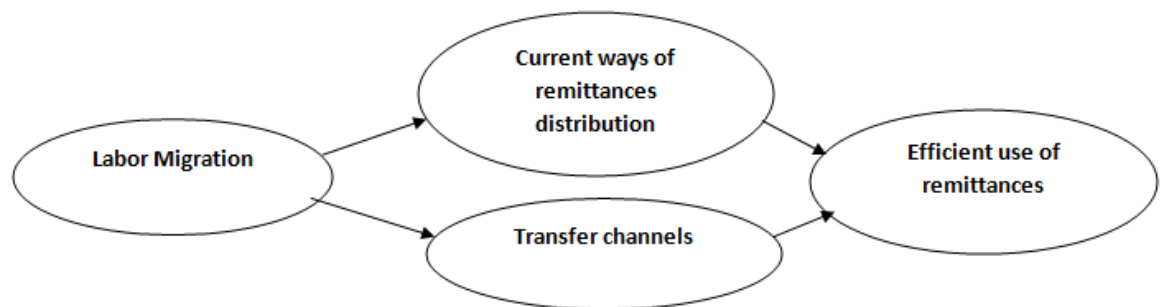


Figure 1: The Framework for Efficient Use of Remittances

Below are the alternative hypotheses for research findings:

H1: Labor migration is positively affecting current ways of remittances distribution.

H2: Labor migration is positively affecting the transfer channel choice.

H3: Current ways of remittances distribution are negatively affecting the efficient use of remittances.

H4: Transfer channel choice is positively affecting efficient use of remittances.

The null hypotheses created are following:

H1: Labor migration is not positively affecting current ways of remittances distribution.

H2: Labor migration is not positively affecting the transfer channel choice.

H3: Current ways of remittances distribution are not negatively affecting the efficient use of remittances.

H4: Transfer channel choice is not positively affecting efficient use of remittances.

With regards to the research hypotheses, survey method provides data to verify and test hypotheses in order to accept alternative or null hypotheses.

Research limitations

According to Hughes adapted from Burnes (2000) general limitations of the quantitative research are: 1) banal and trivial findings of little consequence due to the restriction on and the controlling of variables; 2) it is not totally objective because the researcher is subjectively involved in the very choice of a problem as worthy of investigation and in the interpretation of the results; 3) it leads to the assumption that facts are true and the same for all people all of the time; 4) it fails to take account of people's unique ability to interpret their experiences, construct their own meanings and act on these; 5) Because of the complexity of human experience it is difficult to rule out or control all the variables; 6) Quantification can become an end in itself.

As for this research survey method is utilized, the survey limitations regarding internal validity are *selection* which means that people selected for the survey have certain characteristics that predispose them to have certain outcomes and *instrumentation* which means that instruments used change pre and post test, which impacts scores in the outcome (Creswell, J., 2009). Regarding external validity limitations of the survey Creswell (2009) stated that limitations are *interaction of setting and treatment* which means that researcher cannot generalize to individuals in other settings than initial ones and *interaction of history and treatment* which means that researchers cannot generalize the results to past or future situations.

The limitations for this research are availability of literature, literature in other languages than English, availability of updated literature, selection of people according to specific criteria, respondents' unwillingness to answer sensitive questions such as remittances amount, respondents "fake" answers, respondents' unwillingness to take part in survey, respondents having family members in the same country/region and data error. All these limitations would affect the overall result that is why researcher would try to predict and overcome these issues.

Research ethics

“In the context of research, ethics refers to the appropriateness of your behavior in relation to the rights of those who become the subject of your work, or are affected by it” (Saunders, 2009). To obtain necessary results, “no choice” situation ethics stance will be undertaken which means that “we have no choice but to engage in dissimulation on occasions if we want to investigate the issues in which we are interested”.

Saunders (2009) stated that the ethical issues linked with a survey strategy are privacy, deception, openness, confidentiality and objectivity. To overcome these issues the data collected will be used only for research purpose and no personal information will be provided to third-parties; respondents will be informed that they are voluntary taking part in the survey, all the information is for private use and that they understand the information provided; to give the respondents the option to refuse answering sensitive questions; to inform the respondents about research purpose; to inform respondents about their rights.

In addition, to overcome issues regarding data processing and storage, personal data will be “processed fairly and lawfully, obtained for specified and lawful purposes, kept for no longer than it is necessary, accurate and kept securely” (Saunders, 2009). In relation to the statement above, special attention will be paid to this issue and it will be extensively accounted.

Personal biases

“Personal biases affect a person’s risk attitude, and, therefore, influence how decisions are made” (Stefanovic, M., 2005). Also Stefanovic (2005) mentioned that it is important to remember that a major fault with quantitative methods is lack of accurate data for input into the formulate. Often, numbers can be based on wrong judgments and therefore it is unacceptable to use for data analysis researcher’s “feelings” instead of accurate numbers. Another bias which should be avoid is unstated assumption (Stefanovic, M., 2005). During the research making unstated and mistaken assumptions prior the data analysis could lead to wrong interpretations and results. Also researcher’s previous experience related to this topic could lead to putting pressure on respondents and their answers which would make this research unreliable. “Biases can affect how we identify viable alternatives, how we employ different criteria in evaluating the alternatives and how we decide to assign relative weights to the options” (Stefanovic, M., 2005).

Chapter outline

Chapter 1 is Literature review and includes four subheadings: Labor migration, Remittances, The financial infrastructure for remittances- formal and informal transfer services and Efficiency in remittances utilization. Each subheading is clearly described and analyzed.

Labor migration contains theories on international migration, migration trends and patterns, positive and negative impacts of migration and perspectives of return and Diaspora organizations.

Remittances subheading contains remittances trends, patterns and use, positive and negative impacts of remittances.

The financial infrastructure for remittances contains formal and informal transfer channels and transfer costs.

Finally, the last part of the literature review contains examples of how remittances can be efficiently used and international examples of countries who implemented projects for efficient use of remittances.

Chapter 2 is Research methodology and methods. In this chapter it will be explained the methods of design, sample selection, data collection and analysis that were used in order to obtain appropriate results for the research. Each subheading is discussed comprehensively and explains why it is chosen for this research.

Chapter 3 is Data analysis and Findings. In the first part of this chapter the results of the survey are analyzed and presented using Pie Charts. In the second part of the chapter the statistical analysis is provided using Pearson's Correlation Coefficient in order to test the hypotheses. Lastly, the discussion on the results obtained and the hypotheses accepted are presented.

Chapter 4 is Conclusion. This chapter includes the conclusion of the research by summarizing findings and concepts raised in literature review. The findings are critically and analytically evaluated. Also it provides analysis of the research objectives and shows whether they were achieved or not.

Chapter 5 is Recommendations. This chapter includes some recommendations for local authorities in order to attract remittances in national economy.

Chapter 6 is Self reflection on own learning and performance. This chapter includes personal learning in relation to the dissertation and values which this research added.

Literature Review

Labor migration

Theories on international migration

In order to explain the phenomenon of migration many theorists provided analysis on labor migration effects on origin and host countries. Each theory reflects different approaches and research objectives. Masey et al. (1993) mentioned the most known theories in international migration:

Neoclassical economics: Macro theory -The oldest and best-known theory developed to explain labor migration in the process of economic development is the macro level neoclassical theory (Ranis and Fei, 1961). Based on this theory, international migration is caused by geographic differences between supply and demand. The differences in wages caused the movement of the migrants from labor-abundant to labor-scarce countries, explaining the movement from capital-rich to capital-poor countries. Another important assumption of this theory is that once the wages differentials are eliminated the labor migration will end as it cannot exist without such differentials.

Neoclassical economics: Micro theory -At the micro level neoclassical theory is trying to explain determinants of individuals' migration. In this case individuals' decide to migrate or not taking into consideration cost-benefit calculation. Also migrants' were choosing countries where they can use their skills and can be productive considering that before obtaining high wages they have to invest in travel costs, learning new culture and language (Masey et al. 1993). The adepts of this theory considered that labor migration contributes to economic growth of both host and origin countries or at least the situation is not getting worse in home country.

The new economics of migration -The key insight of this approach is that migration does not depend on individual actors but on families or households, where people act collectively to minimize the risks related to market failure and to maximize profits (Stark, 1984). This theory supports the idea that households in comparison with individuals can control their risks by allocating households resources in different locations. Some household members can work on the local market while the others can move abroad so that in the home country migrants' family can benefit from remittances received. Also those migrants who are working in developed countries have benefits in terms of Governmental projects and insurances so that migrants can minimize the risks.

Dual labor market theory -According to this theory international migration is caused by a permanent demand for immigrant labor that is inherent to the economic structure of developed nations (Massey, 1993). So migration is not caused by low wages in home countries but by need for workers in receiving countries. This trend is determined by low cost of the labor in sending countries. Emigrational movements are based on differences in countries economic development. Labor market is divided into two different segments: *primary* which includes highly paid jobs requiring highly skilled workers and *secondary* which includes jobs which are not well paid and mostly preferred by the migrants. Even though developed countries can provide enough jobs for locals, usually migrants are hired at unattractive jobs for local labor.

World systems theory -According to this theory international labor migration is a direct consequence of globalization. New technologies brought into developing countries allow setting free labor force. In consequence, the available labor force is potential migrants who are seeking for a job in developed countries. The author argues that according to world systems theory international migration follows the political and economic organization of an expanding global market.

Network Theory -This theory appeared in 1990's and one of the adepts was Massey. The main idea is that migrants are creating ties which connect migrants, former migrants, non-migrants, family members and friends in origin and destination countries through friendship, family connections and community connections. By using this network migrant can remit the money to those who are at home. Hence, the recipients have the possibility to emigrate or to establish in the home country and find a job. In order to expand the network, cost of expansion is reduced allowing migration to rise.

Institutional theory -According to Massey (1993) once the level of migration is increasing, private institutions arise to satisfy the needs of migrants based on the imbalance between number of people seeking to enter the country and limited number of visas which these countries usually offer. This aspect is meant to lower the number of migrants in favor of profits which entrepreneurs and public institutions can make. Voluntary organizations arise to satisfy the needs of migrants who do not have documents, who are exploited and who are illegally treated. These groups help migrants by offering them social services, shelter, legal advices and help them to obtain legitimate papers.

Cumulative causation -According to this theory "international migration sustains itself in other ways that make additional movement progressively more likely over time, a

process called cumulative causation” (Myrdal, 1957). The socioeconomic factors that are affected by migration in cumulative causation are: the distribution of income, the distribution of land, the organization of agriculture, culture, the regional distribution of human capital, and the social meaning of work (Masey, 1993). One of the assumptions related to this theory says that once the migrants have entered the job in large numbers then it will be difficult for local workers to be recruited back.

Migration system theory -According to this theory an international migration system includes one core receiving country and a group of specific sending countries. The two assumptions related to this theory are: first, countries within the system do not need to be geographically close since the system is based on political and economic relationships; second, among sending countries multiple membership is common so that countries could belong to more than one system.

Migration: Trends and Patterns

Boswell and Geddes (2011) stated that” an international migrant is someone living outside their country of origin either regularly or irregularly for a period of 12 months or more”. Referring this definition to migrants from Republic of Moldova, Bouton, Paul and Tiongson (2011) defined emigrants as “those who are of working age who are currently abroad and who may or may not have existing ties to households in Moldova”. According to this statement and data provided by National Bureau of Statistics (2013) (Figure 2) the number of emigrants who officially left Moldova in 2012 was 1,392 while the economically active population was 1,215,000 people (see Appendix). Even though the number of emigrants in 2012 was the lowest since 2001, 12% of the economically active population went abroad. On the other hand, an approximately stable number of around 300,000 persons, or a quarter of the economically active population are working abroad or are looking to work outside the country each year (IOM, 2012).

Emigrants by Years		
	Age groups- total	
Total	2001	2968
	2002	2920
	2003	3280
	2004	3193
	2005	3093
	2006	3011
	2007	3276
	2008	3237
	2009	3138
	2010	2193
	2011	1761
	2012	1392

*Emigrants who leaves aboard for permanent or temporary resident on the territory of another state

Figure 2: Emigrants by Years

Source: National Bureau of Statistics of the Republic of Moldova (2013)

The main reason for migration is differences in wages between target and origin countries. On the other hand many migrants, however, are not in financial difficulties and leave only because they want to improve their living standards: completing housing construction or buying an apartment (UNICEF, 2008; IOM, 2012). Lucke (2007) and Migration Policy Centre (2013) divided Moldovan migrants into two groups. First, those who are from rural areas have large families and are relatively poor. This group tends to migrate to Russia or Ukraine on short-term basis as there are seasonal jobs. Another group consists of those who are from wealthier and better-educated urban households. These migrants are predominantly females who leave for EU countries, mostly Italy and Spain where they find employment in households, tourism or health care. This category of migrants stays on a long-term basis as the costs for migrating and expenses in these destinations are much higher. These trends are determined by the closeness of the destination country and knowledge of its language. Mostly men are leaving for Russia as Russian language is the second spoken language in Moldova and citizens of Moldova are exempted from the visa requirements for the CSI countries. Also, stated by Ghencea and Gudumac (2004) other reasons are reduced migrational costs and Russia's labor market enormous absorption capacity. Women mostly are leaving for EU countries, especially Italy and Spain due to the fact that Romanian, Italian and Spanish are Romanic languages, while the percentage of migration to countries like Greece is much lower due to precautions by the embassies regarding women traffic problems. According to Sabadie, Avato, Bardak, Panzica and Popova (2010) "language skills is a significant factor for migration decision in Moldova as those who knew at least one foreign language were more likely to migrate than

those who knew only their native tongue”. Also many Moldovan citizens have dual citizenship, both Republic of Moldova and Romania passports, which allows them to benefit from visa-free travel to European Union countries. On the other side, most Moldovans abroad, who do not possess Romanian passport, are illegal immigrants who are engaged in irregular employment and live without proper documentation (IOM, 2008). Argued by Mosneaga (2007), in comparison with labor migrants who do not face any problems entering Russia or other CIS countries, those who are planning to go to EU countries need a visa which unofficially costs them from 2,500 to 4,500 Euros, so that illegal border crossing is often used to enter European Union countries. Illegal residence status put migrants at greater risks by the local authorities and laws and exploitative working conditions so that many of them are tending to obtain legal status within couple of years (IOM, 2009). Also due to illegal stay, labor migrants are facing high costs for health medical care and their health is exposed to risk related to working conditions (Ghencea and Gudumac, 2004).

According to IOM (2006) many of those who had worked abroad and returned back to Moldova for a certain period are planning to go back within 12 months. This trend is determined by social and economic security that migrants are facing abroad and instability in the home country. Migrants are not determined to apply for a job in Moldova after working abroad due to differences in wages so that they are spending most of the time with their families. But many migrants are planning to have more trips abroad, earn money and then settle down in Moldova (IOM, 2013).

Impact of migration: positives and negatives

Effects of migration are both positive and negative. According to IOM (2012) positive and negative trends can be generalized as socioeconomic effects determined by remittances as being positive and deterioration of human capital over the time as negative. Positive effects according to Ratha (2003) are flows of remittances which are used for productive investments by the Government and are the main source of income for migrants’ households and also an important source of foreign currency for the country. In addition to the positive effects listed by Ratha, Ghencea and Gudumac (2004) specified other advantages for target countries such as higher competitiveness of goods and services as foreign labor costs are lower than local and qualified labor force imported from abroad

saves professional education outlays. As for origin countries, Ratha (2003) mentioned productive investment of remittances encouraged by economic, fiscal and customs' policies and international labor mobility which can increase the flows of remittances to developing countries.

In macroeconomic context, the inflow of foreign currency generated by labor migration helps to compensate the trade deficit of the country and to support the national currency (IOM, 2012).

