

REMITTANCES AND TRANSMISSION MECHANISMS: THE CASE OF
MOLDOVA

by

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Abstract

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In 2004 informal transfers of remittances to the Republic of Moldova made up approximately 47% of the total inflow. The existing evidence suggests that this phenomenon is still strong. The objective of this paper consists of analyzing the determinants of different transfer channels. In particular, we test whether owners of a bank account are more likely to transfer (receive) money via banking channel. Another hypothesis is whether illegal migrants are more likely to send money via unofficial channels. This paper is based on a household survey data for Moldova collected in 2008. Data set is representative for the households at the national level and includes randomly selected 3915 households with approximately 25% of them receiving remittances. We also address the endogeneity problem associated with bank account and the choice of channel which was neglected in the previous studies. It was found that after endogeneity is controlled for, the presence of bank accounts does not affect the choice of remittances transfer channel. However, illegal migrants are more likely to use unofficial transfers. It was also found that migrants who have a residence permit and come from richer household are more likely to use official channels. In addition, the choice of unofficial transfers in comparison to MTO is driven by migrant's cost, convenience, security, habit and confidentiality.

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GLOSSARY

Remittances – money which migrant workers transfer to their home countries

Chapter 1

INTRODUCTION

For the last decades remittances have become a significant component of financial inflows. According to the World Bank, remittances in developing countries exceed US\$351 billion (in 2011) and constitute more than 10% of gross domestic product as recorded in country's balance of payment. However, it is hard to estimate exact sum of remittances flow due to high fraction of transfers being made through unofficial channels. Unrecorded flows are assumed to be approximately 50% larger than recorded in the balance of payment (International Monetary Fund, 2012).

Moldova is famous for its migration. Most of the labor migrants leave to get higher wages abroad and to improve life conditions for their families. According to the Moldovan Labor Force Survey (LFS) the annual outflow of migrants has been increasing constantly for the last 10 years (with only one break in 2005) from about 100,000 in 1999 to about 350,000 at the end of 2008 (Labor Force Surveys, 2009). According to the CBS AXA Migration survey 2008 approximately 30% of all household receive remittances. The ratio of remittances to GDP is equal to 28% which officially puts Moldova into the top 10 list of remittance-dependent countries (World Bank, 2008). In 2008 remittances were equal to 97% of total foreign direct investment and 94% of total merchandise export (World Trade Organization, 2010).

Migration and remittances are considered in the literature under different angles (de Haas, 2008). Optimistic view emphasizes additional accumulation of savings and investments. In contrast, pessimistic view points to brain drain. Moreover, the negative aspects of migration are reinforcing by illegal migration.

Unfortunately, this is a rather common phenomenon for Moldova. For instance, according to the IOM CBS-AXA survey about 35-44% of Moldovan migrants live and work abroad illegally in the EU. For the CIS-countries, this rate varies between 14-37% (See table 10).

Ghencea and Gudumac (2004) argue that in 2003 on average half of money transfers were made through informal channels, because of higher costs of banking transfers, especially for relatively small amount of cash flows. Indeed, Sander and Maimbo (2003) report that globally the average cost of money transaction through informal channels vary between 3 and 5 % which is substantially lower than 13 % for the formal transfers. In addition, the transfer fee between Moldova and Germany is one of the highest and is equal to almost \$35 for every \$500. For a comparison, in the neighboring Romania the fee is almost 2.5 times less. In particular, total cost of sending money from Germany to Moldova in the third quarter of 2012 on average is almost 15%. And it is costly compared to Italian 7% and Russia Federation 3% total cost percentage rate because of a high exchange margin rate has been included into the transaction cost (World Bank, 2012). Sander and Maimbo (2003) argue that informal transfers are stimulated by weak financial infrastructure in the African regions, especially among rural and low-income populations.

However, the cost of transfer is likely to be not the only determinant (Lücke M. et al., 2007). Legal status of the migrant in the destination country, the frequency of trips, as well as various demographic and social factors are likely to affect the choice of the transfer channel. The main goal of this paper is to analyze the decision of Moldavian labor migrants to transfer money home via particular transmission mechanism and the impact of illegal migration on the unofficial transfers. In this thesis, banks and other financial institutions such as Western Union and MoneyGram are considered to be official and licensed providers of

international money transfers. In contrast, informal remittances represent money transfers via friends, relatives, and drivers of buses or taxi, excluding official services. In the Republic of Moldova informal transfers continue to take up significant ratio of transfers.

Two main hypotheses are tested using unique data set CBS AXA 2008.

First, we investigate owners of bank accounts are more likely to transfer (receive) money via official channels.

Second, we test whether unofficial migrant workers are more likely to transfer money via unofficial channels. Since decision to open a bank account and to send remittances through a particular channel are related there us an endogeneity problem which was neglected in the previous studies. This problem is addressed using information from the previous wave of the survey. After endogeneity is controlled for, it was found that presence of bank account does not affect the choice of remittances transfer channel. However, illegal migrants are more likely to use unofficial transfers.

The rest of the paper is structured in the following manner. The next chapter reviews different studies related to channel choice. The third and fourth sections describe the data and methodology. The fifth chapter represents the results of the econometric model. The final section offers reviews our main conclusions.

Chapter 2

LITERATURE REVIEW

This review of the literature about the channeling of remittances is divided into three parts. The first introduces theoretical views of leading economists as well as statistical analysis related to transaction channeling drivers. The second part describes the empirical findings of micro and macro studies of socio-economic factors effect on channeling remittances taking into account government and financial institutions interests in services development. The last part of the review describes the main methodological approaches that have been used in the literature.

