

REMITTANCES ARE THE MAIN INDICATORS OF ECONOMIC GROWTH IN THE WESTERN BALKANS

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ABSTRACT

The economies of the Western Balkan countries (Kosovo, Albania, Macedonia, Montenegro, Serbia and Bosnia and Herzegovina) rely heavily on diaspora remittances. The purpose of this paper is to estimate that remittances constitute an important source of income, financing aggregate demand and household. In this paper, an empirical econometric model was developed to assess the impact of remittances on nominal and real nominal growth for PB countries for the period 2010 - 2021. The empirical methodology is applied based on SPSS cointegration analysis: As a linear regression analysis (enter method), multiple regression analysis, reliability analysis, Spearman correlation analysis, factorial analysis and Kruskal Wallis model. Based on the empirical results obtained from this paper, it was found that the impact of remittances is positive in the economic growth in the Western Balkan region during the research period, while from the analysis of statistical differences, statistically significant differences were found in five countries of this region. Direct foreign investments also have a positive impact on economic growth from controlling variables. It is recommended to form a trust fund so that remittances from the diaspora can be collected and invested in capital projects such as the opening of manufacturing plants, investments in securities, and international stock markets, i.e. the relationship with the diaspora should change from a relationship of solidarity to a relationship of the market economy, where immigrants will invest their funds.

KEYWORDS: *Western Balkan States, Remittances, Migration, Economic Development, GDP*

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1. INTRODUCTION

Remittances are defined as personal transfers (cash and in-kind) and compensation of employees (income from border, seasonal, and other short-term jobs)¹. As the remittances of the Western Balkan countries constitute an important element of national income as well as important components in consumer finance and thus contribute to economic growth, the study of this category is considered very important for economies and countries in Western Balkans.

The main purpose of this paper is to contribute to the analysis of determining factors and remittance effects in the case of Western Balkan countries, trying to fill the shortcomings in this research area. In an effort to understand the main factors emanating from remittances, the literature distinguishes between micro and macro determinants. Micro-determinants are those factors that depend on the characteristics of the emigrant (remitters) such as gender, age, status, education, profession, etc. Macro-determinants are those factors that do not depend on immigrants themselves but indirectly affect their decisions. The main goal of this study is precisely the identification and analysis of these factors.

The main purpose of this paper is to contribute to a deeper understanding of the main dimensions of remittances and in particular of the factors that determine them. Based on estimates made by the, the total value of remittances in 2014 reached \$ 436 billion, of which a significant proportion went to developing countries².

According to Orozco and Carrasco and Ro 2007, they are an important factor in the further development of developing countries³. According to Richard et al. 2005, remittances particularly affect poverty alleviation⁴. Regarding the impact of remittances on the Albanian economy, according to Zwager et al. 2005, their contribution begins with the reduction of the poverty level and ends with the increase in the level of investment⁵. According to Korovila 1999,

¹ <https://databank.worldbank.org/metadataglossary/world-development-indicators/series/BM.TRF.PWKR.CD.DT>

² Wold Bank (2015). Migration and Development Brief Migration and Remittances Team, Development Prospects Group 2015. Data of entry 13/04/2015
<https://www.knomad.org/sites/default/files/201708/MigrationandDevelopmentBrief24.pdf>, p. 3-24.

³ EUROPEAN ACADEMIC RESEARCH Vol. VI, Issue 3/ June 2018, Remittances - The Importance of Them DILJANA DUSHKU Università Cattolica "Nostra Signora del Buon Consiglio" Albania, p. 2 <https://www.euacademic.org/UploadArticle/3579.pdf>

⁴ Ibidem, p. 12.