The main negative effect is related to "brain drain" which was recognized as a major problem for Republic of Moldova (IOM, 2012). This statement is confirmed by Hugo (2003) and Castles and Miller (2009) as the country's prosperity depends on its human resources' professional qualification. In consequence, highly qualified workers are attracted by high wages in developed countries so that less developed countries are challenged with a massive loss of young, qualified and innovative citizens. This problem affects especially medical and educational areas. Due to the fact that doctors and teachers in Moldova have wages lower than the country average, in the last couple of years public schools and hospitals have insufficient personnel. Also this trend severely affects rural areas where young teachers prefer to seek for a job abroad rather than working in the village. On the other hand this statement is contradicted by Cuc, Lundback and Ruggiero (2005) as the negative impact of "brain drain" has to be weighed against the positive impact of migration on human capital development due to the fact that returning migrants bring back their skills and work experience, thus boosting productivity.

Another important negative effect of labor migration is the impact on family structure and child development (Salah, 2008). Migrants, especially those who are staying abroad a longer period of time, have left behind their wife or husband in origin country which resulted in deterioration of family's morale (Salah, 2008). As for children, in the absence of parents, they are isolated in communities and have difficulties to socialize and establish relationship with the others. In terms of education, children left behind are less concerned about their studies as remittances received are enough for current consumption and other expenses needed.

Other negative effects stated by IOM (2009) are inflation impact on economy/pressure on current exchange rate, creation of "tradition of migration" and inequality in incomes.

Proper mechanisms and migration policy at the national, supported by international organizations are needed to prevent the negative impacts of the labor migration.

Perspectives of return

According to Pinger (2009) there are three main reasons migrants return plans which should be considered by the origin country. First, the amount of remittances sent by the migrant is higher in case he plans to return and has emotional linkages with his family. Second, the origin country can benefit from the experience and skills which migrants gained abroad. Third, migrants are opened for new experience, are taking risks which make economically “valuable” for the origin country.

Migrant’s decision to return has several basic steps which are influencing his decision. One important point usually considered by the better educated and with work experience migrants, is the difference in earnings between target and origin countries. Also emotional linkages with family members are important especially for those migrants who are married and have small children. Lastly, the costs of stay abroad which is higher than costs of living in Moldova are determining the migrants to return home. So females, married, seasonal migrants and poor are more likely to be the returnees (IOM, 2009).

IOM (2012) mentioned that “migrants are confronted with reintegration problems back home due to the lack of jobs and low salaries. The creation of their own business is difficult due to insufficient funds and lack of information. In these circumstances, some migrants have no other choice than to re-emigrate”. In addition to the statement above, IOM (2013) stated that migrants have short-term plans, as future plans could be hardly evaluated and their willingness to return to Moldova for good is small.

It is also useful to make a distinction between permanent and temporary migrants according to Pinger (2009). This is based on the fact that permanent migrants are usually remitting less and spend money in the foreign country while temporary migrants are remitting more because of the linkages with their family in the home country and willingness to save.

In order to attract migrants to return home, they should be aware of their potential opportunities in the origin country (Sabadie, Avato, Bardak, Panzica and Popova ,2010). The re-emigration and attraction of investments to Moldova can be achieved by developing business environment (investment advices and business support, efficient finance system and entrepreneurship education) and reorganization of institutional infrastructure (IOM, 2013). In addition, returning migrants bring needed capital which could help the development process of the origin country (Leon-Ledesma and Piracha, 2001).

The research literature shows that migrants profile is dependent on several variables such as reasons for migration, social class, target country and origin country's profile. The effects of migration are influenced by the continuous level of labor migration. The continuous labor migration of the citizens is influencing the remittances sent to the households. Hence, labor migration is the unit of analysis in this research as it is correlated with remittances inflows.

Diaspora organizations

IOM (2007) stated that potential migrants who are revising the possibility to move abroad learn from the other migrants about the possible benefits. The importance of this information is that it comes from the first-hand and it covers all the relevant information. However, this information can be misleading due to the fact that migrants are usually sharing their successful stories rather than failure. That is why the migrant should be informed about potential issues before going abroad. So the information about travel services, travel cost, legal stay and employment should be provided by specialized organizations in Moldova. On the other hand, the information provided can include only official information which does not suit all of the migrants as many prefer to go abroad illegally (IOM, 2007). In relation to the statements above it can be concluded that Moldova Diaspora and Moldovan Society should strengthen migrants' networks abroad. Ideally, each Moldovan Society should have centers in the main cities where migrants can access various services such as money transfer facilities, access to Moldovan media, social activities (IOM, 2007). Furthermore, these centers should be sponsored by the Moldovan Government in order to maintain relations distance relation with Diaspora.

Moldovan Diaspora organizations are established in many countries around the world and each of it has its specific. For instance, Diaspora in the Russian Federation was established by Russian citizens with Moldovan origin who emigrated to Russia (IOM, 2013).

Diaspora organizations are providing the support both to the migrants and to the countries of origin and destination. The desire of the migrants to stay connected to Moldovan Society abroad has positive influence on expansion of Diaspora. Also via Diaspora, Moldovan migrants are promoting Moldova abroad, its traditions and its culture. Being part of the Society abroad, migrants also are mobilizing resources for community investments.

Remittances

Remittances – object of research

“Migrant remittances are defined as the sum of workers’ remittances, compensation of employees, and migrants’ transfers” (World Bank, 2011).

According to Ghencea and Gudumac (2004) during the last decade, remittances have constituted the object of analysis for many researchers. Remittances as an object of research represent particular interest because those amounts sent home by migrants to developing countries are “equivalent to more than three times the size of official development assistance and can have profound implications for development and human welfare. Remittances can contribute to lowering poverty and building human and financial capital for poor.”(World Bank, 2013). Nowadays, the impact of remittances is recognized in most of the developing countries, constituting an important flow of foreign currency and directly reaching millions of households (IFAD, 2007).

Ghencea and Gudumac (2004) analyzed five dimensions which illustrate the attractiveness of remittances for researchers:

Remittances constitute a more and more significant source of external financing for developing countries. Remittances have occupied second place in terms of size after net financial flows.

Remittances- source for the middle income countries. It was demonstrated that the largest part of remittances are concentrated in lower income classes and higher income classes countries and not in poorest. Countries which are top migrants senders are India and China. The annual amount of remittances received in these countries are billions of USD. This is explained by high number of population and millions of emigrants living abroad.

Remittances -a stable source of foreign currency. Remittances constitute the least volatile source of financial flows for the developing countries due to the fact that they react less violently to economic shocks which prove their stability. For developing countries remittances are an insurance mechanism aiming to diversify portfolio of foreign capital sources.

Remittances -a source of subsistence. For small, developing countries remittances are the main source of income. Migrants’ remittances help these countries to survive.

Remittances – a substitute of international assistance. For people from poor countries remittances are the main source of existence, therefore remittances are substituting international assistance. So, actually remittances and not the local authorities are key providers of foreign assistance.

Remittances in the developing countries are of great interest. Findings are presented in the subheading below.

Remittances: Trends, Patterns and Use

Remittances have grown at an extraordinary pace over the last years and can be taken as an indicator of the economic relevance of migration (International Fund for Agricultural Development (IFAD), 2008). Migrant remittances and savings represent the most direct and measurable benefits of international migration in migrant-sending areas (Massey and Taylor, 2004). Money sent home by migrants has become a crucial economic factor in many less developed countries contributing to domestic savings, easing foreign exchange constraints, and offering a means to finance trade deficits (Castles and Miller, 2009).

Republic of Moldova as a migrant-sending country is valuable for analysis as it is included in “Top 10 recipients countries of migrants remittances as a share of GDP”. The data provided by World Bank (2012) puts Moldova on the 5th place among the top remittance receiving countries (see Figure 3). Remittances represents around 23% as percentage of GDP, the number which decreased from 36,2% in 2006. (IFAD, 2008). Also World Bank (2012) assumes that the growth of remittances in 2013-2015 will be stronger.

Top 10 recipients of migrant remittances as a share of GDP

(% of GDP, 2011)

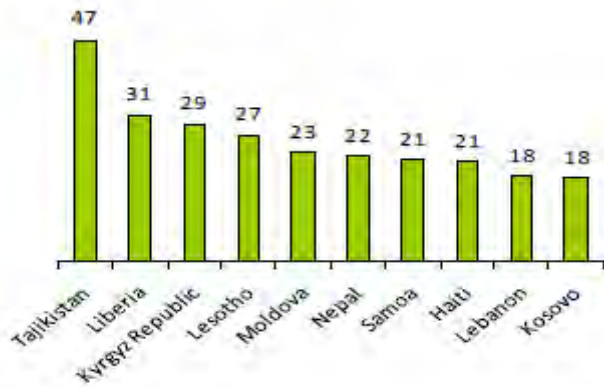


Figure 3. Top 10 recipients of migrant remittances as a share of GDP

Source: World Bank (2012)

In terms of the money transfers from abroad via official transfer ways the numbers are increasing from 89.62 million USD in 1999 to 1,494.23 million USD in 2012 (National Bank of Moldova, 2013) (See Appendix). These numbers do not include money transfers using informal channels such as putting money in an envelope and mailing it. The remittances amount in 2012 is the highest one since 1999 (except 2008 when the global financial and economic crisis severely affected the amounts remitted from 2009 onwards). Also the data shows that for 2013 (Quarter I and Quarter II) the amounts remitted are close to those in 2008 meaning that the numbers for 2013 could attain the highest value since 1999.

One of the main factors which influence the remittances amount sent is migrants' remittance behavior. According to IFAD (2008) analysis, not all the migrants are remitting money and differences in remittance behavior is based on characteristics such as: age, gender, educational and income levels and occupation. Migrants who have strong linkages with their family in the home country and who are of working age are generally remitting more. On the other hand, migrants who are joined by their families abroad and are not planning to return for a longer period of time tend to send less remittances. In terms of variations in remittance behavior Craciun (2006) analyzed remittances from two different points of view: *altruism and self-interest*. First category is guided by the care for migrants' families and friends and willingness to help them. This trend is observed for poor families as they find the main priority in helping their families. Second category is mainly guided by the willingness to obtain benefits from the funds sent back home. Usually self-interest is

observed among middle-income households, who want to demonstrate laudable behavior as an investment for the future or with the intent to return home.

In addition to remittance behavior, IOM (2007) pointed that differences in remittance behavior include migrants' earnings, their motivation, the seasonality of the job, the cost of travel to the host country and the cost of living in the host country. Migrants that are working in EU countries have higher wages and tend to remit more than those who work in Russia because CIS migrants have seasonal jobs and spent in the host country a shorter period of time. Also CIS migrants tend to remit a higher share of their earnings in comparison with EU migrants due to the fact that the time spent is shorter, the living and travel costs are lower (IOM, 2007). Seasonality of remittance flows are expressed by migrants' motivation to remit more on Christmas, New Year's Eve, 1 September and Easter. An example of migrants remittance behavior is presented in IOM (2013) survey analysis for migrants for are currently working in Italy. The results showed that more than 50% of the Moldovan migrants from Italy send in average 235 Euros per month to Moldova. This amount represents approximately 27% of the migrants' monthly income. It was stated by IOM that in 2009, 1.3 million people or 35% of the population live in households that receive remittances.

Another remittances characteristic is the distinction between the urban and rural households which are remittances receivers. According to IFAD (2006) remittances to rural areas a sent in a lower proportion in Europe than in other parts of the world. However, countries from Eastern Europe, especially Romania, Albania and Republic of Moldova see more than half of the remittances sent to rural areas. The explanation of this trend is that Moldovan migrants who are coming from rural areas are mostly men, who are working in CIS countries, who remit more due to the seasonal type of job. Also rural household have more family members working abroad due to lack of jobs and low wages in the villages. The literature on the use of remittances explores the purposes for which funds are remitted to the home country (Cuc, Lundback and Ruggiero, 2005). Different studies emphasized same ways of remittances use by migrants' families as mainly they are used for current consumption. On the other hand, Ghencea and Gudumac (2004) mentioned that remittance utilization patterns showed by the Moldovan migrants' families differ significantly from those described in other studies. According to UNICEF (2008), Ghencea and Gudumac, (2004) and IOM (2007) the largest share of migrants remittances are used for household expenses such as food and clothes and also for passive investments, especially house or apartment procurement or purchase of cars. It was found that families whose members were working in CIS countries spent less than those who had migrants-members working in

European countries. On a large scale remittances are used for special expenses (education fees, medical treatment, financing migration of other family members and loans to relatives and friends) and savings, either bank deposits or retained at home. Also the remittances are used for debt repayments, especially by those migrants who are working in EU countries as they have to reimburse the loans taken for migration. These amounts are much higher than those of the migrants who are working in CIS countries. Finally, migrants are using remittances for active investments such as start-up businesses or land purchase. Unfortunately just a small percentage of the migrants are using remittances for productive investments as they prefer investing them in current consumption. There are several explanations for such a spending pattern: low living standards in the migrants' family, uncertainty in the future, poor business environment and poor quality of infrastructure (Mislitcaia, 2009). Also argued by Sander, Nistor et al. (2005) migrants would not invest in Moldova due to the threat of corruption, excessive bureaucracy and fear of losing their capital.

Impact of remittances: positives and negatives

The impact of remittances on socio-economic development at micro and macro levels has both positive and negative sides.

World Bank (2005) pointed that one of the most important effect of remittances is the reduction of the poverty in the poorest households. For the majority of the households remittances represent more than 65% of their income. As most of the households are using the main part of the amounts received for current consumption, it can be deduced that remittances are their main source of existence. Also many households are using considerable amounts of remittances for “passive investment” (house procurement or purchase of cars) and for special expenses such as medical treatment and educational fees.

Hence, migrant households own more assets than households without a migrant.

IOM (2007) mentioned that household receiving remittances invest longer in their children's education with young adults more likely to enroll in universities. In particular, private universities are mostly financed through remittances.

Also households receiving remittances are more likely to make savings than non-receiving households and to use those amounts for productive investments.

The impact of remittances on poverty could be divided into two groups: for those households who have migrant-members working in European Union countries and

households who have migrant-members working in CIS countries. The effects of remittances on poverty are bigger for families of the EU migrants as the amounts remitted are higher and the length of stay is usually longer.

The positive effects of remittances at macroeconomic level are higher tax revenues, Government spending through higher tax collection on imports and higher real wages due to decline in labor supply (IOM, 2007).

Due to the fact that Republic of Moldova is an agricultural country and most of the migrants are coming from rural area, huge investments were made specifically in agricultural sector by returnees.

Other positive effects mentioned by IOM (2007) and supported by Kupets (2012) are:

- Cover of trade deficit balance by personal remittances;
- Improvement of the country's credit rating;
- Increased demand for consumer goods and real estate which contributes to the growth of such sectors as retail trade, real estate, medical and health care;
- Supply of funds to the domestic banking system via bank deposits;
- Creation of new jobs in origin country due to new investments funded by remittances;
- Promotion of economic development as remittances are representing 23% of GDP;
- Small businesses opened by the migrants who invested remittances in home country;

Even though remittances have positive effects on both households and economic development of Moldova, there are negative sides to be considered.

Salah (2008) discussed short-term remittances contribution as not only reducing poverty but also creating inequality by breaking down traditional families and community ties. Also encouragement of further migration as migrant's family and friends are moving abroad as well.

Low earnings in the origin country and higher incomes abroad are the main causes of living for highly skilled workers (Mosneaga, 2007). This phenomena negatively impacts on human resources in Republic of Moldova as it destroys professional system and therefore has an effect on country's budget.

Mislitcaia (2009) mentioned that negative effects of remittances are appreciation of national currency and *Dutch Disease*, which happens when remittances are used for unproductive needs rather than economic activity. This trend is based on low living standards among households, poor investment opportunities and uncertainty in the future.

Also remittance flows influenced inflationary trend through household demand on consumer goods (Kupets, 2012; IOM, 2007).