2.1 Theoretical evidence

Historical-structural and neo-classical migration theory

In early 1980s migration theory was divided between neo-classical and historical-structuralists views (neo-Marxist, world systems). Historical-structural theory describes unequal distribution of economic and political power between developed and developing countries. This distribution is explained by the difference in resources wealth and technological growth. The theory interprets migration as a consequence of unequal trade between developed and underdeveloped countries (de Haas, 2008). Neo-classical migration theory assumes that people have incentive to migrate in the places where they can be more productive and earn the highest benefit taking into account the costs and the structure of labor market. McDowell and de Haan (1997) study migrant's utility and micro-studies. Their theoretical view assumes that migrants have perfect information of the cost and benefit of migration. Similarly, Amuedo-

Dorantes and Pozo (2005) derive utility function of migrant workers as a variable dependent on explanatory factors that are mostly affecting their preferences. Thus migrant workers are utility maximizing individuals.

Optimistic and pessimistic view of migration

Migration and remittances is considered as a relatively new topic. There are several periods in the existing literature. Until 1973 most debates expressed migration optimism and positive impact of migration was emphasized (See table 9). From 1973 till 1990 we can see some shifts from optimistic to pessimistic view. Growing skepticism is related to the problem of brain drain. Another period of time beginning 1990-2000 and till now is characterized by a growing number of empirical studies with mixed, but generally positive views. This period is marked by a remittances boom and, as a result, by a growing interest of econometricians to this topic (See table 9).

The optimistic view emphasizes the idea of stimulating domestic country economy through accumulation of savings and investments (Riabikina 2012, Amuedo-Dorantes and Pozo 2005, Freund and Spatafora 2005). Ghencea and Gudumac (2004) confirm an increasing demand of remittances receiving households for construction materials and durable goods. In addition, Riabikina (2012) demonstrates that remittances-receivers are more likely to become an entrepreneur comparing to non-receivers.

The pessimistic view emphasizes a negative effect of migration. It toward such negative aspects as appreciation of local currency (Amuedo-Dorantes and Pozo, 2004) and lack incentive to work (Ratha, 2003).

Altruism versus self-interest

From theoretical point of view remittances can be driven by altruism and self-interest motives. Migrant's altruism could be understood as a desire to support

the family. Lucas and Stark (1985) study Botswana's migrants. They present several hypotheses for money transfer motivation that is varying from altruism to self-interest. According to pure altruism, a migrant maximizes his own utility and remitted amount depends on consumption per capita and the size of a household. Altruism is viewed as a family-specific asset. In contrast, pure self-interest is aimed on wealth accumulation. Lucas and Stark (1985) view remittances as a self-sustaining agreement between migrant and household. They consider that investment and risk should be taking into account. Thus, migration can be viewed as an act of risk diversification. Lucas and Stark (1985) find that sons from urban households with larger herds remit higher amount of money. In addition they find that remittances rise with education. Lucas and Stark (1985) view remittances as kind of insurance against ongoing drought. As a result, increasing drought leads to more remittances from urban migrant workers.

Determinants of channel choice

It is important to analyze and understand the main drivers that affect behavior choice between a channel type (official versus unofficial). Freund and Spatafora (2005) define such formal channels as cash flow transfer services provided by financial institutions, forex bureaus and money transfer institutions. In contrast, informal channels are all money and transfers provided by non-banking financial institutions that are not recorded in national accounts (Freund and Spatafora, 2005). Transaction costs represent fee transfer that significantly differs between formal and informal channels in money equivalent. According to the World Bank definition transfer fee represents the charge the sender pays at the initiation point, and it usually varies with the amount sent, within set bands (World Bank, 2012). Besides transaction costs there are other factors influencing the choice of remittances transfers' channel. Lücke M. et al. (2007) consider a variety of possible channel choice determinants: costs of transfer services,

confidentiality, speed of remittances, seasonality of migration, urgency and frequency of remittances, migration destination countries, etc. For instance, EU migrants tend to earn higher wages and therefore transfer officially larger sums of money compare with CIS. In contrast, migrants to CIS and other non-EU are seasonal migrants and most likely to bring money back themselves (Lücke M. et al., 2007).

2.2 Empirical evidence

Albuero and Abella (1992) study how workers' informal remittances to their home' country impact the economy using Philippines questionnaire-based survey. They find informal remittances have been growing significantly during the years 1970-1985 while savings have been declining by 9%. Based on a sample of 600 return migrant workers they conclude that informal remittances have the same impact on the economy as formal.

Amuedo-Dorantes and Pozo (2005) study the behavior of Mexican immigrants and their choice of remittances channels. They have found that money remitted to Mexico increases approximately by \$5 with every additional family member at home. Besides, migrants transferring money for investment/saving purpose remit \$36 more compared to their counterparts with consumption expenditures. They also find the likelihood of using banking services relative to nonbank. For instance, the likelihood of using banking services relative to nonbank money transfer firms (MTFs) is lower among unofficial migrants relative to official migrant workers. Amuedo-Dorantes and Pozo (2005) have shown that more educated persons, migrants from urban areas and migrants from industry sector are more likely to use banks relative to MTFs. In contrast, self-employed workers, workers from rural areas are more likely to use unofficial channels.

Craciun (2006) studies remittances for the Republic of Moldova using dataset CBS AXA 2004. She analyzes the impact of various demographic variables on the decision to send money via official or unofficial channels. Official channels in this study comprise bank and post offices transfers. While unofficial channels include money send by bus, private transfers, etc. She found that migrants from rich countries are 15.26% more likely to use official methods. In addition, highly qualified legal Moldovan migrants from high income households and urban area are more likely to transfer money via official channels. Her findings are quite consistent with literature.

