

# 10 Migrants' remittances in developing countries

## Introduction

Progressing globalisation manifests itself, inter alia, in the greater intensity of international flows. Those include increased population flows and financial transfers. In 2015 as many as 244 mln people lived in a country different from the one they had been born in. More intensified international migration phenomena result in substantial changes in migrants' remittances. They play a particularly significant role in developing countries.

The objective of the paper is to define a trend in migrants' remittance flows to developing countries in the years between 1990 and 2015. Current trends in the area of migrants' remittances were discussed with the use of the most recent data. The statistical methods selected for the paper include phenomena dynamics analysis, comparative analysis method and structure analysis method. The statistical data obtained from the World Bank and OECD data bases was used for the purpose of the study.

## 1. Migrants' remittances in comparison to other financial flows in developing countries

Along with the increased intensity of international flows, a growth of global financial flows in the form of migrants' remittances occurred. They were relatively low in the 1990's, but during the first decade of the 21<sup>st</sup> century they clearly rose and in 2015 they reached the level of USD 581 b (cf. Figure 1). The systematic growing trend was disturbed only by the financial crisis in 2008, when the flows of that type were limited. However, a fall in the money transfers made in 2009 was relatively small

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and short-lived, since already in the following year the remittance volume exceeded the level of the pre-crisis period. The subsequent years featured a positive dynamics, with the exception of 2015, when on account of the cyclical factors it was limited (World Bank, 2016a, p. 5).

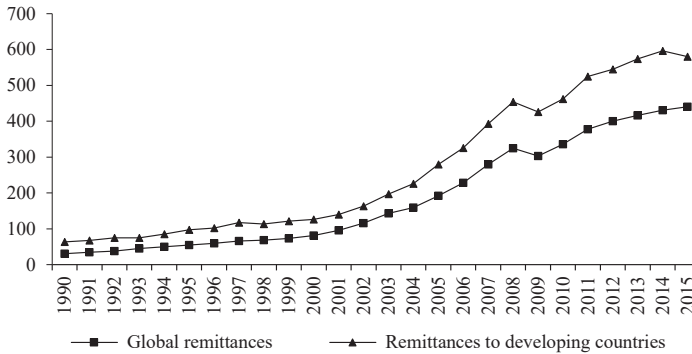


Figure 1. Value of global migrants' remittances in the period between 1990 and 2015 (bn USD)

Source: own work based on World Bank (2017); IMF (2017); Plaza, Page (2006), p. 262.

As far as the trend of migrants' remittances to developing countries is concerned, they were very similar to those made globally. During the period of 1990–2015 money transfers were on the rise. In 2009 the impact of the financial crisis and a short-term decline of remittances made by migrants were evident. Nevertheless, they have been increasing once more since 2010, also in 2015, though slightly more slowly, despite the fact that globally a decrease of remittances was recorded. In general, during the analysed quarter of a century the growth rate of migrants' remittances to developing countries was faster than the growth rate of migrants' remittances in the global scale. The former rose as much as 14 times, while the latter increased 9 times. Consequently, the share of migrants' remittances to developing countries in total global remittances climbed from 49 to 76%. A stable stream of remittances flow influenced the reduction of poverty and stimulated investments (OECD, 2016, p. 186).

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Migrants' remittances constitute one of the forms of financial funds flows to developing countries. Other forms include, inter alia, foreign direct investments and official aid provided to developing countries. During the analysed quarter of a century the significance of all three forms was evolving. The shared characteristic was their positive growth rate. They differed, however, in terms of their volumes. Although a 14-fold rise seems to be high, in comparison to a 22-fold increase in capital influx in the form of foreign direct investments it no longer does (cf. Figure 2). At the same time, official aid to developing countries rose barely 2.5 times. Although in 1990 the latter form of funds flow exceeded other forms by over a half, 25 years later its role stabilised and it only constituted a small fraction of capital flows to developing countries. Yet another characteristic feature was the fact that the rise of migrants' remittances to developing countries and of official aid was systematic and stable, while foreign direct investments were more prone to fluctuations, which was evident particularly in 2002 and 2009.