Overall, remittances alone do not promote economic growth and development and they tend to decline over the time. Migrants are sending higher amounts during the first stage of establishment abroad while they have strong links with their families. Once their families are moving abroad and migration become more stable the tendency to remit decreases.

The research literature is illustrating remittances patterns, effects and the current use of remittances by migrants by emphasizing different methods of using them. There is positive trend between remittance inflows and remittances use. Once the remittance inflows increase, remittances use especially in consumption also increases as recipients tend to spend more.

The financial infrastructure for remittances- formal and informal transfer services

Formal transfer channels

Channels of transferring funds and transaction costs are factors that also have an influence on remittances size (Craciun, 2006). To bring their money home, Moldovan migrants refer to various means and channels. According to Siegel and Lucke (2013) the determinants of the choice of the predominant transfer channel can be grouped in three categories: 1) socio-economic characteristics of the migrant, including education, gender, urban or rural location and consumption level; 2) characteristics of the migration process, such as legal residential status and length of migrant's stay abroad; 3) financial information, such as whether the household has a current bank account or whether the remittances are sent regularly. Mosneaga (2007) added convenient transport infrastructure, cost and safety of transfer. The channels utilized for remitting money can be grouped into formal and informal channels (Ghencea and Gudumac 2004). Formal remittances are sent through banks and express money services (European Investment Bank, 2006). Remittances sent through formal channel are registered by Central Bank and therefore is included in IMF

Balance of Payments Statistics publications (EIB, 2006). Siegel and Lucke (2013) argued that formal transfer channels are more likely to promote economic growth in migrants' origin country than informal transfers. First, recipients are collecting remittances from the bank and they are in regular contact with financial institution. Second, transfer fees are lower due to competition among the formal transfer channels. Finally, formal channels are transparent. Remittances sent using formal channels reach their recipients either at the commercial banks or a post office as non-banking institutions are not permitted to provide this kind of services (Sander et al. 2005). The only exception is Posta Moldovei which was accepted to activate as an express transfer for Western Union (mainly used for EU countries transfers) and Anelik Money Transfers (mainly used for CSI countries transfers). Also Sander et al. (2005) described banks as less attractive for senders as they impose higher transfer fees and are comparable to express transfers fees only when the amounts sent are high. The biggest companies which provide express money transfers in Moldova are: Western Union, Money Gram and Anelik Money Transfers. Use of formal channels is becoming more attractive among the migrants as the procedure is secure and do not expose migrants' money to different risks such as robberies or theft. In 2012 the total amount of money transfers using banks was 1,328.70 million USD which is higher than remittances amount sent in previous years according to data provided by National Bank of Moldova (2013).

Migrants in CIS countries due to season type of job rarely use bank or express money services as they prefer to bring home their earnings. On the other side, EU migrants prefer to remit the money using formal or informal transfer as the length of stay abroad is longer and the distance to home country is much bigger (IOM, 2007; Mosneaga, 2007).

Informal transfer channels

Informal transfers continue to be the most important for many migrants. Informal channels are transfers through relatives, friends or migrants themselves bringing cash on visits home (IOM, 2007). According to Castles and Miller (2009), also supported by Craciun (2006), Ghencea and Gudumac (2004) and Sander et al. (2005) one of the main reasons for using informal channels is the transaction costs which have to be paid by the sender as percentage of the total amount sent.

Also migrants are considering use of informal channels because they trust the informal transfer agents. Siegel and Lucke (2013) added that migrants who mostly use

informal services are more likely to be in high-income countries, reside in the host country illegally, do not have a bank account and remain abroad for periods longer than one year. Informal transfer channels are mostly used by low-income countries where the financial sector is weak and mistrusted (IFAD, 2008). In addition, Craciun (2006) argued that unofficial channels are used by migrants who have difficulties of following banking procedures that people are unfamiliar with.

According to Mosneaga (2007) World Bank is estimating money flows through the informal channel using three streams:

- 1) Money transfers made by those migrants who stay abroad for more than 1 year;
- 2) Money transfers by migrants working abroad for less than a year;
- 3) Other streams of goods and money, connected to migration (cost of transfer and delivery of goods in the country, return of debts, pensions, etc).

However, the correlation 4:1:2 calculated by World Bank has to be revised for countries like Moldova taking into consideration length of stay and current ways of remittances distribution.

Sander et al. (2005) noted that transfer channel choice varies by country. The greatest for informal transfers are among CIS countries migrants with the highest share. Also in this list are included countries like Italy, Turkey, Greece and Cyprus. In contrast, migrants from Portugal and Spain prefer formal transfers rather than informal as the distance between home and host country is big. Other determinants which influence transfer channel choice among migrants are speed and security of transfer, proximity of the migrant's host locality and well connected infrastructure. Also Sander et al. (2005) pointed that informal transfer includes the risk on possible loss of money when crossing the border in case money is not declared.

Transfer cost

Across the globe, the cost of remittance transfers varies greatly on the region to which they are sent (IFAD, 2007). So that lowering cost is important for competitiveness of formal remitting channels. Governments, intergovernmental organizations and community based organizations are currently involved in efforts to lower the cost of remittance (IFAD, 2008).

In era of technological progress, new technologies such as mobile phones are used as alternatives for transferring money (IFAD, 2007). An example of using mobile phones

for transferring money is Kenya. “M-Pesa” (M- mobile, Pesa- money in Swahili) is a mobile-based money transfer which allows user with a national ID card to deposit, withdraw and transfer money with a mobile device by paying a fixed fee to retail outlets representatives. The transfer is done in couple of minutes and money can be transferred in the most parts of Kenya. Enabling transfers using new technologies has advantages for poor people such as eliminating the need of travelling to the nearest bank, possibility to reach rural areas and transactions in small denomination (IFAD, 2008).

Craciun (2006) stated that sender, in order to perform the transfer, needs to pay a sending fee, then for converting from one currency to another and sometimes beneficiary has to pay a fee for receiving money. Transaction costs are negatively related to size of remittances; once the amount to be sent is higher, the fee paid for the transfer is lower and vice-versa. According to the statement above, it can be deducted that banks are earning high profits from remittances transfer operations. Also banks are attracting new customers by regular interaction with remittances senders or receivers.

On Moldovan market cheapest services and commissions are provided by Anelik Money Transfers. Western Union and Money Gram due to their international presence have higher fees.

The research literature demonstrates that the correlation between the choice of transfer channel, the destination country and the pattern of migration is strong. Also transfer channels are related to efficient use of remittances as money transferred through formal channels are monitored by policymakers and therefore the financial institutions can build a relationship with the migrants by offering them financial products such as loans.

Efficiency in remittances utilization

Efficiency in remittances utilization is important for remittances receivers in order to gain future benefits for themselves and to encourage the development of national economy.

The economic growth of investments in national economy is based on increased consumer demands caused by remittances inflows, so, therefore it is short-termed (Mosneaga, 2007). So the direct investments from remittances in Moldova’s economy appear to be unstable due to two main factors: unfavorable investment climate in Moldova and rigorous fiscal policy. Even though the Government is implementing policies regarding

fiscal policy and developing investment opportunities, migrants are still feeling insecure to invest in Moldova because of the corruption and high set-up business costs. IOM (2007) stated that Government put the effort to boost the business climate, which is considered difficult and corrupted, for remittance investments with donor support.

Mosneaga (2007) mentioned about migrants' investments in service sphere such as bars, clubs, shops etc. as being profitable unless the market gets saturated and the investments are becoming low profitable or even unprofitable.

The conclusion of many studies such as Massey and Taylor (2004), Ghencea and Gudumac (2004), Sander (2005), Mislitcaia (2009), IOM (2007) is that migrants are using remittances to fund current consumption rather than productively investing them. For example, schooling, despite its demonstrated positive effect on household incomes is often absent from the list of productive investments. This is probably because expenditures on educating family members usually do not create direct, immediate employment and income linkages within migrant-sending economies (Massey and Taylor 2004). On the other hand Moreno-Fontes Chammartin (no date) stated that households spend remittances not only in consumption but also invest them in *human capital* (education and health care), *physical capital* (micro-enterprises, property and purchase of machinery) and *financial capital* (savings and investments) In order to use remittances efficiently migrants have to reorientate their money to investments. Due to the statement above, migrants can be divided into those who are interested in investments but do not have sufficient money as they use remittances for current consumption and those migrants who possess enough money but are not interested to invest in Moldova. European Investment Bank (2006) highlighted two ways of efficient remittances use. First, is *usage of remittances on development* which represents improvements in infrastructure and health systems by the authorities, increase in the number of affordable housing, number of employed persons and number of children that go to school. These factors are productive use of remittances that generates strong development impact. Second, is the *transfer channel* used to remit the money as remittances transferred through bank accounts can be used by banks for further lending.

Regarding formal transfer channel, Sander (2005), Siegel and Lucke (2013) and Avila, F. and Schlarb, E. (2008) mentioned that remittances have to be deposited in a bank account. This will help the bank to monitor the flow of remittances and to use this amounts to provide financial products to the customers. Migrants will be the first ones who will benefit as they come into regular contact with the financial sector. Also this will help to promote economic development by the policy makers and financial institutions by using

remittances in investment projects and to reduce the debt in Balance of Payments. The connection between migrants' remittances and banking system is also referred to the benefits which banks have in terms of commissions for transfers (IOM, 2009). The effects are directly related to inflation, increase of investments and increase of the reserves of the National Bank. The main issues regarding use of banking services are remittance recipients who do not have a bank account and strict bank requirements for account opening. Also many recipients still prefer to keep the remittances received at home rather than keeping savings at banks. The basis of this trend is lack of financial education among migrants and their families. A good example of financial educational project was implemented in Armenia by Developing Markets Associates (DMA) in 2013. As analyzed by DMA (2013) supported by World Bank, only 17% of people over the age of 15 in Armenia had an account at a financial institution and only 1% kept their savings in a bank. So in 2012, DMA partnered with five local Armenian retail banks, trained 20 financial advisors to work across these banks in terms of remittances by giving personalized financial consultation to remittance recipients on how to manage their finances. The results presented by DMA showed that from around 7,000 people educated 40% have savings and during the first 15 weeks over 4,300 accounts were opened. The feedback showed that people were impressed by innovative approach and good rates offered by the banks. The value of the financial education is to inform people about benefits on the financial products and to establish a strong relationship between customer and the bank.

Other methods for efficient use are re-invested savings and entrepreneurial activities (IOM, 2007). In other words, remittances should be invested in start-ups, small businesses or long-term assets.

In order to attract remittances in economy, Government of the Republic of Moldova, in 2010, implemented a new program "PARE 1+1". The aim of this program is to help migrant workers or their first-degree relatives who want to invest in starting or expanding a business in Moldova (ODIMM, 2013). The rule of the program is "1+1" meaning that every leu invested in the business will be substituted by a leu in the program by the Government. This project is similar to "3 for 1" program implemented by the Mexican Government that encouraged investments in small enterprises. The rule was "3+1" which means that every dollar invested by the migrant was supplemented with 3 dollars by the Mexican Government. PARE "1+1" has a maximum amount of funding of 200,000 lei (around 12,000 Euros) and the money are offered as non-refundable grant. As mentioned on *Moldova.org portal* (2013) the amount allocated in 2011-2012 was 22,5 mln and it was found that every dollar spent in this program attracts about 3 USD investment in the

national economy. The length of the program initially was two years but in 2013 the Government extended it until 2015.

Another successful project was launched in Moldova by Frankfurt School of Finance & Management and Rural Development Center (Riabkina, 2012). The project aim was to familiarize Moldovan rural population with services offered by the banks. By the end of the project, 72 financial educational seminars had been conducted with a total of 1440 participants. The seminars included coaching sessions on the savings (Riabkina, 2012).

IOM (2009) proposed some policies required to enhance the productive use of remittances. These policies are: engaging Diaspora in homeland development by supporting business investment plans; facilitating migrant's investments in SMEs by improving SMEs regulatory framework, offering tax incentives and entrepreneurship training; improving remittance data collection practices; and matching remittances with other funding sources and orienting them on community development.

Other considerations for efficient use of remittances advised by United Nations Economic Commission for Latin America in 1998 provided in Ghencea and Gudumac (2004) research are *remittance formal transfer cost decreasing* as this will impact on migrant's decision to use formal transfer channels and *creation of collective remittance management associations* as they can provide additional information and guidance for migrants in investment opportunities.

“In most cases, what is needed are not special programs to harness remittances and savings from migrants abroad, but rather sound macroeconomic policies that encourage the productive use of migrant remittances and savings at home” (Massey and Taylor 2004).

The research literature highlighted the efficiency in remittances utilization based on both theoretical and practical examples. The correlation between efficient use of remittances and current use of remittances is strong based on the fact that unless the percentage of remittances used for “unproductive investments” increases the efficiency in remittances decreases.

Methodology and methods

The main purpose of this research is to illustrate the current features of labor migration and remittances in the Republic of Moldova and to provide recommendations for efficient use of remittances. In this chapter it will be explained the methods of design, sample selection, data collection and analysis that were used in order to obtain appropriate results for the research.

Proposed methodology

To test the research hypothesis empirical data is analyzed. The most appropriate methodology which is used against the research “onion”: is presented below in Figure 4:

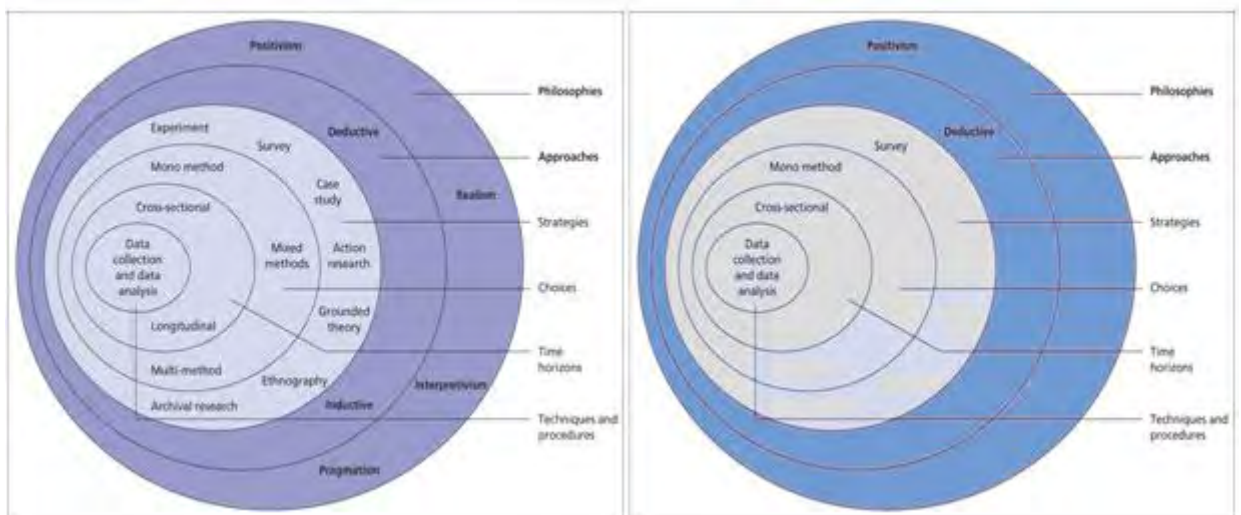


Figure 4. Research "Onion" and Research Methodology Structured

Source: Saunders, Lewis and Thornhill (2009)

Research philosophy

In conducting this research, two areas are reflected: objectivism as part of the ontology approach and positivism as part of the epistemology approach. The difference between ontology and epistemology is that ontology is about what we may know while epistemology is about how we come to know what we know (Grix, J., 2001).