Beine et al. (2011), Freund and Spatafora (2005), and Martinez et al. (2010) argue that government can significantly boost volume of official inflow by reducing transaction costs or by relaxing the restriction of remittances. Martinez et al. (2010) suggest that remittances transaction fees should be lowered that is directly encourages remitting more. Beine et al. (2011) point that increases in the transactions costs similar to the one done by Ecuador or restrictions to those introduced by Brazil consequently reduce money flow from abroad. Beine et al. (2011) use a sample of 66 mostly developing countries from 1980-2005. Empirically they apply generalized logit model. Beine et al. (2011) find that liberalizing country's trade account reduces probability of ending up in a closed regime by about 24%. Using the regression analysis they have found a positive effect of remittances on financial openness policy of receiving countries, more remittances means rather open policy. Their research similarly describes dependence of financial openness on cost of remittance transactions. Based on their idea, financial liberalization precedes positive effect on remittances.

Financial institutions may also be interested in remittance legalization as an instrument of the financial services development. Watson (2009), remittance specialist in the IDB group, emphasized that 30% of remittance clients become

clients of other financial services. Similar observation is mentioned by Dilip Ratha, the Manager of the Migration and Remittances Unit at the World Bank. Ratha (2007) emphasizes that providing remittances will bring new customers for their deposit, loan and insurance products. At the same time, this process will encourage account-to-account transfers rather than cash-to-cash transfers. This process of financial deepening will encourage more saving by migrants and their beneficiaries. Similar point is argued by Amuedo-Dorantes and Pozo (2005). They have found that workers who transfer remittance officially via banks are more likely to save and invest their money. In contrast, funds used for consumption are more likely to be transferred via MFTs and informal channels. According to Orozco (2008) remittance-recipients are financially better-off compared with non-recipients and are more likely to have a deposit account. Orozco finds that remittance recipients prefer to have a bank account and more interested in investing money in the assets. Ghencea and Gudumac (2004) also argue that urban centers enjoy a higher level of financial infrastructure comparing with rural areas. Additionally, infrastructure development and distance to financial institutions may also be a significant factor that determines migrant's channel preference. In particular Amuedo-Dorantes and Pozo (2005) have shown hypothesis that migrant's transfers to more remote regions in Mexico are more likely to be send via unofficial channels.

Methodological issues

The final part of this section reviews micro and macro methodological approaches in analyzing remittances channels. Most authors have made regression analysis using logit/probit model. For instance, Riabikina (2012) combines logit/probit model with Propensity Score Matching method (PSM) for matching the control and treatment group. Craciun (2006) studies influence of migrant's and household's characteristics on the frequency of remitting using probit model. Amuedo-Dorantes and Pozo (2005) use multinomial logit model

that has been derived from utility function. They have divided remittance channels into 4 groups: official banks, nonbank money transfer firms (MTFs), unofficial and others mechanisms. Amuedo-Dorantes and Pozo (2005) maximize utility function to derive the probability function of choosing a particular transfer channel by a particular migrant taking into account his/her socio-demographic characteristics. Finally multinomial choice model is described. They describe possible problems of endogeneity related to channel choice. Amuedo-Dorantes and Pozo (2005) solve this problem using Tobit estimation.

The purpose of this paper is to extend the literature on remittances and channel choice motive. The relationship between remittances and channels were investigated by Amuedo-Dorantes and Pozo (2005) and Craciun (2006). My paper differ from Amuedo-Dorantes and Pozo (2005) study. The later study looks at Mexico while this paper considers migration from Moldova. There is a substantial difference between the two cases. From geographical point of view Mexico borders with United States of America (USA) and Central America with a very restrictive migration policy. Thus, every year around 450 000 Mexicans enter the USA illegally (IOM, 2012). In contrast, Moldovan migration is much more diversified in comparison with Mexico. Moldova's migrants are oriented to CIS (61%) and EU (33%) countries (CBS AXA, 2008) and have legal possibilities to travel there for a short visits without visa.

Compare to Craciun (2006) this study uses a more recent wave of the same survey. The wave 2008 offers several new opportunities. First, the data was collected after Romania joined the European Union in 2007. After it happened Moldovans got the legal opportunity to travel around Europe with only their ID or passport, thus many illegal workers can now enter and exist EU without the risk of being deported. There is an evidence of a significant growth of Moldovan

migrants to EU countries since 2007 (BBC News, 2008). In particular approximately 27% of Moldovan migrant workers prefer to move to Italy, Portugal, Spain, France, Greece and Romania (CBS AXA, 2008). In addition, in 2007 the USA Embassy has issued 5000 visas for the Work and Travel program. According to Nicolae Chirtoca, Moldovan ambassador in the USA, approximately 40% of the travelling students overstay terms of visa expiration and 20% never returned to Moldova (Timpul, Centrul de Investigatii Jurnalistice, 2008).

So, if we compare dataset for the years 2004 and 2008 CBS AXA, there are differences related to the migration openness of EU countries. Additionally, this study considers new hypotheses. Neither Amuedo-Dorantes and Pozo (2005) nor Craciun (2006) try to link availability of a bank account and official channels. Moreover, Orozco (2008) study bank account and remittances but do not refer to the channels and to the endogeneity problem associated with the channel choice.

Chapter 3

METHODOLOGY

This part briefly reviews micro methodological approach in analyzing channels. Amuedo-Dorantes and Pozo (2005) estimate regression using multinomial logit model. They assume that each migrant worker (i) can derive utility from any type of channel j . The utility function of migrant worker depends on explanatory variables X_i and coefficients B_j :

$$U_{ij} = V_{ij} + \varepsilon_{ij} = B_j' X_{ij} + \varepsilon_{ij} \quad (1)$$

where ε_{ij} stochastic and V_{ij} – deterministic components.