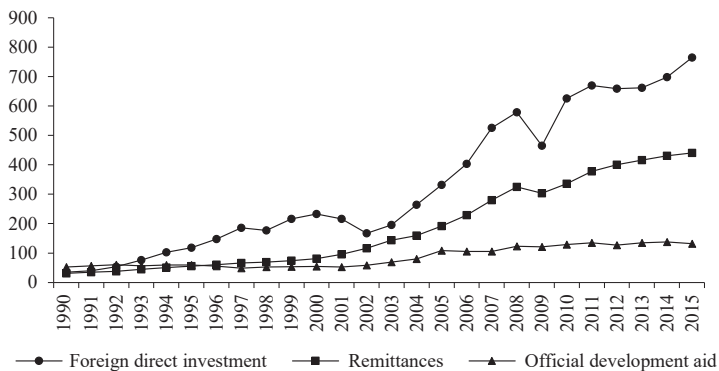


Figure 2. The volume of capital inflow to developing countries in 1990–2016 (bn USD, current prices)

Source: own work based on World Bank (2017); IMF (2017); Plaza, Page (2006), p. 262.

### 2. Geographical structure of migrants' remittances in developing countries

Not only the volume of international remittances flow changed, but so did their geographical structure, both in terms of the country of their destination as well as their origin.

If one considers the countries to which migrants' money transfers were made, in 1990 nearly a half of them were sent to developing countries, while 25 years later as many as 3/4 of the total number (cf. Table 1). In the early 1990's the greatest amounts were sent by migrants to high income countries (57%). By 2015 those amounts rose over three-fold, however, since the influx of migrants' remittances to medium and low income countries increased far more quickly, the share of high income countries in the group of states where migrants' remittances were allocated declined to less than 1/4. It was a change that chiefly benefited medium income countries, whose share grew from 42 to 73%. Despite the fact that migrants' remittances to low income countries were rising the fastest (the increase was nearly 30-fold), their share remained low (3.4%).

Table 1

Migrants' remittance inflows by groups of countries in 1990 and 2015

Countries	1990		2015		
	remittances	share of world	remittances	share of world	dynamics
	bn USD	%	bn USD	%	1990 = 100
Low income	0.6	1.0	19.0	3.4	2,941
Middle income	28.3	41.7	405.2	73.2	1,432
High income	38.9	57.3	129.4	23.4	332
Developing	31.3	48.9	440.5	75.9	1,407
World	67.9	100.0	553.6	100.0	815

Source: own calculation based on World Bank (2017).

Substantial changes were noted in the top largest recipients of migrants' remittances globally. Still in 1990, a half of the top ten were economically developed countries, of which the first three places were occupied by Italy, Germany and Portugal, respectively (cf. Table 2). Yet,

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in 2015 only France managed to hold its fifth ranking, while Germany dropped to the 10th place. The first positions were taken by India (in 1990 – 9th place), closely followed by China, and the Philippines ranking third (both of these countries in 1990 did not feature in the top ten). Although the flow of money transfers to India and China was at a similar and very high level, the Philippines were left significantly behind with the scale of remittances lower by more than a half. The fourth position fell to Mexico; the sixth was taken by Nigeria, and the subsequent ones by Pakistan, Egypt and Bangladesh.

Table 2  
Top remittance-receiving countries in 1990 and 2015

1990		2015	
country	bn USD	country	bn USD
1. Italy	5.1	1. India	68.9
2. Germany	4.9	2. China	63.9
3. Portugal	4.5	3. Philippines	28.5
4. Egypt, Arab Rep.	4.3	4. Mexico	26.2
5. France	4.0	5. France	23.4
6. Turkey	3.3	6. Nigeria	21.1
7. Mexico	3.1	7. Pakistan	19.3
8. Korea, Rep.	2.4	8. Egypt, Arab Rep.	18.3
9. India	2.4	9. Bangladesh	15.4
10. Australia	2.4	10. Germany	15.4

Source: own calculation based on World Bank (2017).

On the other hand, if one takes into the account the significance of migrants' remittances to the economy of the countries, measured in their share in GDP, a different picture presents itself. In the ranking for 2015 the developing, mostly low income countries were in the lead, and only few medium income countries (cf. Table 3). In those countries migrants' remittances constituted a highly significant proportion of GDP, for instance in Nepal and Liberia it was nearly 1/3, while in Tajikistan, Kyrgyz Republic, Bermuda and Haiti approximately 1/4. Considering the changes that took place in the period between 1990 and 2015, it was established that there was a rise in the number of states in which the importance of

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migrants' remittances from abroad plays an increasingly greater role. At the same time there is no longer a country in which a predominant part of GDP would be formed by migrants' remittances, as was the case in Lesotho in 1990. Furthermore, none of the countries with the highest share of migrants' remittances in its GDP featured in 1990 ranking reoccurred in 2015 ranking.