⁵ Ibidem, p. 3.

in the case of Albania, remittances have played an important role both in stabilizing the economy and in promoting its rapid development⁶. According to Konica and Filer 2009, they were the main source of supply of foreign currency⁷. According to some authors, the impact of remittance remittances depends on structural characteristics such as consumption and investment, patterns and capabilities to manage the large financial income of the host country N.Aziz, S.Sen, P.Sun, L. Wu , 2015⁸. A study was conducted during 1987-2007 by Nsiah and Fayissa,⁹ in 64 different countries in Africa, Asia, and Latin America regarding the relationship between the exchange and the economic development of these countries. After completing several years of research, they concluded that there are positive relationships between remittances and the economic development of the country Dietmar Meyer, Adela Shera, 2017¹⁰. In general, remittances can help overcome the poverty and liquidity constraints of migrant households, where both effects reduce the likelihood of income and inequality in wealth in the country of origin Stark et al., 1986¹¹; Taylor & Wyatt, 1996¹²; Ratha, 2007, Buch & Kuckulenz, 2010, Rao & Hassan, 2012¹³. In addition to the positive impact that remittances have on the country's economic development, some authors say they may also have negative impacts.

Therefore, remittances may be detrimental to the contribution of positive investment in human capital, leading the country to negative economic de-

⁶ Ibidem, p. 3

⁷ Ibidem, p. 3, <https://www.migrationdataportal.org/themes/remittances>

⁸ N.Aziz, S.Sen, P.Sun, L.Wu. (2015, September). Migrant Workerers, Remittances and Retrieved 2018, from: https://mpra.ub.uni-muenchen.de/66992/1/MPRA_paper_66992.pdf

⁹ file:///C:/Users/sabri/Desktop/Remittances_and_Economic_Growth_in_Africa_Asia_and%20%20NSIHA%20FESYA.pdf DEPARTMENT OF ECONOMICS AND FINANCE WORKING PAPER SERIES • JUNE 2011 Remittances and Economic Growth in Africa, Asia, and Latin American-Caribbean Countries: A Panel Unit Root and Panel Cointegration Analysis

¹⁰ <https://www.sciencedirect.com/science/article/pii/S1517758016300753>
<https://reader.elsevier.com/reader/sd/pii/S1517758016300753?token=96BC80BA8002BB5E-7F4BD908F6293FD9A82DC062941F8D7D8C1F9C928C4FF13677CAB2436546D461DCD-FBE2FF797942&originRegion=eu-west-1&originCreation=20220422110814>

¹¹ Stark, O.; Taylor, J. E. & Yitzhaki, S., (1986), "Remittances and Inequality", *Economic Journal*, 96, 722-40. <https://halshs.archives-ouvertes.fr/halshs-00554277/document>

¹² Taylor, J. & Wyatt, T., (1996), "The Shadow Value of Migrant Remittances, Income and Inequality in a Household-Farm Economy", *The Journal of Development Studies*, 32(6), 899-912. <https://halshs.archives-ouvertes.fr/halshs-00554277/document>

¹³ https://www.researchgate.net/publication/45132112_Worker_Remittances_and_Capital_Flows_to_Developing_Countries

velopment Natalia Catrinescu, Miguel Leon, Mtloob Piracha, Bryc, 2006¹⁴. Meanwhile, another negative impact on migration is also due to “brainwashing”, mainly for developing countries as well as for those in transition Kristina Matuzeviciute, Mindaugas Butkus, 2016¹⁵. The data collected through primary and secondary data were processed with that of the SPSS and STATA 16 statistical programs.

To give my contribution to this paper, answer questions to research questions like.

1. What is the impact of remittances on economic growth in Western Balkan countries?
2. What is the difference between the Balkan countries in terms of GDP and Remittances?

To address these research questions, the following research hypotheses were put:

H1: Remittances have an impact on economic growth in the Western Balkan countries

H2: There are big differences between the Balkan states in terms of GDP

The primary data are obtained from the World Bank, the International Monetary Fund, the regular economic report of the Western Balkans, the Central Bank of these countries, the Ministry of Finance, the Statistical Office, and other official sources from the Internet.

2. LITERATURE REVIEW

In this paper, the empirical evidence is highlighted regarding the relationship between remittances and economic growth. Regarding the effect of the relationship between remittances and economic growth, empirical evidence does not provide a definitive answer, but it depends on state to state. Reviewing the literature on the role of remittances in economic development, the positive impact of population migration has led countries to develop, as they usually have the highest skills to transfer their practical knowledge and skills to migrants returning to their origins, or sending remittances for the opening of new private businesses and opening vacancies.