The probability that migrant worker (i) chooses channel (j) is equal to the probability of U_{ij} being the largest utility value, therefore:

$$\begin{aligned} P_{ij} &= \text{Prob}(Y_i = j) = \text{Prob}(U_{ij} > U_{ik}) = \\ &= \text{Prob}(\varepsilon_{ij} - \varepsilon_{ik} \leq B_j' X_{ij} - B_k' X_{ik}) \text{ for } k \neq j \end{aligned} \quad (2)$$

Where $k=1, 2$ and $k \neq j$. Probability depends on the assumptions that is made about the distribution of the stochastic error terms: $\varepsilon_{i1}, \varepsilon_{i2}$. In particular, it is assumed that all error terms ε_{ij} are mutually independent distributed as suggests Type I extreme-value. The logit model can be derived from the utility function (McFadden, 1974). Finally migrant's channel choice is defined by the following probability function:

$$\text{Prob}(Y_i = j) = \frac{\exp(B_j' X_{ij})}{\sum_{k=1}^2 \exp(B_k' X_{ij})} \quad (3)$$

Where $j = 1, 2$ present channeling choice.

Because of difficulties with coefficients interpretation, estimation results may be maintained using relative risk ratios of unit change in the X_{ij} :

$$\frac{P_{ij}}{P_{ik}} = \exp(x'_{ij}B_j) \quad (4)$$

For this particular study the model reduces to the standard multinomial logit model with another transmission mechanism classification. The probability of using unofficial channels, may be expressed as

$$P(Y_i = 3) = P(B'_3 X_{i3} + \varepsilon_{i3} > 0) = P(-\varepsilon_{i3} \leq B'_1 X_{i3}) \quad (5)$$

Where:

$P(Y_i = j)$ – probability of money transfers:

- $P(Y_i = 1)$ - Bank transfers (official channel);
- $P(Y_i = 2)$ – Money transfer offices (official cannels: Western Union, post offices, etc.);
- $P(Y_i = 3)$ – Unofficial transfers (by bus driver, train conductor, someone else, by latter);
- $P(Y_i = 4)$ – Personal Transfers (by own);

X_{ij} – vector set of explanatory variables:

- Primary motive in transmission mechanism choice (cost, speed, trust, etc.);
- Socioeconomic characteristics (Amuedo-Dorantes and Pozo, 2005, Craciun, 2006 and Riabikina, 2012);
- Education (Amuedo-Dorantes and Pozo, 2005, Craciun, 2006 and Riabikina, 2012)

- Migration information (Amuedo-Dorantes and Pozo, 2005 and Craciun, 2006)
- Financial information (Riabikina, 2012 and Orozco, 2008);
- Destination countries of migration (Amuedo-Dorantes and Pozo, 2005 and Craciun, 2006);
- ε_{ij} - error term

Several words should be noted about destination of migration. There are about 30 main destination countries of migration. Figure 1 and Figure 2 show how proportion of income transferred and transmission mechanisms are varying between different regions. For example CIS countries have the highest ratio of migrants using official transmission mechanism. It is explained by the lowest transaction costs compared with European Union countries (World Bank, 2012).

Econometric problem

One of the main problem that is related to this kind of studies is endogeneity due to simultaneity of the remittances and channel choice (Lucas and Stark, 1985, Amuedo-Dorantes and Pozo, 2005, Craciun, 2006 and Riabikina, 2012).

It is possible that channel choice may be influenced by the cost of remittances. In addition, remittance sum transfer may be influenced by the transmission mechanism choice and family size (Amuedo-Dorantes and Pozo, 2005). In order to prevent endogeneity, Amuedo-Dorantes and Pozo (2005) estimate a Tobit regression and unconditionally predicts amount being remitted. Thus they simultaneously account for the endogeneity of migrants' remitting decisions and transmission mechanism choice.

We try to address these issues by carefully including and excluding appropriate variable. Additionally, our hypothesis which refers to bank account and official

channel choice may also be affected by another endogeneity problem. The reverse causality might occur because of the the decision to open a bank account may be influenced by the choice of the channel. To correct for the endogeneity lagged variables of account ownership variables from the CBS AXA 2006 are used.

Chapter 4

DATA DESCRIPTION

Available CBS AXA 2008 survey data has been provided by the Center for Public Opinion in Republic of Moldova. The IOM CBS-AXA 2008 Survey is a representative survey on labor migration administered in Moldova by CBS-AXA, Centre of Sociological Investigations and Marketing, and funded by the International Organization for Migration (IOM) with the support of the Swedish International Development Agency (SIDA). The survey collects a large set of information on socio-demographic characteristics of each household and migrant member with questionnaire data grouped into the following sections:

1. Socioeconomic characteristics;
2. Demographic characteristics;
3. Geographic characteristics;
4. Migration information;
5. Remittance information;

Unique data set is rich in variables and observations and covers 35 Moldovan regions. Data set is representative for the households at the national level and includes randomly selected 3915 households with approximately 25% of them receiving remittances.