Objectivism represents “the position that social entities exist in reality external to social actors” (Saunders, 2009). It means that objectivism proves that an objective exists and can be known through gathering more complete information. In this research, the

hypothesis is tested on variables which exist and illustrate the current situation in the country.

Positivism is the most suitable for observing social reality as “only phenomena that are observed will lead to the production of credible data” (Saunders, 2009). This approach is the most suitable for this research as the hypothesis can only be tested by measurement of observable social realities and all the data collected and analyzed is based on facts and statistics. Another part of positivism approach is that the research is undertaken, in a value-free way (Saunders, 2009). By undertaking this research, the data collected and analyzed is value-free as the researcher is external to the process of data collection and cannot change or influence real facts.

Research approach

According to Gill, J. and Johnson, P. (2002) a deductive research method entails the development of a conceptual and theoretical structure prior to its testing through empirical observation. Deduction includes four stages: 1) theory/hypothesis formulation; 2) operationalization –translation of abstract concepts into measures that enable observations to be made; 3) testing of the theory through observation of the empirical world; 4) falsification and discarding theory or creation of as yet unfalsified covering-laws that explain past, and predict future, observations (Gill, J. and Johnson, P., 2002). The research is structured using deduction method as it tests the hypothesis in order to answer the research question and draws the conclusions by using analyzed data and researched information. The following steps are implemented: 1) theory to be chosen; 2) hypothesis formulation based on the theory chosen; 3) expressing the hypothesis in operational terms; 4) testing the hypothesis to answer the research question 4) discarding or confirmation of the theory.

Research strategy

As part of the research strategy, survey is used to collect information for analysis because “the survey strategy allows collecting quantitative data which can be analyzed quantitatively [...] (Saunders, 2009). In addition, the data collected using a survey strategy can be used to suggest possible reasons for particular relationship between variables”

(Saunders, 2009). Also survey helps to concentrate on specific data as there is a limited number of questions which are straightforward. Data collected using surveys provides up-to-date information which is helpful for the analysis and related to research questions. Survey results help testing the hypotheses and answer the research question about migrants' perception regarding efficient use of remittances.

Research choice

Mono-method selection as quantitative research is the most appropriate to this research. The quantitative research uses techniques that apply more to numerical data and the researcher develop variables which can be measured and then converted into specific data-collection techniques (Grix, 2001). Also argued by Grix (2001) quantitative techniques include identifying general patterns and relationships among variables, testing hypotheses and theories and make predictions based on these results. In order to test the hypotheses and relationship between variables such as labor migration, current ways of remittances distribution, transfer channels and the efficient use of remittances, quantitative research is the most suitable method using survey design, as numerical data is implied and the conclusion is formulated according to the results obtained. This method is appropriate to answer the research questions.

Time horizon

Cross-sectional design is applied for this research due to time constraints. Cross-sectional means that the research is a "snapshot" of a particular phenomenon at a particular time (Saunders, 2009). The phenomenon of labor migration and remittances is researched only for recent years as the time schedule and information available does not allow the researcher to study change and developments in these areas over a long period of time.

Data collection and analysis

Due to the explanatory type of the research questions in this research, the purpose of the research is explanatory as well. Explanatory research is “establishing causal relationship between variables” (Saunders, 2009). This type of research helps to analyze the relationship between the variables which are influencing the research questions. Hence, it allows the researcher to draw adequate conclusions for deeper understanding the phenomenon studied and the factors that are influencing it. In order to answer the research questions, primary and secondary data are analyzed. Primary data was collected using self-administered questionnaire as each person is asked to answer same set of questions in a predefined order. The questionnaire was administered electronically using www.surveymonkey.com (Internet-mediated questionnaire). Types of questions included in the questionnaire were: list questions, category questions, ranking questions and rating questions. As for rating questions it is used *Likert-style rating scale* in which the respondent is asked how strongly he or she agrees or disagrees with a series of statements on a four-point rating scale: “Agree”, “Tend to agree”, “Tend to disagree”, “Disagree”. List questions are mostly composed of “Yes/No” questions and questions where the respondent can had a list of responses, any of which she or he could choose; and category questions which was designed as that each respondent’s answer can fit only in one category (Saunders, 2009). Researcher assumes that using this type of primary data is the most appropriate to collect useful information and to obtain straightforward answers which enables the researcher to analyze data and test the hypotheses. The main advantages for using this type of research are the low costs attached and ability to save time as for each respondent the deadline was assigned. Also prior administering the questionnaire, pilot testing was provided to ensure that the questions are understandable for the respondents. However, secondary data such as reports, articles and research papers will be analyzed to be compared with the primary data results and for deeper analysis of the topic.

For data analysis there are software packages that can be used such as Excel and SPSS which allows statistical analysis of data. For this study, the researcher provides a statistical analysis of data gathered through survey. The response rate was 99% as 100 respondents participated in this survey and only one respondent skipped several questions.

So it can be concluded that out of 100 questionnaires, 99 were fully completed. Since there are different levels of measurement, the one that is used is ordinal measure. Also in order to identify the most typical data in the survey, mean, measure of central tendency, is carried out. Afterwards, for statistical analysis is used Pearson Correlation method as the main purpose of this research is to find the correlation and strength of relationship between variables. Once the data is analyzed, graphical representation is used to illustrate the results as percentage of total. As most of the questions are closed questions, the data analysis is focused on respondents' answers. Data collected is relevant to formulate conclusions and recommendations.

Sampling

Non-probability sample is used for this research due to the fact that in non-probability sample, there is no way of specifying the probability of each unit's inclusion in the sample (Frankfort-Nachmias, C. and Nachimas, D. (1996). It means that this sample does not involve random selection as probability sample does. The respondents for this research will be persons who have at least one family member working abroad on a permanent or temporary basis and who are remittances receivers. The non-probability method designs used for this research are convenience, purposive and snowball. The purpose of undertaking these samples is the access to the respondents for collecting the information. Convenience sample involves selecting those cases that are easiest to obtain for the sample (Saunders, 2009). Using convenience sample, the respondents are chosen due to the relationship with the researcher such as friends or relatives. Another sample used is purposive sample. Purposive sample enables to select cases that will best enable the researcher to answer the research questions (Saunders, 2009). According to this statement the researcher selects respondents based on the purpose of the study and which are familiar with the researched topic. Also snowball sample is appropriate for this research as it helps to gather information by asking the surveyed respondents to identify further cases that they know to participate in the survey.

Data analysis and findings

The survey was posted online using www.surveymonkey.com and distributed through social networks. The aim of the survey was to collect 100 fully completed questionnaires from respondents who have at least one member of the family currently working abroad and who are remittances receivers. Respondents were informed about the survey objectives and additional information and help was provided when needed. All respondents had to fill out the questionnaire consisting of 18 questions regarding labor migration, current ways of remittances distribution by the migrants and migrants' family, transfer channel used by the migrant to send the remittances and efficient use of remittances. Participation was voluntary, the responses were anonymous and respondents were free to withdraw at any time without giving reasons. In order to prevent any misunderstanding due to language barriers the questionnaire was performed in Romanian language and translated in English afterwards. As for research ethics, all the respondents were assured that all the information would be kept confidential and would be used only for this research. An overview of the questionnaire is included in Appendix.

All the responses were analyzed and presented using Pie Charts and Bars as a percentage of the total. Due to the fact that 99 questionnaires were fully completed and analyzed, the error margin is 1% as 100 respondents participated in the survey.

Below can be seen the figures and short description of the results for each of the 18 questions:

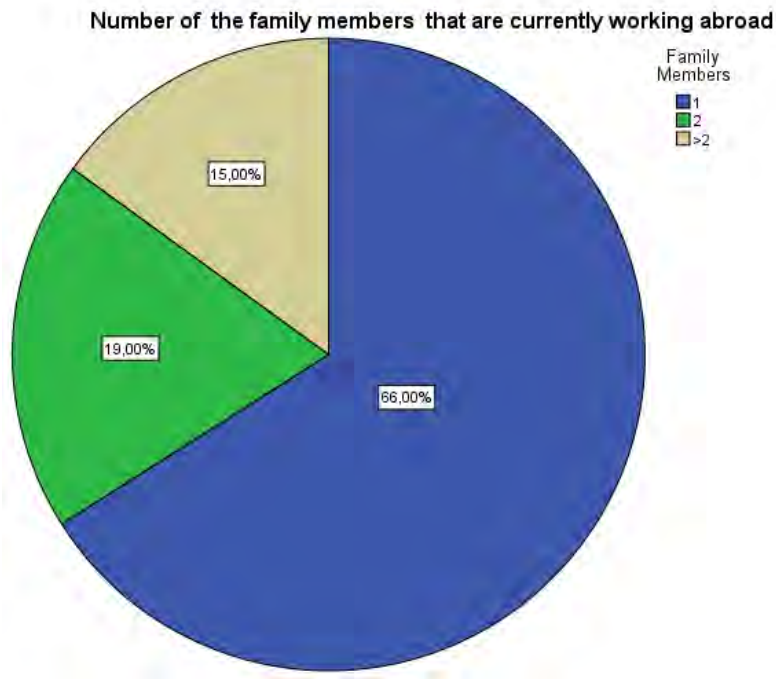


Figure 5: Number of the family members that are currently working abroad

Most of the respondents – 66% have one family member currently working abroad and the rest 34% of those who participated in the survey have 2 or more family members outside the country.

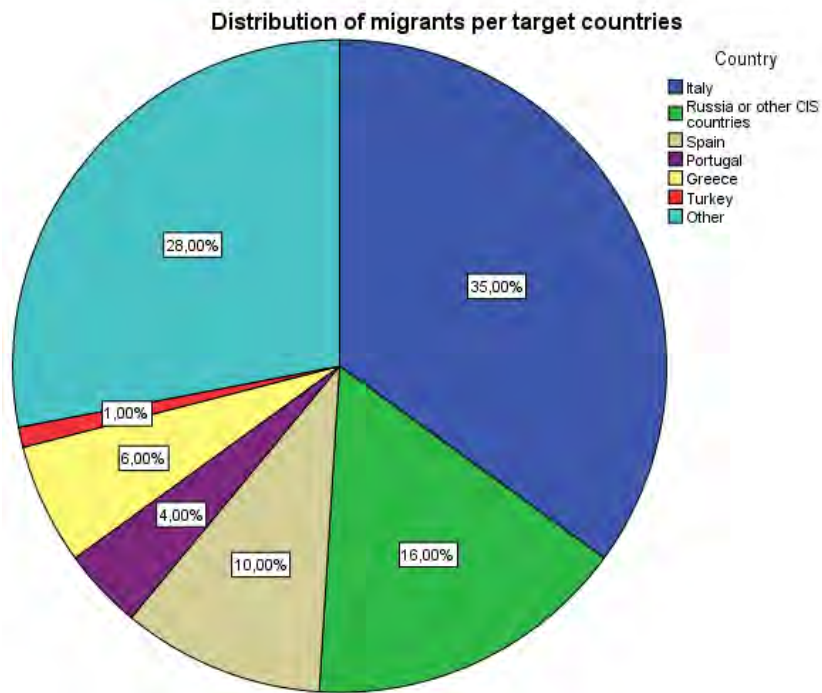


Figure 6: Distribution of migrants per target countries

According to the responses given by the respondents most of the migrants are working in Italy -35%. This is based on the language similarities and closeness of the destination country. Determined by the same reasons, 16% of the migrants prefer going to Russia or ex CIS countries as also they do not need a visa and the work permit is easier to obtain. Countries such as Spain, Portugal, Greece and Turkey are not popular among the migrants due to difficulties in finding a job. Other countries, which represent 28%, are UAE, USA, Canada, France, Ireland, Israel and Germany.

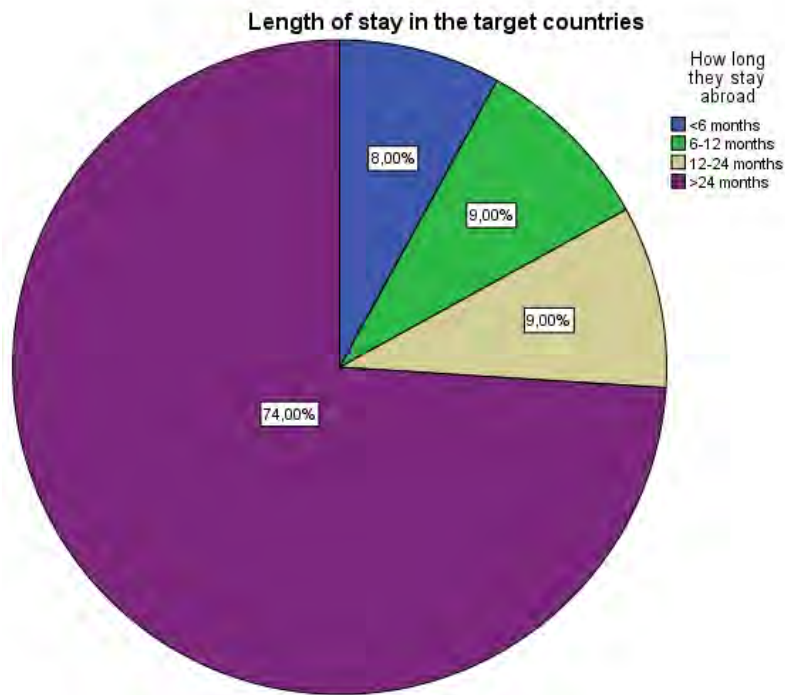


Figure7: Length of stay in the target countries

According to the figure above, 74% of the migrants are leaving abroad more than 24 months and only 26% are staying there 24 months or less.

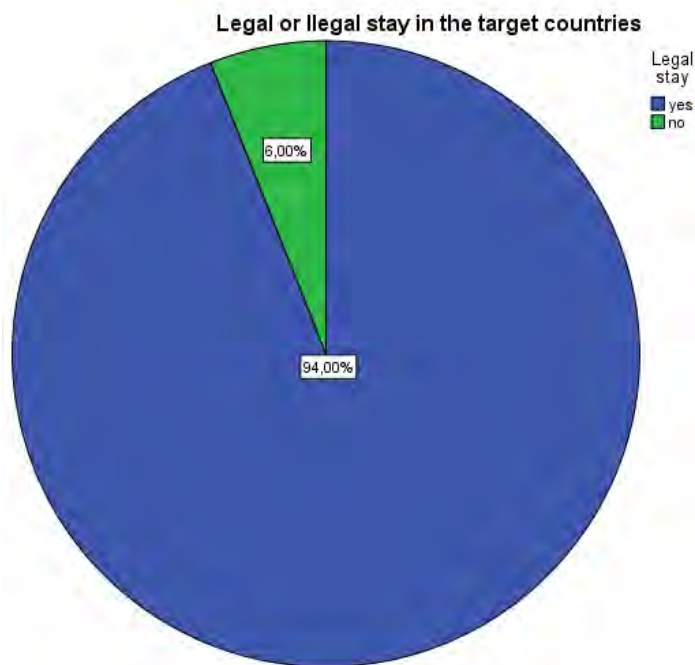


Figure8: Legal or illegal stay in the target countries

Most of the migrants- 94% are working in the destination country legally and there are 6% who are still staying illegally. This is determined by the length of stay and local laws in the destination countries which did not allow the migrants to obtain a work permit.