¹⁴ https://papers.ssrn.com/sol3/papers.cfm?abstract_id=902342

¹⁵ Remittances, Development Level, and Long-Run Economic Growth, Academic Editor: Jacques Poot Received: 13 June 2016; Accepted: 22 November 2016; Published: 1 December 2016

Officially recorded remittance flows to lower- and middle-income countries reached US\$ 540 billion in 2020 and constitute more than 30% of GDP in countries such as Tonga or Lebanon, World Bank and KNOMAD, 2021¹⁶. An estimated 800 million people worldwide are directly supported by remittances sent by over 200 million migrants¹⁷.

Kristina Matuzeviciute, Mindaugas Butkus, 2016. According to de Haas 2009,¹⁸ the micro and macroeconomic impacts of remittances are diverse, depending on the context of the sending country, the selection of migrants, and their use by recipient households. A common and extremely important feature in the context of human development is its countercyclical nature: the ability to protect families in the countries of origin / timely delivery of the economic downturn, political conflicts, or natural catastrophes de Haas, 2009, pp.24 -26¹⁹.

De Haas 2009 and Yang 2009²⁰ offer a wide range of literature, on the positive impact of remittances on health, nutrition, education, housing improvement conditions, and entrepreneurship admission activities. In this paper, empirical evidence is highlighted regarding the relationship between remittances and economic growth. Regarding the effect of the relationship between remittances and economic growth, empirical evidence does not provide a definitive answer, but it depends on state to state. Reviewing the literature on the role of remittances in economic development, the positive impact of population migration has led countries to develop, as they usually have the highest skills to transfer their practical knowledge and skills to migrants returning to their origins, or sending remittances for the opening of new private businesses and opening vacancies.

One of the many empirical studies that have been made especially for the impact of remittances on the country's economic development supports evidence from migration literature, where it is noted the implication that remittances have a greater net effect on economic growth expressed as annual GDP growth in developed countries Robert Stojanov, Wadim Strielkowski, 2013²¹.

¹⁶ World Bank and KNOMAD (2021) Migration and Development Brief 34. Washington, D.C. Available at: https://www.knomad.org/sites/default/files/2021-05/Migration%20and%20Development%20Brief%2034_1.pdf (accessed 11 February 2022). [Ref list]

¹⁷ *ibidem*, <https://www.ncbi.nlm.nih.gov/>

¹⁸ <https://www.econstor.eu/bitstream/10419/167757/1/881150479.pdf>

¹⁹ <https://www.sciencedirect.com/science/article/abs/pii/S0924977X1200020X>

²⁰ https://www.researchgate.net/publication/227539598_Migration_and_Development_A_Theoretical_Perspective1

²¹ Robert Stojanov, Wadim Strielkowski. (2013). Retrieved July 2018, from file:///C:/Users/Admin/Downloads/464.pdf

Regarding the impact of remittances on the Albanian economy, according to Zwager et al. 2005²², the tire's contribution begins with the reduction of the poverty level and ends with rising investment levels. According to Korovila 1999²³, in the case of Albania, remittances have played an important role in stabilizing the economy and accelerating its development. According to Konica and Filer 2009²⁴, they were the main source of supply of foreign currency. As far as Macedonia is concerned, studies conducted at the household level show that remittances have a positive effect on consumption, poverty reduction, health (especially for women and rural residents), and businesses they own Petreski & Jovanovic, 2013a, 2013b, 2016, al. 2014.²⁵

In addition, Bucevska 2011²⁶, reviewed the role of remittances in the financial crisis using the vector error correction model (VEC) and found that real remittances have a destabilizing effect on economic growth and did not mitigate the major fluctuations during the economic downturn. In general, remittances can help overcome the poverty and liquidity constraints of migrant households, where both effects reduce the likelihood of income and inequality in wealth in the country of origin Stark et al., 1986; Taylor & Wyatt, 1996; Ratha, 2007 Buch & Kuckulenz, 2010, Rao & Hassan, 2012.²⁷ Therefore, this study is another additional contribution to confirm whether remittances have an impact on the development of the economies of the Western Balkan states. To overcome these problems, this study is implemented through the SPSS statistical program such as Linear regression method (enter method), multiple regression, Spearman correlation analysis, and Kruskall Wallis model.