Table 3  
Top remittance-receiving countries in 1990 and 2015 (% of GDP)

1990		2015	
country	% GDP	country	% GDP
1. Lesotho	71.7	1. Nepal	32.2
2. Samoa	34.2	2. Liberia	31.2
3. Yemen, Rep.	26.5	3. Tajikistan	28.8
4. Tonga	21.1	4. Kyrgyz Republic	25.7
5. Cabo Verde	19.3	5. Bermuda	25.0
6. Kiribati	12.9	6. Haiti	24.7
7. Jordan	12.0	7. Moldova	23.5
8. Swaziland	10.1	8. Gambia. The	22.4
9. Egypt, Arab Rep.	9.9	9. Comoros	19.9
10. St. Kitts and Nevis	9.2	10. Honduras	18.2

Source: own calculation based on World Bank (2017).

In turn, changes in geographical structure of migrants' remittances in terms of their origin looked slightly differently. They featured a decreasing share of high income countries, and a growing share of medium income countries (cf. Table 4). However, the concentration level was far greater. The dominant portion of the funds originated in highly developed countries (77% in 2015 in comparison to 92% in 1990). Medium income countries constituted just under 23%, though 25 years before that figure stood at merely 7%. The share of low income countries was of little significance and additionally it showed a falling trend. Unfortunately, no information is available as to what the share of developing countries was in such flows, on account of the fact that in 2016 the World Bank resigned from differentiating the countries of the group in its classification.

Table 4

Migrant remittance outflows by group of countries in 1990 and 2015

Countries	1990		2015		
	remittances	share of world	remittances	share of world	dynamics
	bn USD	%	bn USD	%	1990 = 100
Low income	0.5	0.8	1.7	0.4	339
Middle income	4.7	7.1	86.6	22.6	1,829
High-income	61.5	92.1	295.4	77.0	480
World	66.7	100.0	383.8	100.0	575

Source: own calculation based on World Bank (2017).

The top countries from which the most migrants' remittances originated were largely unchangeable. After 25 years no changes have been recorded in the first three positions. The United States was still at the top of the list (61 billion USD – cf. Table 5). Saudi Arabia invariably occupies the second position. Although in 1990 the distance that separated it from the USA used to be small, in 2015 it grew markedly. The third place is customarily held by Switzerland. In the subsequent positions, the ranking of the countries that constituted a major source of remittances featured not only developed countries, but developing ones as well (China and Russia) along with oil-producing countries (Kuwait and Qatar).

Table 5

Top remittance-sending countries in 1990 and 2015 (in billion USD)

1990		2015	
country	bn USD	country	bn USD
USA	11.9	USA	61.3
Saudi Arabia	11.2	Saudi Arabia	38.8
Switzerland	8.2	Switzerland	24.4
France	6.9	China	20.4
Germany	6.9	Russian Federation	19.7
Italy	3.8	Germany	19.2
Belgium	2.3	Kuwait	15.2
United Kingdom	2.0	France	12.7
Netherlands	1.4	Qatar	12.2
South Africa	1.2	Luxembourg	11.4

Source: own calculation based on World Bank (2017).

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In the case of a ranking of countries in which migrants' remittances constituted a significant portion of GDP, the list was different. Such a ranking was dominated by the least developed countries, developing countries and oil-producing countries. The exception in that regard was Luxembourg, which in 2015 occupied the first place (nearly 20% of GDP – cf. Table 6). It may be owed to the unique character of that state, which is highly prosperous, expensive and small and in which a significant proportion of the labour force, on account of substantial price differences, lives in the neighbouring states. The remittances sent in 2015 oscillated between 10-16% of GDP in Oman, Liberia, Kuwait, East Timor and Maldives. In the analysed quarter of a century the share of migrants' remittances in GDP grew. In 1990 and 2015 only three countries were featured among the first top ten of the countries with the greatest share of migrants' remittances in GDP, namely: Oman, Kuwait and Maldives. In all these three countries the share increased two- or three-fold.