The choice of variables is based on previous studies and economic intuition. Most papers about remittances and country's financial openness include the following explanatory variables: transaction costs, remittance inflow, and countries GDP at the macro level (Beine et al., 2011, Freund and Spatafora, 2005 and Martinez et al., 2010). In addition, several studies looked at the remittances transfer channel, exchange rate, migration and financial

development across World regions (Sander and Maimbo, 2003). But for our purposes micro studies are the most relevant (Amuedo-Dorantes and Pozo, 2005, Orozco, 2008 and Riabikina, 2012). Explanatory variables such as the amount of remittances, age, gender, geographic region (urban/rural) and education are most commonly used variables on the micro level. In addition, Amuedo-Dorantes and Pozo (2005) control for the migrant legal status, remittances purpose, standard of living, worker status (salary, self-employed, contract) and period of migration as the main determinants of the transmission mechanism choice. Another set of financial variables like existence of current and saving account, presence of a financial institution, desire to start own business are considered to be relevant in this literature (Orozco, 2008 and Riabikina, 2012).

Table 1. Summary statistics of independent variable

Variables	Obs.	Mean	Std. Dev.
Channel: Bank transfers	549	0.503	0.500
Channel: Money transfer offices		Base	
Channel: Personal Transfers	549	0.175	0.380
Channel: Unofficial transfers	549	0.099	0.298

As was mentioned above, the dependent variable is specified in the following way (See Table 1):

- $P(Y_i = 0)$ - Bank transfers (50%);
- $P(Y_i = 1)$ – Money transfer offices (22.5%);
- $P(Y_i = 2)$ – Personal Transfers (17.5%);
- $P(Y_i = 3)$ – Unofficial transfers (9,9%);

The highest share of remittances is transferred via banks and money transfers offices (MTO).

All variables used in this study are divided into 3 groups: migrant, household head and household characteristics (See Table 2, Table 3 and Table 4). It means that migrant makes a choice of the money transfer channel taking into account both own and household preferences.

Table 2. Summary statistics, migrant's characteristics

Variables	Obs.	Mean	Std. Dev.
average sum per transfer (100\$)	549	0.722	2.005
remittances 12months (100\$)	549	2.198	5.609
Migr. Pattern: comes back less than 1 time per year		Base	
Migr. Pattern: comes back at least 1 time per year	549	0.156	0.363
Migr. Pattern: migrate and stay at home same time per year	549	0.471	0.499
Migr. Pattern: stay at home more than migrate per year	549	0.123	0.329
Motive: Speed		Base	
Motive: Convenience	549	0.193	0.395
Motive: Security	549	0.328	0.470
Motive: Cost	549	0.047	0.212
Motive: Confidentiality	549	0.052	0.222
Motive: Habit	549	0.066	0.249
Migrant owns a bank account	549	0.117	0.321
Illegal residence	549	0.256	0.437
Legal status: fully illegally	549	0.214	0.410
Destination: Russia		base	
Destination: Other CIS	549	0.040	0.197
Destination: Europe newcomers	549	0.030	0.173
Destination: South Europe	549	0.242	0.428
Destination: Developed	549	0.055	0.228
Destination: Other	549	0.026	0.159

Migrant's characteristics are presented by the amount of remittances, presence of bank account, migration particularities, channel choice motives and migration destination. Remittances transfers are described by the two variables: average sum per transfer and total amount of remittances accumulated during 12 months (measured in 100\$). It turned out that on average migrants send 72\$ at a time and 220\$ during the year. Frequency of visiting is dummy variables describing migrant's frequency of coming back. It can be observed that almost 50% of migrant workers are seasonal, i.e. they go abroad and stay at home approximately the same amount of time during the year. Migrant's channel choice motive is represented by dummy variable. The dummy variable consists of the following motives: speed, convenience, security, cost, confidentiality and habit. The most important factors are speed (24%), convenience (20%) and security (33%). Approximately 12% of migrant workers own a bank account abroad. Migration legal status in the destination country is represented by two variables: fully illegal status and illegal residence of migration. Illegal migrant workers cross the boarder of the current country destination illegally, without any permission. However some of the Moldavian workers have a destination country residency and thus have more opportunities toward legal employment. While most of the workers from the sample migrate legally and have residence permit, the share of illegal migrants is substantial (21-25%). Destination country variable is divided into 6 main groups dependent on the region: Russian, Other CIS, South Europe, Europe Newcomers, Developed countries and the rest of the World. Other CIS group is represented by Ukraine, Belarus and Azerbaijan. Europe region is divided into South Europe (Italy, Greece, Spain, etc.) and Newcomers (Romania, Bulgaria, etc.). So called "old" European are included into the Developed countries group together with the USA and Canada. The group Other destinations include Turkey, Syria and other remote countries.

Most of the Moldavian workers prefer to migrate to Russia Federation (60%) and to the South Europe (24%) countries.

Table 3. Summary statistics, household head characteristics

Variables	Obs.	Mean	Std. Dev.
Household head age	549	37.016	10.160
Household head gender	549	0.636	0.481
Household head education: less than secondary		base	
Household head education: Secondary	549	0.784	0.412
Household head education: University degree	549	0.141	0.348

Another group of explanatory variables, from the Table 2, reflects the household head personal characteristics: age, gender and level of education. On average this is a male over 30 years old, with secondary level of education.

The average household consists of more than 3 people with an average monthly expenditure of \$300. About 80% of households live in a rural area with a low level of financial infrastructure (more than 3 km to the nearest financial institution). Small part of them own either checking or saving accounts (13% and 9% respectively), have a loan (10%) and plan to start business (10%). Nevertheless the largest part of households (59%) trusts banks on the medium level (See Table 4).