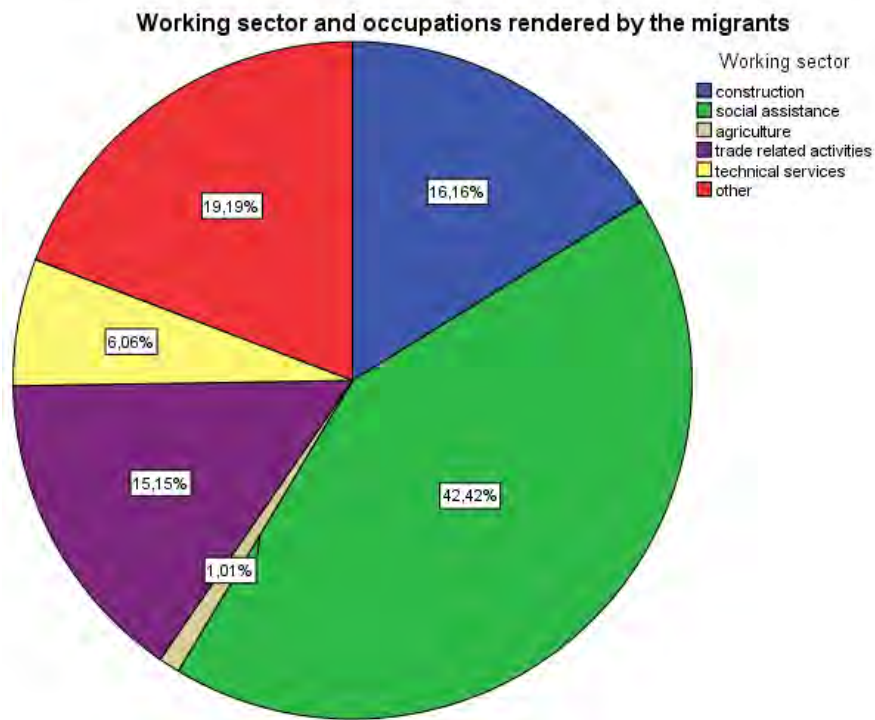


Figure9: Working sector and occupations rendered by the migrants

Social assistance, construction and trade related services are representing 73.73%. This trend could be related to the target countries preferred by the migrants as mostly women are working in Italy in social assistance area and men are working in construction, considering Russia as a priority country to work in. “Other” which represents 19.19% includes medicine, tourism and hospitality business, engineering, architecture and design, education etc.

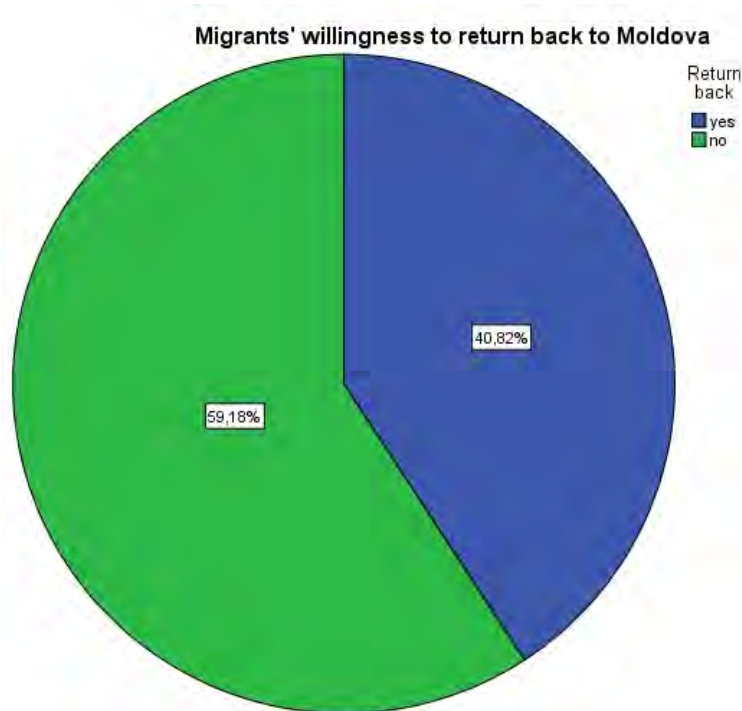


Figure10: Migrants' willingness to return back to Moldova

The figure above illustrates that 59,18% of the migrants are not planning to return back to Republic of Moldova on a permanent basis and 40,82% are planning to return in the near future. Decision to stay in the destination country is determined by the level of salaries, social benefits and stable place of work, high life standards and future prospects.

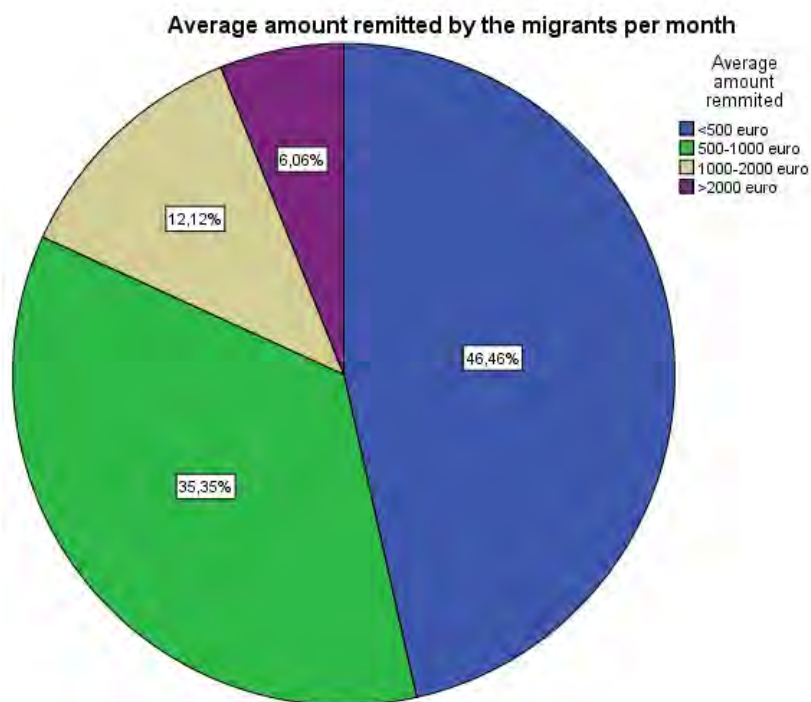


Figure11: Average amount remitted by the migrant, per month

Less than half of the respondents are receiving less than 500 Euros per month and 81,81% out of 100% are receiving less than 1000 Euros per month. Migrants who are remitting more than 1000 Euros monthly are representing 18,18%.

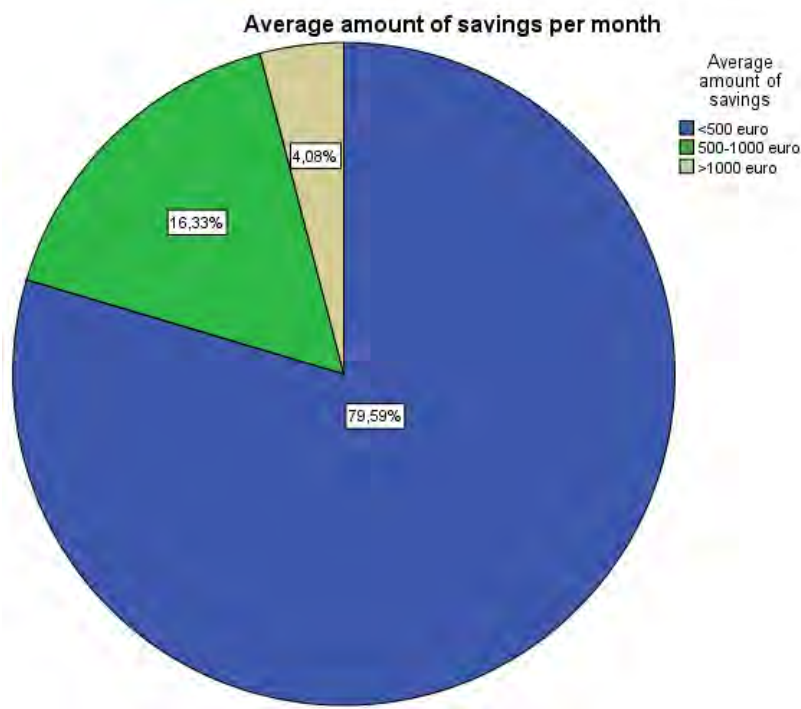


Figure12: Average amount of savings, per month

The average amount of savings per month made by the migrants and migrants' families from the sum remitted is consisting less than 500 Euros for 79,59% and more than 500 Euros for 20,39% of the respondents. First category is represented mostly by those families who have one family member working abroad. Families who receive more than 1000 Euros per month have more than 2 members currently working abroad.

*Also it can be assumed that respondents tend to understate the remittances received by them due to plausible reasons, which gives a certain error percentage to the final results. Respondents' savings are in form of cash and many individuals would be disinclined to indicate to a stranger the amount of cash they keep at home.

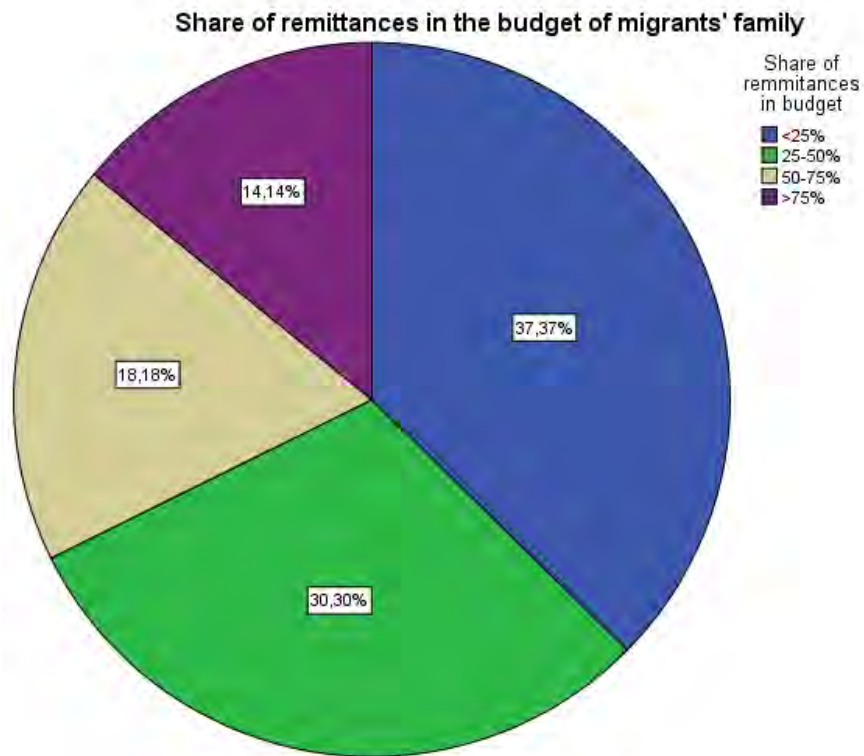


Figure13: Share of remittances in the budget of migrants' family

According to the results collected for 37,37% of the respondents share of remittances in their budget is less than 25% and for 30,30% is between 25 and 50% which means that remittances received are not the main source of income. However, for 18,18% of the respondents remittances are representing between 50 and 75% of their budget and for 14,14% remittances are the main and most important source of existence.

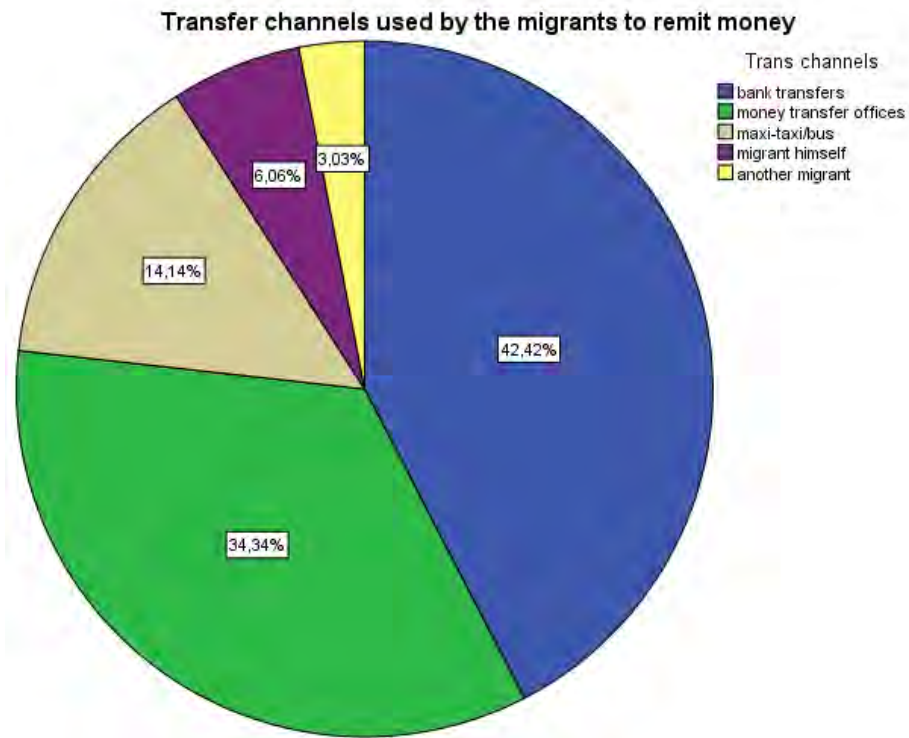


Figure 14: Transfer channels used by the migrants to remit money

Migrants prefer to remit the money using different transfer channels. Official transfer channels such as bank transfers- 42,42% and money transfer offices- 34,34% are the most popular among the migrants. However, 23,23% are still using maxi-taxi, buses or another migrant services to send the money. Those who are using unofficial transfer channels consider them more secure and do not pay taxes and commissions to the banks for remittances transfer.

Migrants' family members opinion regarding following statement : "Remittances positively influence on my family wellbeing"

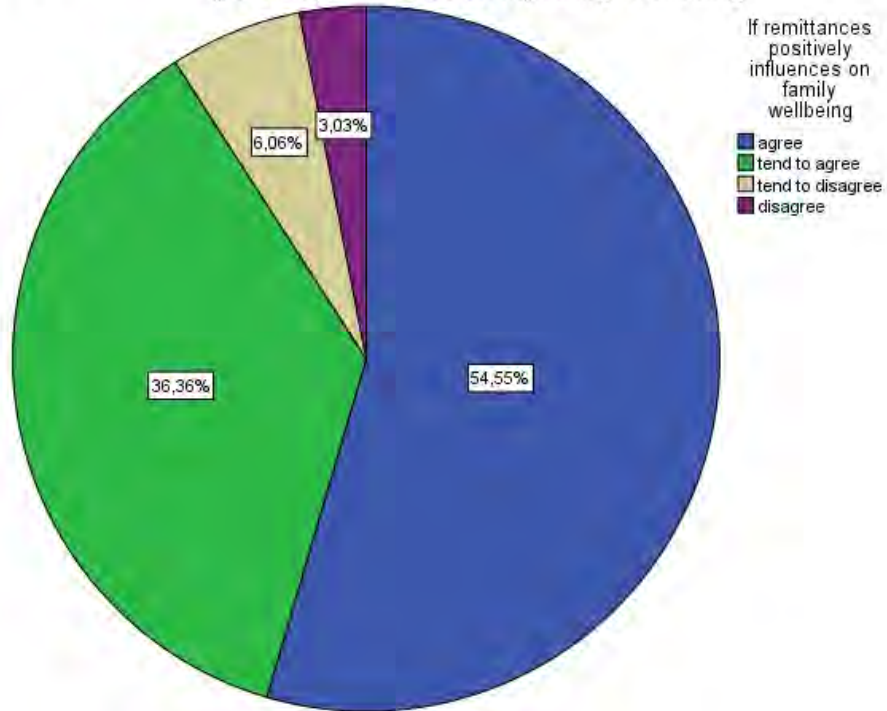


Figure 15: Migrants' family opinion on remittances influence on family wellbeing

Generally, almost 91% of the respondents consider that remittances are positively influencing their family wellbeing and 9,09% disagree or tend to disagree with this statement due to some personal considerations.