Table 6  
Top remittance-sending countries in 1990 and 2015 (% of GDP)

1990		2015	
country	% GDP	country	% GDP
Saudi Arabia	9.5	Luxembourg	19.6
Bahrain	7.9	Oman	15.7
Vanuatu	7.9	Liberia	14.7
Oman	7.3	Kuwait	13.3
Guinea-Bissau	4.8	Timor-Leste	11.0
Cote d'Ivoire	4.4	Maldives	10.1
Kuwait	4.2	Malta	8.4
Maldives	3.8	Lebanon	7.8
St. Kitts and Nevis	3.3	Qatar	7.4
Kiribati	3.3	Ghana	6.9

Source: own calculation based on World Bank (2017).



### 3. Migrants' remittances and international migrations

When the directions of migrants' remittances are compared with the directions of international flow of people, significant differences become noticeable in that regard. 57% of migrants in the world chose developed countries (affluent countries of the North) as the destination of migration. The phenomenon demonstrates a high concentration, since 2/3 of the global migrant resources live in only 20 countries, while as many as 1/5 in the USA (UN, 2015). On the other hand, migrants' remittances are addressed chiefly to the poor countries of the South (71% – cf. Table 7). The main reason for such direction of financial flows is chiefly attributed to economic considerations. Migrants, when making a decision to leave a country, aim to ensure a better material situation and that is why they were most frequently choosing developed countries as their major destination. Once they have accumulated some money, they send some of it to the countries of their origin as a way of providing support to their families.

Table 7  
Main directions of migration (2013) and remittances (2015)

Flow direction	Migration		Remittances	
	mln	share of total migrants	bn USD	share of global remittances
South–South	93.1	38	206.7	34
South–North	84.3	34	27.9	5
North–North	55.7	23	143.0	24
North–South	14.2	6	223.8	37

Source: own work based on World Bank (2016b), p. 28.

It is worth emphasising that in 2013 migration between developing countries exceeded the migration from the countries of the South to Northern countries. It serves as evidence of the increased importance of intra-regional migrations. The lowest percentage in international movement of people involved migrations from the North to the South (6% of migration globally). It chiefly concerned people returning from

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emigration as well as old-age-pensioners from developed countries deciding to live in warmer regions of the world.

The widest contemporary migration corridor was the one leading from Mexico to the USA (as many as 13 million migrants in 2013 – cf. data in Table 8). In turn, the greatest corridor of migrants' remittances was headed in the opposite direction – from the USA to Mexico (*Global Migration Trends*, 2015, p. 15). Besides, large migration corridors were observed in the countries neighbouring with Russia, which used to be parts of the Soviet Union, as well as from China to the USA and Hong Kong, from Bangladesh to India, as well as from Afghanistan to Pakistan and Iran (in the case of the latter ones the reason for migration was escaping war). In the case of corridors for money transfers sent by migrants, their main direction was from the USA to Asian countries (China, India, the Philippines and Vietnam). Furthermore, substantial flows of migrants' financial resources originated in the oil-producing countries in which foreigners constituted a large proportion of the labour force. For instance, in Saudi Arabia as much as 80% of the labour force resources were made up by immigrants.

Table 8

The largest contemporary migrants and remittances corridors

Top migration corridors in 2013		Top remittance corridors in 2015	
direction of migration	stock of migrants (mln)	direction of remittances	value of remittances (bn USD)
Mexico–United States	13.0	United States to Mexico	25.2
Russian Federation–Ukraine	3.5	United States to China	16.3
Bangladesh–India	3.2	Hong Kong SAR. China to China	15.6
Ukraine–Russian Federation	2.9	United Arab Emirates to India	13.2
Kazakhstan–Russian Federation	2.5	United States to India	11.5
China–United States	2.4	Saudi Arabia to India	11.0
Russian Federation–Kazakhstan	2.4	United States to Philippines	10.1
Afghanistan–Pakistan	2.3	Saudi Arabia to Egypt	7.8
Afghanistan–Iran, Islamic Republic of	2.3	United States to Vietnam	7.0
China–Hong Kong SAR, China	2.3	United States to Guatemala	5.8

Source: own work based on World Bank (2016b), p. 28.