Table 4. Summary statistics, household's characteristics

Variables	Obs.	Mean	Std. Dev.
Household expenditures (100\$)	549	2.883357	2.200361
Nearness of financial institution	549	12.04545	11.68883
Household owners a current account	549	0.1298701	0.3364337
Household owners a saving account	549	0.0925325	0.2900116
Urban area	549	0.2029221	0.4025018
Household size	549	4.183442	1.486126
Number of children	549	0.3701299	0.6497159
Trust in banks: I don't trust them		base	
Trust in banks: I trust them only a bit	549	0.2386364	0.4265964
Trust in banks: I trust them	549	0.5941558	0.4914537
Trust in banks: Trust in banks (high)	549	0.0324675	0.1773823
Savings (>500\$)	549	0.2126623	0.4095233
Has a loan	549	0.1055195	0.3074713
Plan to open a business	549	0.1055195	0.3074713

Chapter 5

EMPIRICAL RESULTS

There are 4 possible migrant's channels of the remittances transfers. Money transfer offices (MTO) are considered as the base choice. Statistically significant coefficients of other three channels (Bank transfers, Personal Transfers and Informal Transfers) are compared to this base. Three set of regressions are estimated and presented in three panels (See Tables 5, 7 and 8). The panel A offers the result of the estimation using multinomial logit model. In the panel B, we re-estimate the model while addressing the possible endogeneity problem. Endogeneity correction reduces the sample size. Since not all households participate in all waves, endogeneity correct reduces the sample size. To make sure that such reduction does not affect the estimation results. The regression from the panel A is also estimated on the smaller sample. These results are presented in the panel C. Panel B demonstrate our preferred specification. Other results are supportive and put in Appendix (See Tables 7 and 8).

Endogeneity correction

We would like to start the discussion by addressing the problem of possible endogeneity of bank account variables that was described in the previous section. This issue was disregarded in the previous literature thus it is important to address it. The above-mentioned reverse effect can be explained by the following way. Let assume that legally migrated Moldovan worker from the South Europe destination have decided to send money using official channel (Banks and MTO). Logically, his decision to use official channels affects the decision to open a bank account both in Moldova and in the country of destination. In this case, channel choice decision comes first and affects the decision to open bank account not vice versa. To correct for this endogeneity

we use lagged variables of migrant's current account variable from the CBS AXA 2006. Estimating our model with these lagged controls, we find that bank account variables become statistically insignificant (See table 5, panel B)¹. We can conclude that endogeneity problem is most likely present. Once we eliminate this problem, existence of bank accounts does not affect the choice of remittances transfer channel.

Now we proceed with discussion of the results presented in the panel two (our prefer specification).

Bank transfers

The discussion begins with the Bank Transfers and Informal Transfers because of the close to the first main hypothesis of this paper:

1. Owners of bank accounts are more likely to transfer (receive) money via official channels
2. Unofficial transfers are more preferred by unofficial migrant workers

As it was already said, the strong effect of the bank account found in panel A is endogenous. Once we correct for endogeneity, it fully disappears. Thus, the first hypothesis is rejected.

From the group of migrant's characteristics annual amounts of remittance and residence permit are statistically significant and have a positive effect. So, accumulated annual increase in remittances base has an overall positive effect on the banking transfer mechanism compared with MTO. Also richer households are more likely to use bank transfer.

¹ The sample size goes down since this is not a balanced panel. Re-estimating the regression on the smaller sample produces the same results.

Table 5. Panel B. Estimation results

VARIABLES	Channel of remittances transfer		
	Bank	Personal	Informal
average sum per transfer (100\$)	-0.153 (0.0992)	-0.114 (0.131)	-1.761** (0.799)
remittances 12months (100\$)	0.103** (0.0469)	0.0534 (0.0576)	-0.239 (0.238)
comes back at least 1 time	-0.387 (0.454)	1.952*** (0.612)	0.921* (0.558)
migrate and stay at home same time	-0.173 (0.429)	1.838*** (0.580)	0.608 (0.617)
stay at home more than migrate	-1.308** (0.659)	2.133*** (0.665)	0.875 (0.774)
Motive: Convenience	-0.353 (0.376)	2.009*** (0.520)	2.618*** (0.626)
Motive: Security	-0.136 (0.295)	2.037*** (0.481)	0.970 (0.613)
Motive: Cost	-0.732 (0.727)	1.076 (0.826)	2.181*** (0.826)
Motive: Confidentiality	0.897 (0.711)	4.018*** (0.761)	3.785*** (0.938)
Motive: Habit	-1.106 (0.882)	3.595*** (0.662)	2.748*** (0.741)
migrant Owns CA	0.882 (0.754)	0.570 (0.954)	1.002 (1.680)
Legal status: residence permit	0.686** (0.302)	-0.765* (0.400)	-0.332 (0.473)
Legal status: fully illegally	-0.628* (0.367)	0.0941 (0.436)	1.057** (0.489)
Destination: Other CIS	0.534 (1.000)	3.118*** (0.809)	2.233** (1.049)
Destination: Europe newcomers	0.187 (0.748)	0.418 (0.835)	0.707 (1.217)
Destination: South Europe	0.527 (0.428)	-0.447 (0.599)	1.407** (0.593)
Destination: Developed	-0.387 (0.649)	1.414* (0.764)	-0.756 (1.263)
Destination: Other	-0.243 (0.888)	-0.723 (1.201)	2.935*** (0.922)
Household head gender	-0.0217 (0.290)	0.377 (0.340)	-0.211 (0.402)
Household head education: Secondary	-1.013** (0.415)	1.282 (0.795)	0.752 (0.871)