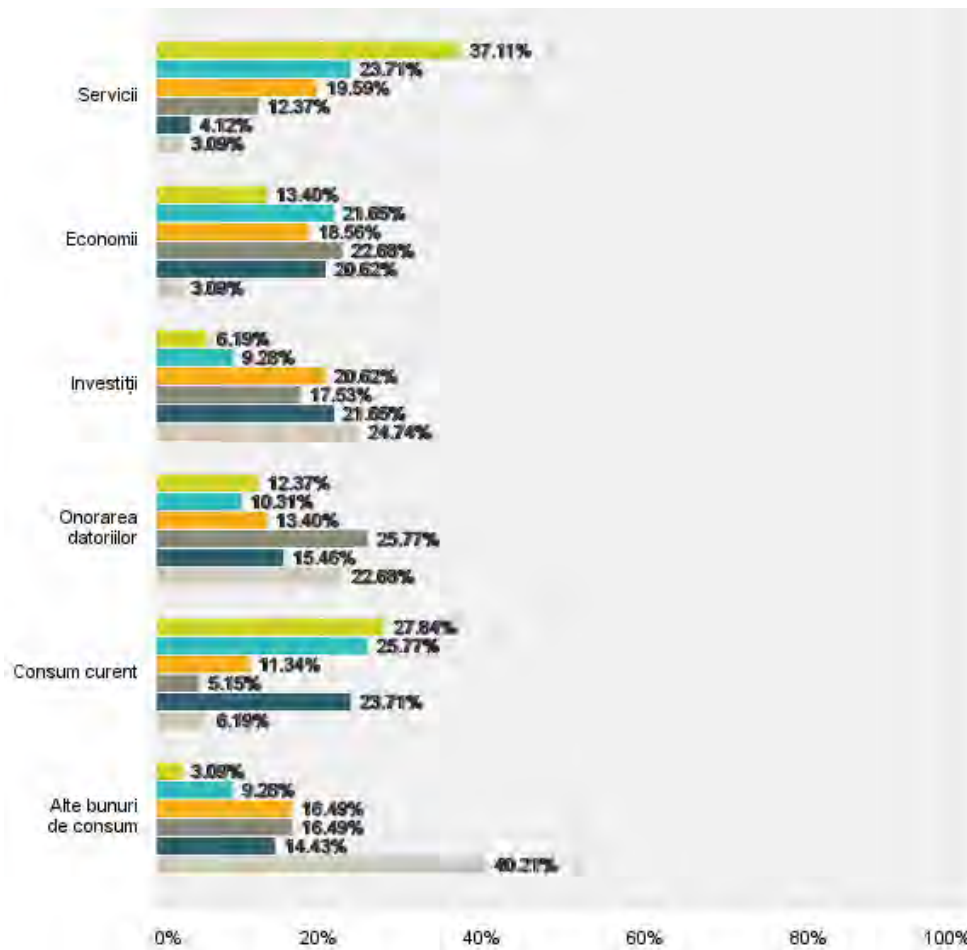


Figure 16: Rating of the factors in order of importance in using remittances

Rating question was meant to highlight the current ways of remittances distribution by the migrants and migrants' families. Respondents had to rate 6 factors: "Current consumption", "Services", "Savings", "Investments", "Debt repayment", "Other consumer goods" in order of importance to them in remittances distribution. The rating was from 1 to 6, 1 representing "Most important", 2- "Important", 3- "Neutral", 4- "Less important", 5- "Much less important" and 6- "Not important". The final result showed that for 37,11% of the respondents "Services" is on the top of the list and the most important factor followed by "Current consumption" with 27,84%. "Savings" and "Debt repayment" were rated 3rd and 4th respectively. For many respondents "Investments" are "much less important" than other factors and "Other consumer goods" are considered to be "not important" by 40,21% of those who participated in the survey.

Migrants' family members opinion regarding following statement : "Investing remittances is an efficient use of them"

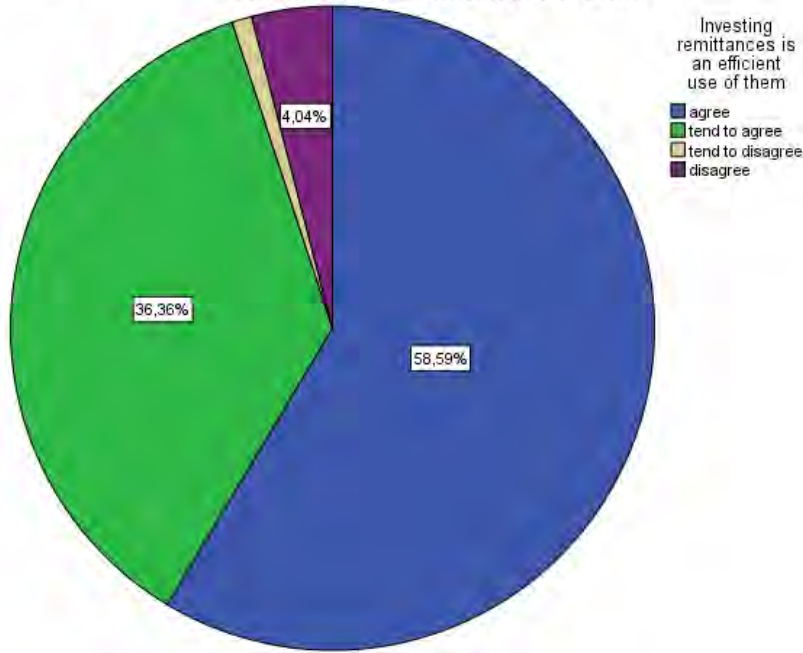


Figure 17: Migrants' family opinion on remittances investment

“Investing remittances is an efficient use of them” for 94,95% of respondents who either agree or tend to agree with this statement. For the rest 4,04% remittances investment is not a priority as the amounts they receive are too small to be invested so that current consumption and services has the most importance.

Migrants' family members opinion whether Moldova is an attractive country to start a business

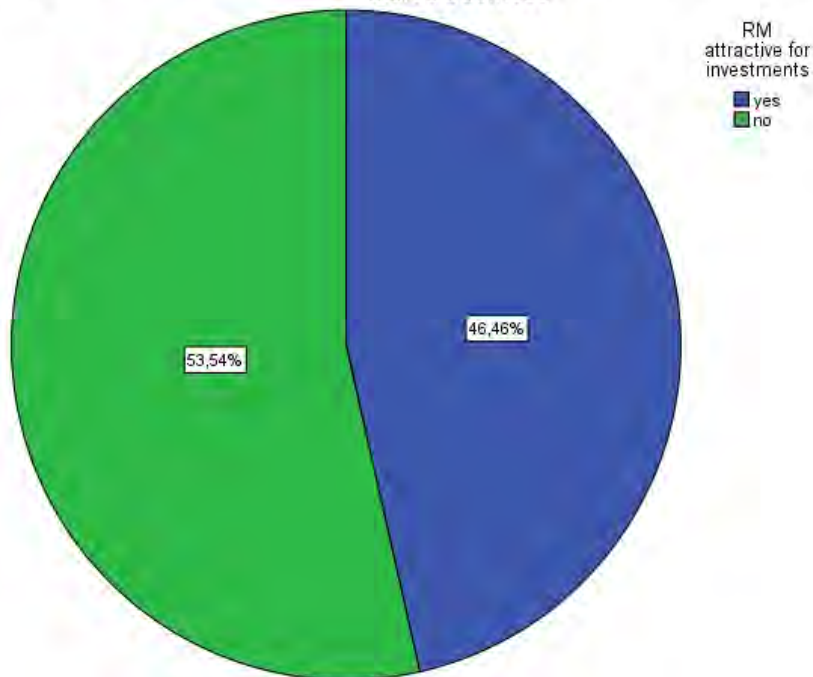


Figure 18: Migrants' family opinion whether Moldova is an attractive country to start a business

Republic of Moldova is not considered to be an attractive country to start a business for 53,54% out of 100% due to the fact that corruption, local laws and political instability are among those factors which influenced their opinion.

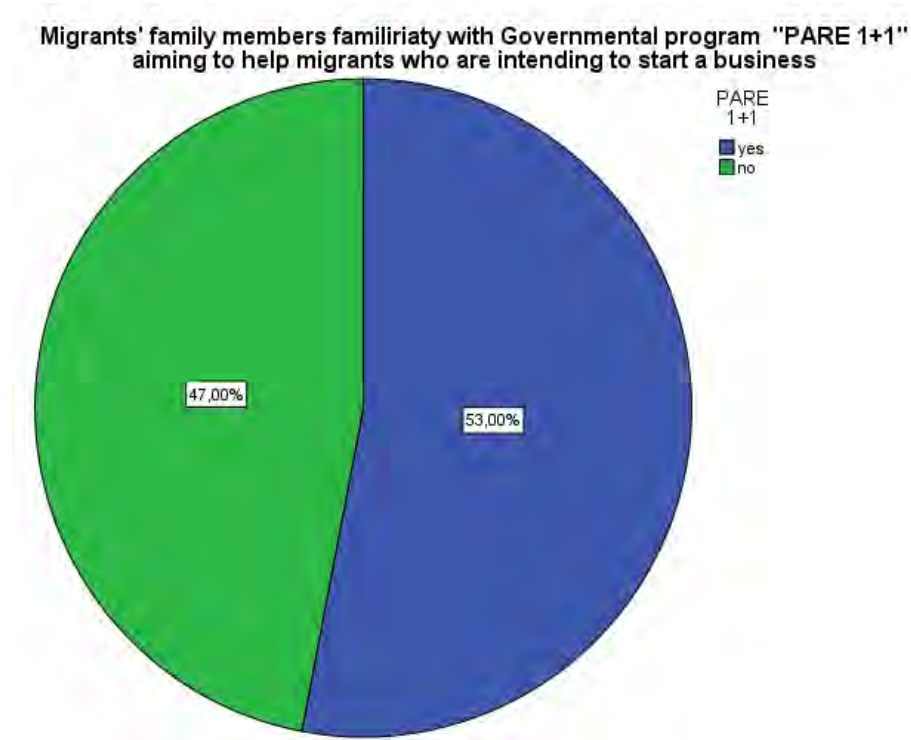


Figure 19: Migrants' family members' familiarity with Governmental program aiming to help migrants to start a business

Governmental program "PARE 1+1" aiming to help migrants who are intending to start a business is known for 53% of the respondents, while 47% are not familiar with it. The main reasons for that are poor promotion of the program and limited access to information.

Migrants' family members opinion regarding usefulness of the Governmental programmes aiming to help migrants who are intending to start a business

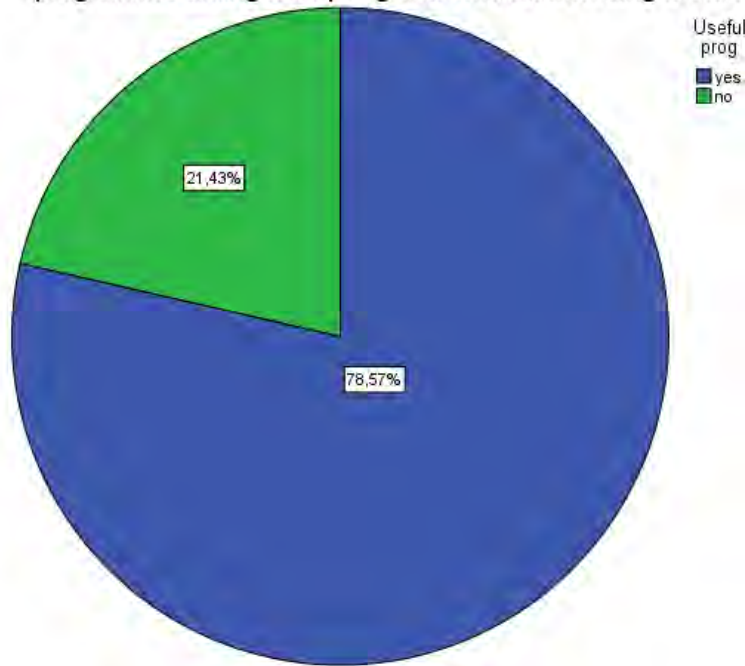


Figure 20: Migrants' family opinion regarding usefulness of the governmental programmes on remittances investment

Usefulness of the programmes which would help migrants to start a new business with governmental help is considered positive by 78,57% of the respondents which means that the majority are interested in this type of projects and would like to have access to more information about them.

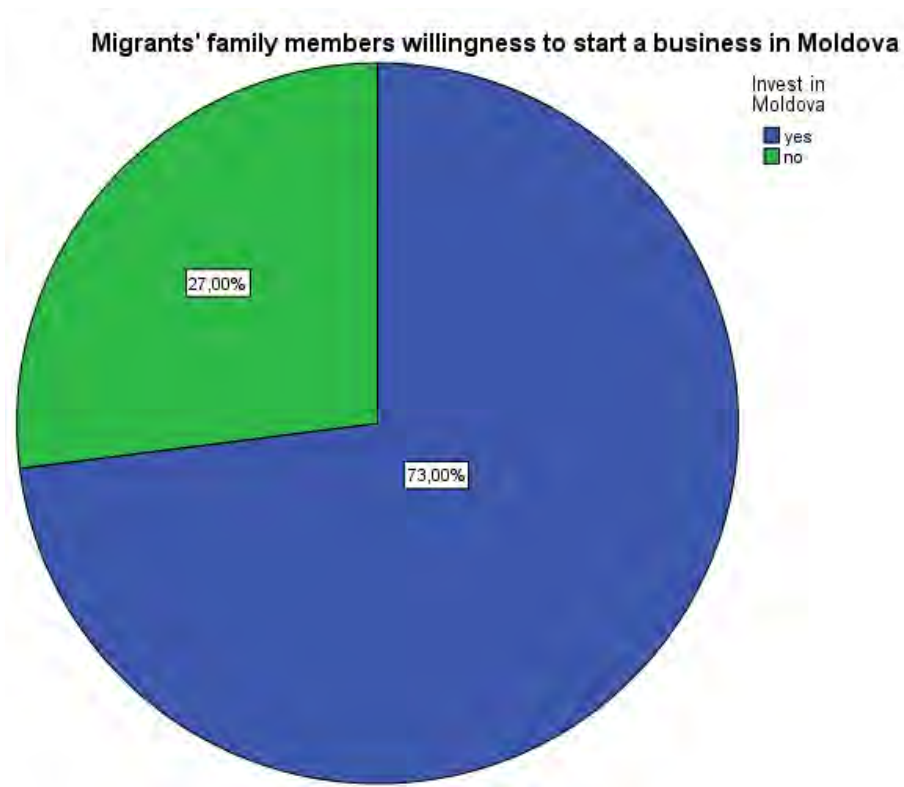


Figure 21: Migrants' family willingness to start a business in Moldova

Even though Republic of Moldova is not considered as an attractive country to start a business as mentioned above, 73% of the migrants' family members would start a new business or develop the existing one if they had the possibility and sufficient financial resources. Financial benefits in terms of future profits are the determinants for this decision.