## Conclusions

Summing up, in the period between 1990 and 2015 migrants' remittance all over the world were systematically on the rise, however more quickly to developing countries than in global terms. The importance of foreign direct investments and migrants' remittances grew in the capital flow to developing countries, while the significance of official foreign aid declined. In the geographical structure of migrants' remittances the share of developed countries decreased in favour of developing countries. Considering the directions of remittances' flow, developing countries began to play a dominant role, whereas from the point of view of outflows developed countries continued to predominate, though less decidedly than they used to. Major changes took place in the top ranking of the greatest remittance recipients. The place of European states was taken by India, China, the Philippines and Mexico. Migrants' remittances gained a greater significance, particularly in the low income countries, where they became responsible for an increasingly greater proportion of GDP. Less substantial changes were observed regarding the outflow of migrants' remittances. The sources of their outflows were chiefly located in high income countries, and the top ranking countries remain unchanged.

The flow of migrants' remittances was opposite to the migration directions. Unvaryingly, most migrants chose the affluent countries of the North as their destination, while remittances were chiefly sent to the poor South. Furthermore, the relevance of intra-regional migrations has grown.

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### **Migrants' remittances in developing countries**

**Summary.** The objective of the paper is to define trends in the flow of migrants' remittances to developing countries in the years of 1990–2015. The paper is divided into three parts. In the first part migrants' remittance to developing countries were examined in relation to other financial flows, in the second part the geographical structure of remittances was investigated along with the changes that occurred in that structure, while in the third part the greatest migration corridors were compared to the corridors of migrants' remittances. The conducted research demonstrates that migrants' remittances have been systematically rising. Their role in capital flow to developing countries increased, similarly to the role of foreign direct investments, while the significance of official foreign aid declined. What is more, migrants' remittances have gained a greater significance, particularly in the low income countries, where they became responsible for an increasingly greater proportion of GDP. The geographical structure of migrants' remittances featured a greater share of developing countries at the expense of developed countries. The direction of money transfers made by migrants was opposite to migration directions. Invariably, most migrants were choosing the affluent countries of the North as their destination, while remittances were chiefly sent to the poor South. Furthermore, the relevance of intra-regional migrations has grown. The statistical methods selected for the paper include phenomena dynamics analysis, comparative analysis method and

structure analysis method. The statistical data obtained from the World Bank and OECD data bases was used for the study.

**Keywords:** migration, remittances, developing countries

**JEL classification:** F22, F24

### **Przekazy pieniężne migrantów w krajach rozwijających się**

**Streszczenie.** Celem artykułu jest określenie tendencji w przepływie przekazów pieniężnych migrantów do krajów rozwijających się w latach 1990–2015. Opracowanie składa się z trzech części. W pierwszej przeanalizowano przekazy migrantów do krajów rozwijających się na tle innych przepływów finansowych, w drugiej zbadano strukturę geograficzną przekazów oraz zmiany, jakie w niej zaszły, natomiast w trzeciej porównano największe na świecie korytarze migracyjne i korytarze przekazów migrantów. Z przeprowadzonych badań wynika, że przekazy migrantów systematycznie rosły. Ich rola w przepływie kapitału do krajów rozwijających się, podobnie jak zagranicznych inwestycji bezpośrednich, zwiększyła się, natomiast znaczenie oficjalnej pomocy zagranicznej spadło. Ponadto wzrosło znaczenie przekazów migrantów w gospodarkach krajów, szczególnie tych o niskim dochodzie, gdzie stały się odpowiedzialne za coraz większą część wytwarzanego PKB. W geograficznej strukturze przekazów migrantów zwiększył się udział krajów rozwijających się kosztem krajów rozwiniętych. Strumień przepływu przekazów migrantów był przeciwny do kierunków migracji. Niezmiennie najwięcej migrantów wybierało za cel migracji bogate kraje Północy, natomiast przekazy trafiały głównie do ubogiego Południa. Ponadto wzrosło znaczenie migracji wewnątrzregionalnych. W opracowaniu zastosowano wybrane metody statystyczne: metody analizy dynamiki i struktury zjawisk oraz metody analizy porównawczej. Wykorzystano dane statystyczne z baz danych Banku Światowego i OECD.

**Słowa kluczowe:** migracje, przekazy migrantów, kraje rozwijające się

**Klasyfikacja JEL:** F22, F24