²² Social Impact of Emigration and Rural-Urban Migration in Central and Eastern Europe Final Country Report Albania April 2012 Authors: Ilir Gedeshi Elira Jorgoni ose De Zwager et al. (2005), page 47

²³ <https://ideas.repec.org/a/taf/pocoec/v11y1999i3p399-415.html> ose James Korovilas, 1999. "The Albanian Economy in Transition: The Role of Remittances and Pyramid Investment Schemes," *Post-Communist Economies*, Taylor & Francis Journals, vol. 11(3), pages 399-415

²⁴ file:///C:/Users/sabri/Desktop/filer_r1648%20%20Konica.pdf and https://www.researchgate.net/publication/40327470_Albanian_Emigration_Causes_and_Consequences

²⁵ <https://onlinelibrary.wiley.com/doi/10.1111/imig.12372>

²⁶ https://www.researchgate.net/publication/49611569_An_analysis_of_financial_crisis_by_an_early_warning_system_model_The_case_of_the_EU_candidate_countries

²⁷ Stark, O.; Taylor, J. E. & Yitzhaki, S., (1986), "Remittances and Inequality", *Economic Journal*, 96, 722-40. <https://halshs.archives-ouvertes.fr/halshs-00554277/document>
Taylor, J. & Wyatt, T., (1996), "The Shadow Value of Migrant Remittances, Income and Inequality in a Household-Farm Economy", *The Journal of Development Studies*, 32(6), 899-912. <https://halshs.archives-ouvertes.fr/halshs-00554277/document>
https://www.researchgate.net/publication/45132112_Worker_Remittances_and_Capital_Flows_to_Developing_Countries.

3. METHODOLOGY OF RESEARCH

The research begins with observations on the remittance phenomenon, based on existing research and materials, and follows the explanation of its behavior. To achieve the objectives, a comprehensive literature review was undertaken focusing on remission remittances and their main characteristics. Meanwhile, the secondary data collected helped to understand key issues and key elements related to remittances in the Western Balkan countries.

Secondary data sources include Previous studies/analyses for field case studies, newspaper articles, reports, statistical tables, and internet databases. Data on the remittance flow are derived from various publications such as the Kosovo Bureau of Statistics, the Ministry of Finance, the OECD International Yearbook on International Investment Statistics, and the materials and reports published by the World Bank of Kosovo, World Bank, The International Monetary Fund and so on. In this paper, an empirical econometric model was developed to assess the impact of remittances on nominal and real nominal growth for Western Balkan countries for the period 2010-2021. The empirical methodology was applied based on the co-integration analysis SPSS: Linear regression analysis (input method, multiple regression, normality analysis, Kruskall Wallis test & ANOVA analysis, reliability test, correlation analysis, Spearman correlation analysis, factorial, descriptive analysis, Kolmogorov Smirnov & Shapiro Wilk test. Besides remittances, which are included as an independent variable of the model, other control variables are also included, such as foreign direct investments, population, and openness to trade. The econometric model used to analyze the results is as follows:

$$GDP = a + B1(REM) + B2(FDI) + B3(POPU_log) + B4(OPTRADE) + U_i \quad (1)$$

So, the dependent variable of the study is economic growth, while the main independent variable is remittances, while the other three variables which are also included as independent control variables are; foreign direct investment, population, and trade openness. a and B are estimated parameters, while U_i represents the error term that covers other variables that have a potential impact on economic growth, but are not part of this econometric model.

Table 1: Description of research variables

Variable	Abbreviations	Unit
Growth Domestic Product	GDP	%
Remittances	REM	% of GDP
Foreign Direct Investment	FDI	% of GDP
Log of Population	POPU_Log	%
Trade Oppenes	OPTRADE	% of GDP

Source: Authors with STATA 16 statistical software.

4. EMPIRICAL RESULTS

In the following, the empirical results of the research are presented, where first a presentation of descriptive statistics is made, then the ratio of variables is presented through correlation analysis, and at the very end, the results of the regressions are presented; where first a regression is presented which includes all the countries of the Western Balkans together, then the regression is presented where the impact of the independent variables on the dependent variable is measured for each country separately.