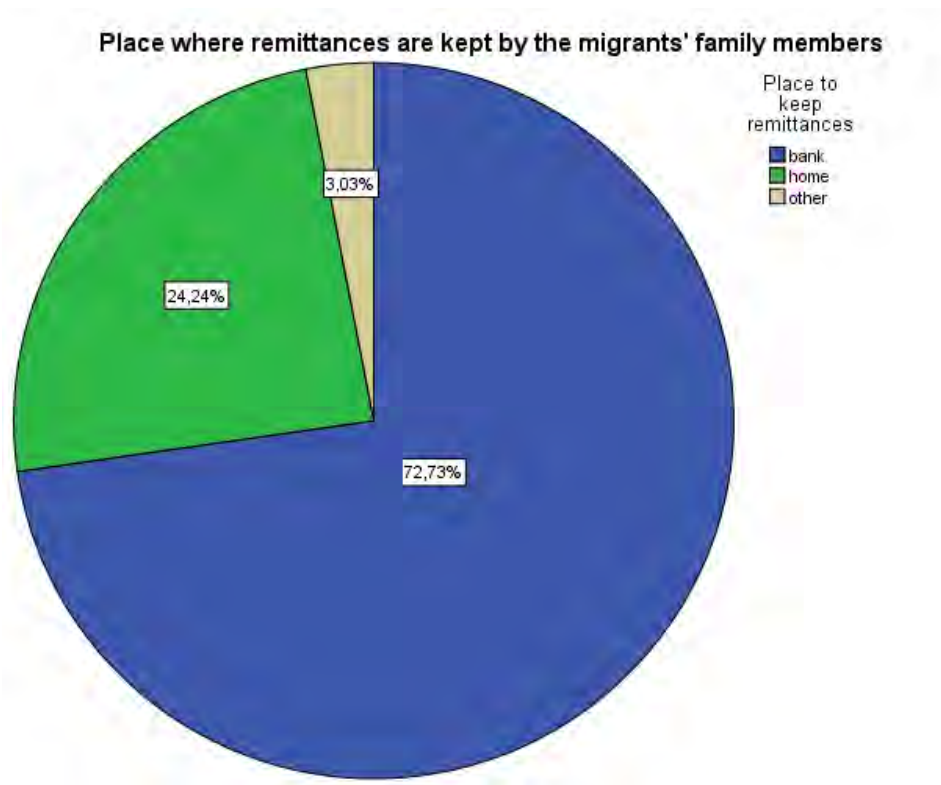


Figure 22: Place where remittances are kept by the migrants and migrants' family

Migrants and their families are basically keeping remittances either at the bank, as the majority do, or at home. Those 24, 24% who are keeping remittances at home have no trust in banks and financial instruments offered by the banks or are not informed about the advantages and financial benefits of depositing money at the banks.

Statistical analysis

The statistical analysis is performed to establish the relationship between the four groups of variables using Statistical Package for Social Sciences (SPSS). The four groups of variables are: “Labor migration”, “Current ways of remittances distribution”, “Transfer channels” and “Efficient use of remittances”. In order to find the correlation between these variables Pearson’s Correlation method is used. Using Pearson’ Correlation method the research hypotheses are tested in order to accept alternative or null hypotheses.

Pearson’s Correlation is testing the relationship between two quantitative variables and provides information about the direction and strength of the linear relationship between the two variables (Psyc350 Stats Manual). Correlation is always between -1.0 and +1.0. If the correlation is positive (+), there is a positive relationship. If it is negative (-), the relationship is negative. The levels of correlation are:

High Correlation: 0.5 to 1.0 or -0.5 to -1.0

Medium Correlation: 0.3 to 0.5 or -0.3 to -0.5

Low Correlation: 0.1 to .3 or -0.1 to -0.3

Pearson’s Correlation Coefficient Formula used for a sample is:

$$r = \frac{\sum_{i=1}^n (X_i - \bar{X})(Y_i - \bar{Y})}{\sqrt{\sum_{i=1}^n (X_i - \bar{X})^2} \sqrt{\sum_{i=1}^n (Y_i - \bar{Y})^2}}, \text{ where } r \text{ is the Pearson's}$$

Correlation Coefficient applied to a sample.

The first objective is to test the relationship between “Labor migration” and “Current ways of remittances distribution”. The results are presented below:

Table 1: Descriptive Statistics- Labor migration vs Current remittances use

Descriptive Statistics

	N	Mean	Std. Deviation
Labor migration	100	2,3650	,64119
Current remittances use	99	3,2693	,29924
Valid N (listwise)	99		

Table 2: Correlations- Labor migration vs Current remittances use

Correlations

		Labor migration	Current remittances distribution
Labor migration	Pearson Correlation	1	-,061
	Sig. (2-tailed)		,550
	N	100	99
Current remittances distribution	Pearson Correlation	-,061	1
	Sig. (2-tailed)	,550	
	N	99	99

Results: From the Correlations table, it can be seen that the correlation coefficient ($r = -.061$), indicating a negative and weak relationship. $P > .05$ ($p = .550$) which indicates that there is no statistically significant correlation between these variables.

Conclusion: We can conclude that the relationship between “Labor migration” and “Current ways of remittances distribution” is weak and changes in one variable are not correlated with changes in the second variable. Whilst negative correlation is indicating that once one variable is increasing, the second variable decreases in value, the *p-value* indicates that increases in one variable do not significantly relate to decreases in the second one (statistics-help-for-students.com) In other words, even though the variables are not correlated and the relationship is weak, decrease of “Current remittances distribution” and level of remittances respectively are influencing ,but not significantly, increase of “Labor migration”, as remittances are affecting migrant family’s wellbeing.

Table 3: Descriptive Statistics- Labor migration vs Transfer Channels

Descriptive Statistics

	N	Mean	Std. Deviation
Labor migration	100	2,3650	,64119
Trans channels	99	1,9293	1,04249
Valid N (listwise)	99		

Table 4: Correlations- Labor migration vs Transfer Channels

Correlations

		Labor migration	Trans channels
Labor migration	Pearson Correlation	1	-,127
	Sig. (2-tailed)		,212
	N	100	99
Trans channels	Pearson Correlation	-,127	1
	Sig. (2-tailed)	,212	
	N	99	99

Results: The Correlations table is illustrating that the correlation coefficient ($r = -,127$) is negative and the relationship is weak as it is close to “0” value. $P > ,05$ ($p = ,212$) which indicates that there is no statistically significant correlation between these variables.

Conclusion: According to the results shown in the table it can be concluded that, same as for the previous table, the relationship between “Labor migration” and “Transfer channel choice” is weak and negative. The *p-value* indicates insignificant correlation between these variables. In other words, changes in “Labor migration” are not correlated to changes in “Transfer channel choice”. Also increases or decreases in one variable insignificantly relates to increases or decreases in the second variable, meaning that increase or decrease of labor migration will not or will insignificantly influence the transfer channel choice used by the migrant to remit the money.

Table 5: Descriptive Statistics- Current remittances use vs Efficient use

Descriptive Statistics

	N	Mean	Std. Deviation
Current remittances use	99	3,2693	,29924
Efficient use	100	1,4650	,42462
Valid N (listwise)	99		

Table 6: Correlations- Current remittances use vs Efficient Use

Correlations

		Current remittances distribution	Efficient use
Current remittances distribution	Pearson Correlation	1	-,240*
	Sig. (2-tailed)		,017
	N	99	99
Efficient use	Pearson Correlation	-,240*	1
	Sig. (2-tailed)	,017	
	N	99	100

*. Correlation is significant at the 0.05 level (2-tailed).

Results: The Correlation Coefficient ($r = -,240$) is negative and the relationship is weak. $P < ,05$ ($p = ,017$) indicates that there is a statistically significant correlation between these variables.

Conclusion: The results indicate that there is a statistically significant correlation between “Current remittances distribution” and “Efficient use of remittances” or the changes in one variable will significantly affect changes in the other one. It can be concluded that if the remittances will be used more efficiently than current consumption, debt repayment and other ways of remittances distribution currently used by migrants and their families will decrease as the share of total. Also this trend is indicated by the negative

relationship which means that once one variable increases in value, the second variable decreases in value.

Table 7: Descriptive Statistics- Efficient use vs Transfer Channels

Descriptive Statistics

	N	Mean	Std. Deviation
Efficient use	100	1,4650	,42462
Trans channels	99	1,9293	1,04249
Valid N (listwise)	99		

Table 8: Correlations- Efficient use vs Transfer Channel

Correlations

		Efficient use	Trans channels
Efficient use	Pearson Correlation	1	,060
	Sig. (2-tailed)		,558
	N	100	99
Trans channels	Pearson Correlation	,060	1
	Sig. (2-tailed)	,558	
	N	99	99

Results: From the Correlations table, it can be seen that the correlation coefficient ($r = ,060$), indicating a positive and weak relationship. $P > ,05$ ($p = ,558$) which indicates that there is no statistically significant correlation between these variables.

Conclusion: We can conclude that the relationship between “Efficient use of remittances” and “Transfer channel choice” is weak and changes in one variable are not correlated with changes in the second variable. Positive correlation is indicating that once one variable is increasing, the second variable also increases in value. The *p-value* indicates that increases in one variable do not significantly relate to decreases in the second one (statistics-help-for-students.com). The results are indicating that these two variables are not

or are insignificantly affecting each other as the Correlation Coefficient is close to "0" value.

Discussion of the results:

The statistical analysis was performed in order to accept alternative or null hypotheses. The alternative hypotheses are:

H1: Labor migration will be positively affecting current ways of remittances distribution.

H2: Labor migration will be positively affecting the transfer channels choice.

H3: Current ways of remittances distribution will be negatively affecting the efficient use of remittances.

H4: Transfer channels choice will be positively affecting efficient use of remittances.

The null hypotheses created are following:

H1: Labor migration will not be positively affecting current ways of remittances distribution.

H2: Labor migration will not be positively affecting the transfer channels choice.

H3: Current ways of remittances distribution will not be negatively affecting the efficient use of remittances.

H4: Transfer channels choice will not be positively affecting efficient use of remittances.

According to the results obtained there are three null hypotheses accepted and one alternative hypothesis accepted. The null hypotheses accepted are:

H1: Labor migration will not be positively affecting current ways of remittances distribution.

H2: Labor migration will not be positively affecting the transfer channels choice.

H4: Transfer channels choice will not be positively affecting efficient use of remittances.

P-values for this hypotheses are more than $\alpha = .05$ meaning that it accepts the null hypotheses and rejects the alternative ones.

The only accepted alternative hypothesis is:

H3: Current ways of remittances distribution will be negatively affecting the efficient use of remittances.

P-value for this hypothesis is less than $\alpha =,05$ meaning that there is a strong correlation between “Current ways of remittances distribution” and “Efficient use of remittances”. This means that by the correlation of these two variables the primary objective of this research was demonstrated.

Conclusions

Nowadays the labor migration and remittances flows in developing countries are of great interest. There have been many studies analyzing international labor migration and remittances from different angles: from the household and Government points of view, from their positive and negative effects.

This paper analyzed the correlation between four variables: labor migration, current ways of remittances distribution, transfer channels used by the migrants to remit the money and efficiency in remittances utilization. So that were formulated four research objectives which were tested: to establish the relationship between labor migration and current ways of remittances distribution; to establish the relationship between labor migration and transfer channel choice; to establish the relationship between current ways of remittances distribution and efficiency in remittances utilization and to establish the relationship between transfer channel choice and efficiency in remittances utilization.

In order to test the research objectives Pearson's Correlation Coefficient was used. Pearson's Correlation Coefficient is testing the relationship between two quantitative variables and provides information about the direction and strength of the linear relationship between the two variables.

The results showed that the correlation between all the variables tested is weak. The relationship between labor migration and current remittances distribution is weak and negative meaning that changes in labor migration are not correlated to changes in current ways of remittances distribution. As an example it can be stated that if the number of migrants will continue to increase, the ways the remittances will be used by the migrant household will not change and will still be invested in the same direction. On the other hand Correlation Coefficient showed that the relationship is negative. In relation to analysis of the results above it can be deducted that even though the correlation is weak, insignificantly but one changes in one variable is influencing changes in the other one. In Chapter 3 was provided one example which can demonstrate this aspect. To be more precise, decrease of current remittances distribution and level of remittances respectively are influencing, but not significantly, increase of labor migration, as remittances are affecting migrant family's wellbeing. So the null hypothesis was accepted and alternative hypothesis rejected respectively.

For the second objective labor migration was correlated against transfer channels used by the migrants to send remittances. Pearson's Correlation Coefficient was negative and weak. Also the correlation between these two variables is statistically insignificant. Same as for the previous example it can be stated that changes in one variable insignificantly will influence changes in the other one. As an example: even if the number of emigrants will increase transfer channel choice preferred by the migrant will still be the same, either formal or informal or will insignificantly change. In other words, even if more migrants will go abroad and remit money they will still use the same transfer channel. So the null hypothesis was accepted and the other rejected.

Third objective was to establish the relationship between current ways of remittances distribution and efficiency in remittances utilization. This objective was the most important and represented the most valuable information for the research topic. The results, as it was expected, showed that the correlation is negative and Sig (2-tailed) coefficient proved the significance of the relationship. It can be stated that once one variable is increasing the other one is decreasing. So once migrant households will be using remittances mainly for current consumption, the level of the efficiency in remittances utilization will be decreasing and the remittances will be still used for unproductive investments. The significance of the correlation between these variables means that changes in one current ways if remittances distribution will significantly affect changes in efficiency use of remittances.

The last objective was to test the relationship between efficiency in remittances utilization and transfer channel choice preferred by the migrant to remit the money. The results were that the correlation between them is weak, positive and there is no statistically significant correlation. Pearson's Correlation Coefficient was close to "0" meaning that changes in one variable are not affecting changes in the second one. Also positive correlation is indicating that once one variable is increasing; the second variable also increases in value. As an example it can be mentioned that the transfer channel used by the migrant will not affect the ways migrants household will use these amounts, either for productive investments or for unproductive investments.

Overall, after the statistical analysis performed, three null hypotheses were accepted and one alternative hypothesis was accepted. So there is no significant correlation between labor migration and current ways of remittances distribution, there is no relationship between labor migration and transfer channel choice and there is no significant correlation between transfer channel used by the migrant and efficiency in remittances utilization. The only significant correlation is between current ways of remittances distribution and

efficiency in remittances utilization. Also changes in one variable are significantly affecting changes in the second one.

So according to the results obtained, the research hypotheses were tested and the results confirmed the problem of the research question. What was important to demonstrate is how the Moldovan remittance recipients are using remittances. The result proved that the most part of the remittances is used for current consumption and just a small part is used for productive investments. Also according to the results of the survey current consumption was on the second place and investments were on the fifth place out of six.

In addition, it would be useful to interpret the results of the primary data collection. Each respondent fill out a questionnaire containing 18 questions regarding labor migration, remittances information, their perception upon investing in Moldova and their perception on how the remittances should be efficiently used. To generalize the results it can be seen that most of the households have one member abroad. As it was analyzed before the most preferred destinations among the migrants are Russia and Italy. Even though the question about legal stay was considered sensitive by some respondents, 6% said that the migrant is staying illegally abroad. Working sector as it can be deducted from the responses regarding target countries are social assistance for migrants who are working in Italy and construction for those who are currently working in Russia. An interesting finding was that more than half of the migrants are not planning to come back home due to several reasons: lack of employment opportunities in Moldova, unstable political and social environment. Despite the fact that most respondents are receiving less than 500 Euros per month, remittances share in their budget in less than 25% meaning that they do not rely only on remittances received. One of the key findings was the answers to rating question about the ways there are using remittances and the result showed that migrant household are using remittances in the following sequence: services, current consumption, savings, debt repayment, investments and other consumer goods. Another finding was that respondents do not find Moldova as an attractive country to start a business but on the other side they would start a business in Moldova if they had the possibility. Also another proof of unproductive use of remittances is the place the respondents are keeping the amounts received. So 25 % of respondents are keeping the money at home due to the fact that either they do not trust in bank or the amounts received are too small for making savings as they are completely used for current consumption.

Remittances for Moldovan households are a way to survive rather than a possibility to invest. Investing in human capital, making savings, investing in businesses build up a foundation for productive investment in case business climate improves.

There are several suggestions for further studies to be done. First, the main challenge is to collect data for a wider period of time. Secondly, another challenge is wider the sample as one of the challenges for this research was data analysis. Primary data was collected from 100 respondents which means that the results might be not representative and might not test the research hypothesis. Lastly, other factors should be analyzed in order to find the gaps in the literature.

In the next chapter some recommendations will be provided.