Table 5. Panel B. Estimation results - Continued

VARIABLES	Channel of remittances transfer		
	Bank	Personal	Informal
Household head education: University	-1.254** (0.518)	0.760 (0.925)	0.708 (0.991)
Household expenditures	0.206*** (0.0705)	0.254*** (0.0798)	0.123 (0.103)
Nearness of financial institution.	-0.0184 (0.0116)	0.00421 (0.0149)	-0.0198 (0.018)
Owners of current account	0.776 (0.538)	0.232 (0.705)	0.349 (0.928)
Owners of saving account	-0.259 (0.695)	0.0194 (0.848)	-15.56 (716.7)
Urban area	-1.268*** (0.405)	0.0399 (0.462)	-0.645 (0.582)
Household size	-0.168* (0.0983)	-0.191* (0.114)	-0.0895 (0.127)
Number of children	0.188 (0.197)	-0.219 (0.248)	-0.184 (0.363)
Trust in banks (low)	-0.254 (0.458)	-0.101 (0.498)	0.493 (0.643)
Trust in banks (medium)	0.365 (0.391)	-0.240 (0.461)	0.493 (0.574)
Trust in banks (high)	0.307 (0.723)	-0.533 (0.935)	1.926 (1.207)
Savings (>500\$)	-0.311 (0.328)	-0.482 (0.408)	-0.918 (0.576)
Has a loan	0.187 (0.383)	-0.541 (0.548)	0.821 (0.594)
Plan to open a business	-0.146 (0.408)	-1.209** (0.589)	-2.259* (1.245)
Constant	-0.112 (0.878)	-5.352*** (1.351)	-3.641** (1.475)
Observations	549	549	549

Standard errors in parentheses

*** p<0.01, ** p<0.05, * p<0.1

In contrast, fully illegally migration, secondary and university education, household size, urban area variables are statistically significant with negative effect. Therefore migrants with such characteristics are less likely to use bank transmission mechanism compare with MTO.

Informal transfers

Legal status indeed has a strong effect on the choice of the channel. If migrant is fully illegal informal transfers are strongly preferred, followed by MTO and personal transfers while bank becomes the least likely choice. Availability of residency permit does not affect the choice of informal transfers.

Other variables with a positive effect for informal transfers' choice as compared with MTO (base) include: frequency of migration (comes back at least 1 time), motivation of channel choice (Convenience, Cost, Confidentiality and Habit), and destination countries (Other CIS, South Europe and Other). The groups of statistically significant variables with a negative sign are the following: average sum per transfer and plan to open a business. Migrants who bring remittances via informal transfers are highly motivated by convenience, cost and confidentiality. In addition informal transfers are more preferred by migrants who send money from Ukraine, Turkey and South European countries (Italy, Greece, Spain, etc.). More details are in table 5.

Personal transfers

Regression coefficients of personal transfer group compare with MTO (base) behaves quite similarly to the determinants of informal transfers group. For instance, channel choice motivation (Convenience, Confidentiality and Habit), frequency of migration (comes back at least 1 time), migrant's destination countries (Other CIS) that are statistically significant and has approximately the same positive effect on personal transfer choice. The same is true about the negative effect of the variable plan open a business. In contrast, there are several variables that have a significant positive effect, such as frequency of migration (migrate and stay at home same time, stay at home more than migrate), channel choice motivation (Security) and migration destination countries (group of

Developed). Beside a positive effect, the household size variable has a negative impact.

Summarizing the effect of all significant variables for the bank, informal and personal channel choice to emphasize that on average both migrant and household characteristics matter. Especially migrant characteristics matter for choosing the personal and informal channels compare with MTO. Our main hypothesis about the bank account and official channel choice is affected by the endogeneity problem. After solving this problem, we conclude that existence of bank account does not affect the choice of remittances transfer channel. However, another hypothesis is supported by the regression. Similar to Amuedo-Dorantes and Pozo (2005) and Craciun (2006) we find a positive and significant effect of illegal migration on migrant choice of using informal channel. For deeper analysis and result interpretation on the level of probabilities odd ratios are calculated.

Relative risk ratios

Let's continue our analysis using relative risk ratios (odds ratios) for the multinomial logit model. A relative risk ratio is mentioned in the methodology section. For instance, if $\left(\frac{P_{\text{bank}}}{P_{\text{MTO}}}\right)=1$ means that migrant worker is indifferent between bank and MTO channel choice. If this number is less (more) than one, it means that $P_{\text{bank}} > (<)P_{\text{MTO}}$, i.e. bank channel choice if more(less) likely to be used in comparison with MTO.

Table 6. Relative risk ratios estimation

VARIABLES	Channel of remittances transfer		
	Bank	Personal	Informal
average sum per transfer (100\$)	0.86	0.89	0.17*
remittances 12months	1.11*	1.05	0.79
comes back at least 1 time	0.68	7.04**	2.51
migrate and stay at home same time	0.84	6.28**	1.84
stay at home more than migrate	0.27*	8.44**	2.4
Motive: Convenience	0.7	7.46***	13.71***
Motive: Security	0.87	7.67***	2.64
Motive: Cost	0.48	2.93	8.85**
Motive: Confidentiality	2.45	55.61***	44.04***
Motive: Habit	0.33	36.42***	15.61***
migrant Owns CA	2.42	1.77	2.72
residence permit	1.99*	0.47	0.72
illegally migration	0.53	1.1	2.88*
Dstination: Other CIS	1.71	22.61***	9.33*
Dstination: Europe newcomers	1.21	1.52	2.03
Dstination: South Europe	1.69	0.64	4.08*
Dstination: Developing	0.68	4.11	0.47
Dstination: Other	0.78	0.49	18.83**
Household head age	1.01	1	0.99
Household head gender	0.98	1.46	0.81
Household head education: Sec.	0.36*	3.6	2.12
Household head education: Univ.	0.29*	2.14	2.03
Household expenditure	1.23**	1.29**	1.13
Nearness of financial institution	0.98	1	0.98
Owners of current account	2.17	1.26	1.42
Owners of saving account	0.77	1.02	0
Urban area	0.28**	1.04	0.52
Household size	0.85	0.83	0.91
Number of children	1.21	0.8	0.83
Trust in banks (low)	0.78	0.9	1.64
Trust in banks (medium)	1.44	0.79	1.64
Trust in banks (high)	1.36	0.59	6.86