Table 2: Descriptive statistics of the variables

Variable	Obs	Mean	Std. Dev.	Min	Max
GDP	72	2.389	3.652	-15.159	12.4
REM	72	10.154	3.969	2.813	18.837
FDI	72	6.042	3.722	.063	18.302
POPU	72	2991155.9	2050912.3	619211	7291436
OPTRADE	72	95.023	17.198	71.595	137.276

Source: Authors with IBM SPSS statistics 25 software

In the table above, the results of the descriptive statistics of the study variables are presented, based on the results presented in this table, the average economic growth in the six countries of the Western Balkans in the 12-year period (2010-2021) is 2.38%, while the average of remittances received in these countries is 10.15% of the value of the gross domestic product.

Regarding the control variables, the countries of the Western Balkans are characterized by foreign direct investments of 6.04% of the value of gross domestic production, this region on average during the research period has the value of openness to trade 95.02% of GDP.

Table 3: Correlation analysis

Variables	(1)	(2)	(3)	(4)	(5)
(1) GDP	1.000				
(2) REM	0.069	1.000			
(3) FDI	0.005	0.241	1.000		
(4) POPU_Log	-0.024	-0.252	-0.473	1.000	
(5) OPTRADE	-0.049	-0.666	-0.069	-0.201	1.000

Source: Authors with STATA 16 statistical software

In the table above, the correlation analysis is presented to present the relationship between the independent variables and the dependent variable. Based on the results presented in this table, the relationship can be seen between remittances and economic growth in the Western Balkans region is positive with a coefficient of $r=0.069$, positive relationship with economic growth also has other controlling variables; foreign direct investments with a coefficient of $r=0.005$. Whereas the other two variables that are included in the study as control variables have a negative relationship with economic growth; the logarithm of the population variable ($r=-0.024$) and openness to trade ($r=-0.049$).

In the following, the regression analysis is presented to present the impact of these variables on economic growth, where first the regression is presented for the entire region of the Western Balkans and then the regression analysis is presented for each country separately.

Table 4: Regression analysis

GDP	Coef.	St.Err.	t-value	p-value	[95% Conf	Interval]	Sig
REM	0.053	0.007	0.3	0.004	-0.3	0.406	***
FDI	0.019	0.008	-0.14	0.089	-0.295	0.257	*
POPU_Log	-0.106	0.8	-0.13	0.895	-1.703	1.49	
OPTRADE	0.003	0.001	-0.08	0.033	-0.085	0.078	*
Constant	3.856	15.581	0.25	0.805	-27.244	34.955	
Mean dependent var	2.389		SD dependent var	3.652			
R-squared	0.005		Number of obs	72			
F-test	0.087		Prob > F	0.986			
Akaike crit. (AIC)	399.468		Bayesian crit. (BIC)	410.852			

Source: Authors with STATA 16 statistical software

The table above presents the regression analysis, which includes the entire Western Balkans region. Based on the results presented in this table, the impact of remittances on the economic growth of the region is positive with a coefficient of 0.053 and significant at the 1% significance level. Foreign direct investments have a positive impact on economic growth with a coefficient as low as 0.019 and significant at the 10% significance level. The openness to trade shows a small positive impact with a coefficient of 0.003 and is significant at the 1% level, while the population does not show a statistically significant impact.

In the following, the analysis of the regressions divided according to the countries of the Western Balkans is presented, thus offering a comparison of which of the countries of the Western Balkans the impact of remittances is higher for economic growth.

Table 5: Regression analysis by country

Variable Country	Kosovo	Albania	North Macedonia	Montenegro	Bosnia and Hercegovina	Serbia
REM	1.193**	1.112	10.64***	-1.403	2.713**	1.801
	-0.08	0.81	-6.08	-0.57)	0.49	1.15
FDI	0.24**	0.478**	0.00371	-0.533	-1.834	0.309
	0.02	0.06	0.02	-0.78	-0.58	0.81
POPU_Log	-133.4	-203.5	-1518.3**	-1258	-8.986	-191.2
	-0.62	-0.85	-5.25	-0.86	-0.16	-1.02
OPTRADE	0.0935	0.348	0.0553	-0.286	0.0819	-0.143
	0.31	0.67	1.34	-0.45	0.17	-0.57
_cons	1935.5	2987.3	22111.9**	16835.2	104.9	3015
	0.62	0.85	5.26	0.86	0.12	1.01
N	12	12	12	12	12	12
R ²	13.23%	17.3%	86.55%	14.56%	31.11%	43.06%
VIF	1.59	3.88	4.68	1.29	4.26	2.32
Hetttest	0.2049	0.2017	0.9301	0.2097	0.4990	0.2800
Kruskall Wallis	P=0.024	P=0.000	P=0.452	P=0.144	P=0.003	P=0.012