Recommendations

- Revision of the Governmental program “PARE 1+1” in order to maximize Government’s contribution. The rule of the program is “1+1” meaning that every leu invested in the business will be substituted by a leu in the program by the Government. In reality the maximum Governmental contribution is 200,000 lei (around 12,000 Euros) which represents in most case 5 up to 10 times lower than migrants investment
- Improvement of the business climate for small and medium enterprises owned by migrants’ family members or returnees. To implement some facilities, same as for foreign investors such as fiscal facilities for up to 5 years, import facilities
- To start an investment bank and to create financial mechanisms to attract migrants’ remittances. Also offering investment loans on a privileged basis (lower interest rate in comparison with other banks) aiming to help migrant household to start or develop their business.
- Financial education for migrant and migrants’ family members. The example provided in Chapter 1 regarding Innovative Financial Education in Armenia. Project implemented by Developing Markets Associated (DMA) and fully funded by European Bank for Reconstruction and Development
- Due to the fact that most migrants are from rural areas, they should be oriented to invest in specialized businesses such as agricultural business.
- To promote in media successful cases of remittances investments
- Creation of collective remittance management associations as they can provide additional information and guidance for migrants in investment opportunities.
- To decrease cost of transfer for remitting the money
- To encourage migrants to use formal transfer channels
- To work closer with migrants via Diaspora’s
- To improve remittance data collection practices
- Building migrant partnership and to stimulate confidence about homeland
- Engaging Diaspora in homeland development by supporting investment plans

Self-reflection on own learning and performance

Based on the research topic chosen, I have found that research study has improved my understandings and insights to the various factors which are influencing labor migration, remittances and remittances utilization not only in the case of Republic of Moldova but also at the global level. The topic of the dissertation was chosen due to my previous researches made during my Bachelor studies. This topic is broadly discussed by the local authorities as labor migration and remittances is a current phenomenon in the Republic of Moldova. Also it presents interest at European Union level. In the period between previous researches and current research the situation regarding labor migration and remittances at the macro level has slightly changed and a view from a different angle was of special interest to me. During the last years the remittance inflows has significantly increase, so as the level of labor migration, and the distribution of remittances by the migrant households are becoming more clear. The trend of using most part of the amount received in current consumption and not using it in productive investment was the main objective of this research. It is based on migrant's family members' perception on productive use of remittances. Even though many of them know about benefits of investing remittances there are several reasons why recipients do not want to invest such as lack of financial education, unstable social and political situation in Moldova and poor business environment. What I have learned from the results and what is missing in the literature accessible is that migrant's households do not want to productively invest the money they received even if they have the necessary amounts. Also many survey respondents are not informed about opportunities to invest in Moldova, do not know about Governmental program which aims to help migrants to start a business in home country. These findings were new to me and were not found in the research literature.

In order to choose the topic I had meetings and discussions with representatives from different NGO's and financial structures in Moldova who are directly related and familiar with the topic. The most productive results were obtained after discussions with people who are working with remittances and labor migration statistics, who are developing policies and who are writing reports on these subjects. Their advices and suggestions

influenced my decision on topic choice. My supervisor, Mr. Andrew Quinn has also been very supportive in sharing information and giving useful feedback and advices to assist in my work.

Information on this topic was one of the main challenges as not much sources are available on-line, nor books and reports in the library. Reports available are basically data analysis regarding African, Asian and Central American countries. Due to the fact that in Moldova this phenomenon took scale during the last decades, the analysis was performed mainly by Moldovan researchers. Also the sources available in Ireland and those available in Moldova differ. In Moldova information available on remittances and labor migration cannot be found in libraries but only at the NGO's. On the other hand, lack of up-to-date analysis was another concern. Previous researches and experience helped me to filter the sources and to find the most appropriate information for my dissertation.

During the research I made valuable contacts that provided me with useful materials and assistance. The reports provided are not yet available on-line, so that I had the unique chance to examine and analyze them. Also, the NGO's representatives showed interest in my research topic and are willing to access my findings. I have managed to get assistance to aid my research by many people who involved in this research.

Furthermore, during research period I managed to experience working and interacting with many people from different organizations which allowed me to improve my communication, to gain knowledge and to develop my skills. This research allowed me to use the knowledge I acquired at the university during the Master's courses. Same as for dissertation, examinations and assignments require in-depth research and data analysis. As Finance major, I have learned how to perform a research analysis and how to use and develop my professional skills for each of the stages from data collection to analysis.

Research and analytical skills prevailed for analysis in order to use good reasoning in analyzing the situation and also the ability to present the essence of the research question.

A strong aspect was the possibility to study real, up-to-date information and its practical appearance together with theory.

During survey data collection I acquired knowledge from interaction with respondents and also I improved my communication skills while explaining research objectives to participants. Also I developed my analytical skills while having discussions with NGO representative about the research topic.

The issues I first faced while collecting the primary data were respondents' indifferent attitude towards questionnaire and unwillingness to participate in the survey due

to multiple reasons. Due to the fact that only 100 respondents took part in the survey, the results might be not representative and illustrate the preferred output. On the other hand, using quantitative method I learned how to use “Statistical Package for the Social Sciences” (SPSS) as in Moldova students do not analyze quantitative data using SPSS.

Overall I had a good experience by working individually with each respondent and people who were involved in this research. They are willing to assist with any further challenges or difficulties which might appear.

As a matter of fact, this research helped me to become more organized and to fulfill all the proposed tasks on time. I applied knowledge acquired during the classes to organize better the time management. Hence, by improving time management the productivity became higher.

In relation to learning styles Felder and Spurlin (2005) mentioned that “Students have different strengths and preferences in the ways they take in and process information - which is to say, they have different learning style”.

Honey and Mumford (1992) developed a set of stages based on the learning styles developed by Kolb:

- *Reflectors* (People who like to stand back to ponder experiences and observe them from many different perspectives. Their philosophy is to be cautious. They are thoughtful people who like to consider all possible angles and implications before making a move);
- *Theorists* (People who think problems through in a vertical, step-by-step logical way. They tend to be perfectionists. They like to analyze and synthesize);
- *Activists* (They are open-minded. They tend to act first and consider consequences afterwards. People who involve themselves fully and without bias in new experiences);
- *Pragmatists* (They are keen on trying out ideas, theories and techniques to see if they work in practice. They like to get on with things and act quickly on ideas that attract them. They are practical people who like making practical decisions and solving problems).

People tend to have one or two dominant traits, extroverts tend to be pragmatist/activist while introverts tend to be reflectors/theorist. As I find myself as an extrovert person, pragmatism/activist traits are representing me. The characteristics which both learning styles have are similar to the actions I take. Also the weaknesses activist/pragmatist trait have suits me such as decision to take unnecessary risks, tendency to do too much by

myself, tendency to reject anything without obvious application, not very interested in theory and task oriented not people oriented.

In addition Felder and Silverman developed eight dimensions each representing different learning style.

According to Felder and Silverman (1988) students have preference for one category for each of the following dimensions:

- *Sensing* (concrete thinker, practical, oriented towards facts and procedures) or *intuitive* (abstract thinker, innovative, oriented toward theories and underlying meanings);
- *Visual* (prefer visual representations of presented material, such as pictures, diagrams and flow charts) or *verbal* (prefer written and spoken explanations);
- *Active* (learn by trying things out, enjoy working in groups) or *reflective* (learn by thinking things through, prefer working alone or with a single familiar partner);
- *Sequential* (linear thinking process, learn in small incremental steps) or *global* (holistic thinking process, learn in large leaps).

In relation to the dimension stated above, I see myself as *sensing, active, visual and global*. The explanations for the dimension chosen are their characteristics or to be more precise: concrete thinker, oriented towards facts and procedures, prefer visual representations of presented material, learn by trying things out, enjoy working in groups, holistic, hierarchical and visual-spatial.

In conclusion, I would say that during the research I gained valuable knowledge which can be applied in my future career. This study has broadened my views regarding labor migration, remittances and remittances utilization. Also it has given me the opportunity to apply and develop my research and analytical skills on one side and on the other side to use my experience from previous researches. The findings allowed me to answer the research question and to prove that migrant households are not investing remittances efficiently, but are using those amounts mainly for current consumption. This research helped me to gain more experience and influenced my decision to further analyze this subject and to find new gaps in the current literature in order to have more space for new researches.

Also I am interested in extra reading and individual work on topics related to remittances and labor migration to improve knowledge I currently possess.

In my opinion this subject could be further researched and it is important for future employment opportunities as I would like to work for International Organization for Migration. During the research I establish close relationships with people involved in the

process and hopefully I can enhance the value of the contacts I made in the future. In addition, I improved my soft skills such as collaboration, ability to learn, communication and critical thinking.

Skills, knowledge and experience I have will help me reach the objectives proposed as I put efforts and invest time in developing them. I am striving to improve my skills and to invest time in self development. The courses I had during one year broadened my views and perspective so I can experience their benefits in my future career.

“If we let ourselves, we shall always be waiting for some distraction or other to end before we can really get down to our work. The only people who achieve much are those who want knowledge so badly that they seek it while the conditions are still unfavorable. Favorable conditions never come.” (C.S. Lewis)

Apendices

SURVEY

Confidentiality agreement:

I am aware that all responses and data from the survey are confidential information. I affirm that I will not share individual survey responses or any other information from the survey with anyone by any form of communication. The data collected will be used ONLY for this research. Violation of this Confidentiality Agreement may result in disciplinary action.

1. *How many family members are working abroad?*

Please tick ✓ the appropriate box

1

2

>2

2. *In which country are they currently working?*

Please tick ✓ the appropriate box

Italy

Russia or other CIS countries

Spain

Portugal

Greece

Turkey

Other

3. *For how long are they staying abroad?*

Please tick ✓ the appropriate box

- < 6 months
- 6-12 months
- 12-24 months
- >24 months

4. *Are they staying abroad legally?*

Please tick ✓ the appropriate box

- Yes
- No

5. *In which sector are they working?*

Please tick ✓ the appropriate box

- Construction
- Social assistance, care-taking or baby-sitting
- Agriculture
- Trade related activities
- Technical services
- Other

6. *Are they planning to return back home on a permanent basis?*

Please tick ✓ the appropriate box

- Yes
- No

7. *What is the average amount remitted?*

Please tick ✓ the appropriate box

- <500 Euro
- 500-1000 Euro

1000-2000 Euro

>2000 Euro

8. *What is the average amount of savings out of the total amount received?*

Please tick ✓ the appropriate box

<500 Euro

500-1000 Euro

>1000 Euro

9. *What is the share of remittances in your budget?*

Please tick ✓ the appropriate box

<25%

25-50%

50-75%

>75%

10. *What transfer channels are they using to remit the money?*

Please tick ✓ the appropriate box

Bank transfers

Money transfer offices

Maxi-taxi/bus

Migrant himself

Another migrant

Other

11. *For the following statement please tick the box that matches your view most closely*

Disagree Agree Tend to agree Tend to disagree

“Remittances positively influence on my family wellbeing”

12. Please number each of the factors listed below in order of importance to you in using remittances. Number the most important 1, the next 2 and so on. If a factor has no importance at all, please leave blank

<i>Factor</i>	<i>Importance</i>
Current consumption	[]
Other consumer goods	[]
Services	[]
Investments	[]
Savings	[]
Debt repayment	[]

13. For the following statement please tick the box that matches your view most closely

	Agree	Tend to agree	Tend to disagree	Disagree
“Investing remittances is an efficient use of them”	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

14. Do you consider Republic of Moldova as an attractive country to start a business?

Please tick ✓ the appropriate box

- Yes
 No

15. Have you heard about Governmental program “PARE 1+1” aiming to help migrants who are intending to start a business? Please tick ✓ the appropriate box

- Yes
 No

16. *Do you consider this kind of programmes useful for migrants who are intending to start a business?*

Please tick ✓ the appropriate box

Yes

No

17. *If you had the possibility, would you invest in a new business in Moldova?*

Please tick ✓ the appropriate box

Yes

No

18. *Where do you prefer to keep remittances received?*

Please tick ✓ the appropriate box

Home

Bank

Other

Thank you for your cooperation!



**Money Transfers from Abroad Made in Favor of Natural Persons (Residents and Nonresidents)
via Banks of the Republic of Moldova, net settlements
yearly dynamics**

(US\$ million)

	Quarter I		Quarter II		Quarter III		Quarter IV		TOTAL	
	Total inflows	Including via IMTS*	Total inflows	Including via IMTS*	Total inflows	Including via IMTS*	Total inflows	Including via IMTS*	Total inflows	Including via IMTS*
1999	12.41	5.70	20.23	11.31	26.08	16.08	30.90	19.12	89.62	52.21
2000	29.35	19.49	36.02	23.92	42.37	28.49	45.20	29.88	152.94	101.78
2001	42.64	28.69	45.29	30.98	59.87	38.52	64.19	41.89	211.99	140.08
2002	50.77	32.74	60.21	39.34	73.05	46.20	70.09	43.07	254.12	161.35
2003	61.12	35.12	76.12	42.54	90.94	50.22	89.11	47.71	317.29	175.50
2004	76.92	37.70	93.07	48.05	115.29	64.75	137.13	87.92	422.41	238.42
2005	120.05	83.70	181.78	136.34	197.13	151.54	184.29	142.03	683.25	514.51
2006	149.45	112.21	204.52	155.37	249.22	197.00	251.36	201.76	854.55	666.54
2007	209.44	160.13	265.30	210.27	367.83	303.64	375.66	312.64	1,218.23	986.68
2008	320.67	261.56	435.21	357.03	506.51	424.84	397.70	342.74	1,660.09	1,386.17
2009	225.69	181.47	289.03	238.42	331.53	278.68	335.77	283.66	1,182.02	982.23
2010	233.31	193.63	301.84	258.39	361.05	316.30	347.94	303.92	1,244.14	1,072.24
2011	273.13	232.81	364.02	315.86	418.44	371.24	387.89	346.29	1,443.47	1,266.29
2012	288.96	252.61	361.96	319.54	421.89	378.75	421.42	377.80	1,494.23	1,328.70
2013	320.45	281.70	391.92	346.56						

Note: Individuals transferring and receiving money can be nationals of any country. The origin and destination of the money transferred can be varied. Data include settlements with banks from the Republic of Moldova except for banks located in the Transnistrian region.

*IMTS - international money transfer systems operating in the Republic of Moldova
Allure Leader Strada Italia
Anelik Migom Unistream
Averz MoneyGram Western Union
Blitzko Pošta Rapidă Xpress Money
Comstar Money Transfer Privat Money Zolotaya Korona
Contact RIA Money Transfer etc.
InterExpress Smith&Smith

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Рисунок 1Figure 23: Money Transfers from Abroad Made in Favor of Natural Persons

Source: National Bank of the Republic of Moldova (2013)

Labour force *Main-d'oeuvre*

Number of economically active population *Nombre de la population économiquement active*

thousand persons	<i>milliers personnes</i>			
	2009	2010	2011	2012
Total population (average per year) <i>Total de la population (en moyenne par an)</i>	3566	3562	3560	3560
Economically active population ¹ <i>Population économiquement active¹</i>	1265	1235	1258	1215
of which, females / <i>dont, des femmes</i>	617	605	615	596
Employment / <i>Emploi</i>	1184	1143	1173	1147
of which, females / <i>dont, les femmes</i>	586	570	581	571
Population occupied in non-agricultural activities <i>Population occupée dans les activités non-agricoles</i>	851	829	850	844
of which, females / <i>dont, des femmes</i>	441	431	441	438
ILO unemployment / <i>Chômeurs BIT</i>	81	92	84	68
of which, females / <i>dont, des femmes</i>	30	35	34	26

¹ According to the Labour Force Survey data
Selon les données de l'enquête sur la main-d'oeuvre

Рисунок 2 / Figure 24: Number of economically active population

Source: National Bureau of Statistics of the Republic of Moldova (2013)

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