Source: Authors with STATA 16 statistical software

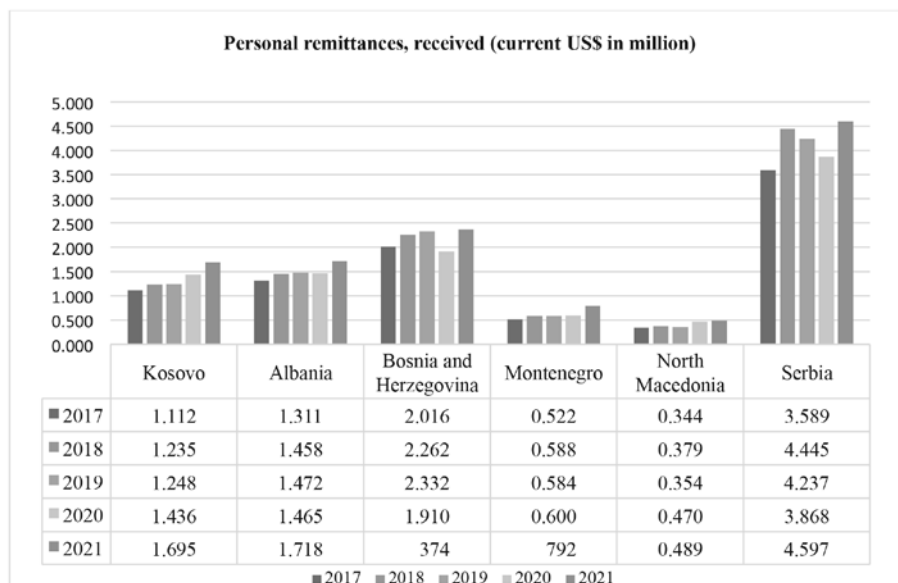
The table above (table 5) presents a summary of the results of the econometric models, divided according to the countries of the Western Balkans. According to the results presented in this table, in three countries (Kosovo, North Macedonia, and Bosnia and Herzegovina) the impact of remittances is statistically significant for economic growth, while in the other three countries of the Western Balkans, no statistically significant impact of remittances for economic growth could be found. The highest positive impact of remittances for economic growth is in the state of North Macedonia with a coefficient of 10.64, while Albania has the lowest impact with 1.11, but without a statistically significant impact. On the other hand, in the state of Montenegro, the impact of remittances is negative for economic growth, but without a statistically significant impact. From the controlling variables, the impact of foreign direct investments is statistically significant in Kosovo ($B=0.24$) and Albania ($B=0.478$).

All econometric models have been checked for the problem of multicollinearity (using the VIF test) and heteroscedasticity (using the Breuch Pagan Lagrangian Test), where based on the results presented by these two tests, none of these two problems is present in the data. of study.

At the very end, the result of the Kruskal Wallis test is presented, based on which there are significant statistical differences in the countries of the Western Balkans (excluding North Macedonia), as far as the impact of remittances on GDP is concerned.

Based on the following graph no.1. the following results: Kosovo in 2017 had 1.112 billion US dollars in remittances or 10.1%, while in 2018 with 1.235 billion US dollars or 9.6%, in 2019 with 1.248 billion US dollars or 9.6 %, in 2020 with 1.436 billion US dollars or 9.7% and in 2021 there was an increase in remittances to 1.695 billion US dollars or 9.4%. Albania in 2017 had 1.311 billion US dollars in remittances or 11.2%, while in 2018 with 1.458 billion US dollars or 11.2%, in 2019 with 1.472 billion US dollars or 11.5%, in 2020 with 1.465 billion US dollars or 9.6% and in 2021 there was an increase in remittances to 1.718 billion US dollars or 10.2%. Bosnia and Herzegovina in 2017 had 2.016 billion US dollars in remittances or 15.5%, while in 2018 with 2.262 billion US dollars or 15.7%, in 2019 with 2.332 billion US dollars or 15.8%, in 2020 with 1.910 billion US dollars or 18.6% and in 2021 there was an increase in remittances to 2.374 billion US dollars or 18.0%, See graph no. 1.

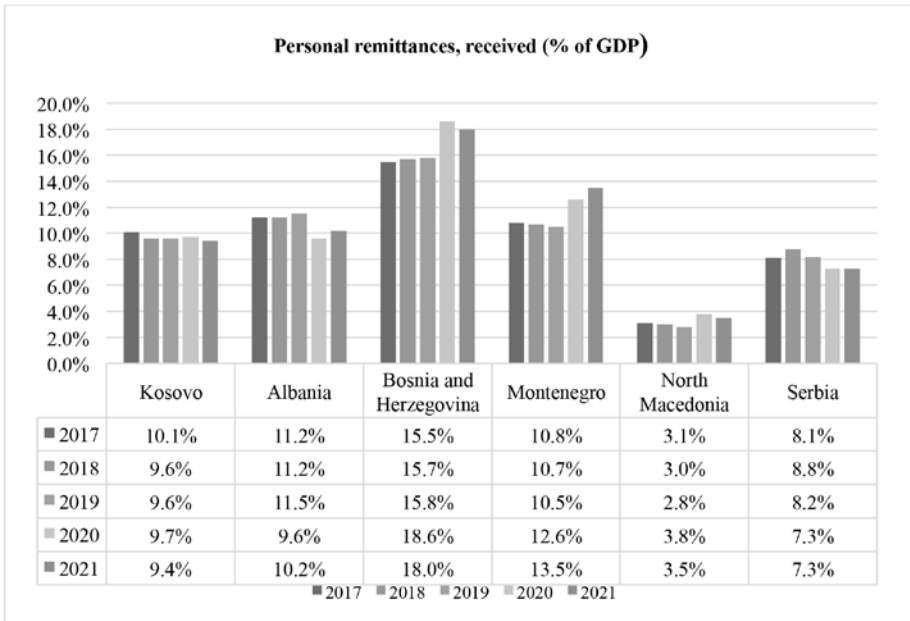
Graph 1: Western Ballakan remittances, by years 2017-2021 in Billion, US Dollars



Source: <https://data.worldbank.org/indicator/BX.TRF.PWKR.CD.DT>

Montenegro in 2017 had 0.522 billion US dollars in remittances or 10.8%, while in 2018 with 0.588 billion US dollars or 10.7% in 2019 with 0.584 billion US dollars or 10.5%, in 2020 with 0.600 billion US dollars or 12.6% and in 2021 there was an increase in remittances to US\$ 0.792 billion or 13.5%. North Macedonia in 2017 had 0.344 billion US dollars in remittances or 3.1%, while in 2018 with 0.379 billion US dollars or 3.0% in 2019 with 0.354 billion US dollars or 2.8%, in 2020 with 0.470 billion US dollars or 3.8% and in 2021 there was an increase in remittances to US\$ 0.489 billion or 3.5%. Serbia in 2017 had 3.589 billion US dollars in remittances or 8.1%, while in 2018 with 4.445 billion US dollars or 8.8% in 2019 with 4.237 billion US dollars or 8.2%, in 2020 with 3.868 billion US dollars or 7.3% and in 2021 there was an increase in remittances to 4.597 billion US dollars or 7.3%.

Graph 2: Impact of remittances, by years 2017-2021 (% of GDP)

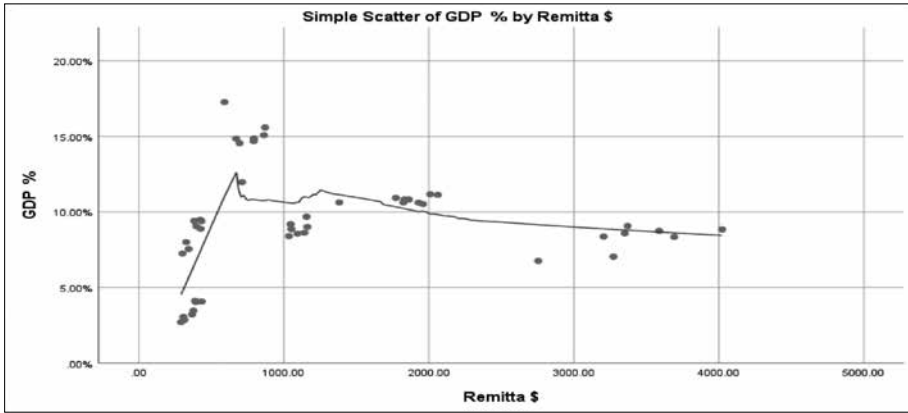


Source: <https://data.worldbank.org/indicator/BX.TRF.PWKR.DT.GD.ZS>

Below we will also present a multiple regression analysis Simple Scotter of GDP % from Remittances to Dollars for all countries separately, where we can see which of the countries' remittances have had a significant impact or the impact there is not statistically significant or significant.

From the following results, chart no. 3. Regression analysis and the Impact of Remittances on GDP in Western Balkan Countries, enable us to understand that remittances have an impact on three Balkan states such as Albania, Macedonia, and Montenegro, while they have no impact on Serbia, Bosnia-Herzegovina, and Kosovo.

Graph. 3: Regression analysis and the Impact of Remittances on GDP in Western Balkan Countries



5. HYPOTHESIS TESTING

Hypothesis H1: Based on the descriptive and empirical results presented in advance, sufficient statistical evidence to accept the two raised hypotheses was found; the first hypothesis which states that remittances have a positive impact on the economic growth of the countries of the Western Balkans is accepted based on the regression coefficient (see table 3) $B=0.053$.

Hypothesis H2: Meanwhile, the second hypothesis which states that there are differences between the countries of the Western Balkans in terms of economic growth is accepted based on the results of the Kruskal Wallis test (see table 5) where there are significant statistical differences in five countries.

6. CONCLUSIONS/RECOMMENDATIONS

Based on the research done and the empirical findings it can be concluded that: Remittances are essential for residents of small developing countries with low economic growth such as the Western Balkans as relatives working abroad send them a significant portion of their income through them. Remittances also play an essential role during natural disasters by contributing to relief funds.

As of February 2015, 176 countries have recognized June 16 as International Family Remittance Day. This day was unanimously approved by the General Assembly of the International Fund for Agricultural Development (IFAD)

- International Fund for Agricultural Development) and was also noted in the resolution a/rES/71/237 of the General Assembly of the United Nations on Migration and International Development.

Remittances in the Western Balkans affect the increase in unemployment because citizens expect or depend on money (remittance) from their relatives.

Remittances constitute an important mechanism for the transfer of resources (reserves) from developed countries to developing countries and are among the largest flows of external financing for developing/transition countries before international aid.

The world ranking of the three countries of the Western Balkans that have sent remittances in billions of dollars during 2022, according to SCAN 20.03.23, is Albania 69-ta with 1,800 billion dollars, Kosovo 73-ta with 1,600 billion dollars, Bosnia and Herzegovina 59-ta with 2,500, billion dollars.

Efficiency and security remain the two main objectives that must be met by institutions that provide remittance services, so to increase the efficiency and security of migrant transfers it is recommended:

Sensitization campaign for migrants to use formal forms of transfers - which should be supported by CBK, Ministry of Diaspora, and Ministry of Finance Distribution of points of money transfer agencies in rural areas.

Expanding the network of ATMs and POS terminals throughout the rural area, increasing competition-licensing of other money transfer agencies.

Drafting of legal regulation for remittances, reduction of remittance transfer fees, especially from the largest receiving countries such as Germany, Switzerland, Austria, France, Greece, and Italy Investments of immigrants in home countries.

A trust fund should be formed so that remittances from the diaspora can be collected and invested in capital projects such as the opening of manufacturing plants, investments in securities, and international stock markets, that is, the relationship with the diaspora must change from a relationship of solidarity to a relationship of market economy, where immigrants will invest their funds.

The good legal and regulatory environment of doing good in the countries of the Western Balkans, where remittance services should be supported by a strong legal and regulatory framework, and with strong consistency in terms of implementation, non-discriminatory and proportional.

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