Table 6. Relative risk ratios estimation

VARIABLES	Channel of remittances transfer		
	Bank	Personal	Informal
Savings (>500\$)	0.73	0.62	0.4
Has a loan	1.21	0.58	2.27
Own business	0.86	0.30*	0.1
	(-0.36)	(-2.05)	(-1.81)
Constant	0.89	0.00***	0.03*
	(0.878)	(1.351)	(1.475)
Observations	549	549	549
Standard errors in parentheses	Pseudo R-sq	0.26	
*** p<0.01, ** p<0.05, * p<0.1	Modelchi-sq		348.66

Starting with migration characteristics, our estimation suggests that likelihood of using bank channel in comparison with MTO is higher among migrants, who send more money per year and have no residence permit, with odds ratios of 1.11 and 1.99 to 1(See Table 6). In addition, the odds are 1.23 to 1 in favoring the use of banking services by the migrants who came from richer households. In contrast, the likelihood of using bank channel is lower among migrants who stay at home more than migrate (0.27 to 1), have university education (0.29 to 1) and came from urban area (0.28 to 1).

The estimation of fully informal transfers suggests that likelihood is higher among migrants who have a fully illegal status of migration and prefer CIS countries destination like Belarus and Ukraine, with high odds ratios of 2.88 and 9.33 to 1. In addition, migrants from South Europe destination are more likely to use informal channels relative to formal, with odds ratios 4.08 to 1. Our estimations suggest that for migrant's informal channel choice the convenience, cost, confidentiality and habit motive are statistically significant, with high odds ratios. In contrast, migrants are demotivated of using informal

channels relative to MTO by future plans to open business, with odds ratios 0.3 to 1. Moldovan migrants from Ukraine, Belarus and Azerbaijan are even more likely to use personal transfers ($\frac{P_{\text{personal}}}{P_{\text{MTO}}} > \frac{P_{\text{informal}}}{P_{\text{MTO}}}$). It can be explained by the seasonal migration and higher effect of confidentiality and habit motive (See table 6).

Chapter 6

CONCLUSION

This paper analyzes the link between remittances and transmission mechanisms choice based on migrant and household members characteristics. The analysis has been made using data set survey CBS AXA 2008, the Republic of Moldova case. The objective of the analysis is to understand and to interpret the main factors that significantly affect the specific migration worker's channel choice in comparison with other base variables. In particular, migrant workers are more likely to use bank channel in comparison with MTO if they send a larger amount of remittances within a year, if they have a residence permit and they came from a richer household. At the same time, Moldovans that came from richer households are even more likely to use personal channel compare with MTO. Household members with a bank account do not motivate migrants to send money via any methods of transmission mechanisms. At the same time, illegal migrants are more likely to transfer money via unofficial channel compare with MTO. Thus, only one hypothesis is supported by this study.

The motivation is an important determinant for the choice of remittances transfer. It means that when migrant decides to bring money home personally or informally as compared with MTO, his choice is driven by convenience, confidentiality, habit and costs. Security motive matters when migrant worker decide to transfer remittances personally. In contrast, concerns about security, cost and convenience have no impact on the choice between bank transfer and MTO transmission mechanism.

Households which plan to start own business are less likely to receive remittances through informal channels. Banks and money transfer offices can

take these findings into account for their objectives. For instance, decreasing interest rate on credit for business purposes probably may affect migrant decision to send money using official channels. Therefore we can conclude that banking and MTO services have to reconsider their services policy on business loans, cost, convenience and confidentiality related to remittances in order to attract higher number of migrant customers.

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APPENDIX

Table 7. Panel A. Estimation results of the regression

VARIABLES	Bank	Personal	Informal
average sum per transfer (100\$)	-0.176* (0.0996)	-0.112 (0.121)	-1.684** (0.745)
remittances 12months	0.104** (0.0447)	0.0607 (0.0526)	-0.303 (0.227)
comes back at least 1 time	-0.0729 (0.403)	1.989*** (0.601)	0.904* (0.520)
migrate and stay at home same time	0.242 (0.404)	1.902*** (0.571)	0.422 (0.594)
stay at home more than migrate	-0.759 (0.570)	2.169*** (0.645)	0.279 (0.746)
Motive: Convenience	-0.363 (0.361)	2.112*** (0.515)	2.638*** (0.562)
Motive: Security	-0.122 (0.277)	2.015*** (0.479)	0.895 (0.575)
Motive: Cost	-0.964 (0.712)	1.108 (0.828)	1.861** (0.773)
Motive: Confidentiality	0.870 (0.711)	4.447*** (0.745)	4.051*** (0.856)
Motive: Habit	-1.171 (0.816)	3.706*** (0.674)	2.576*** (0.691)
migrant Owns CA	0.693* (0.353)	0.230 (0.525)	-0.893 (0.666)
Legal status: residence permit	0.577** (0.291)	-0.893** (0.404)	-0.335 (0.448)
Legal status: fully illegally	-0.516 (0.345)	0.161 (0.434)	1.046** (0.462)
Destination: Other CIS	0.779 (1.045)	3.674*** (0.882)	2.642** (1.070)
Destination: Europe newcomers	0.0521 (0.739)	0.607 (0.857)	1.149 (1.159)
Destination: South Europe	0.707* (0.395)	-0.725 (0.601)	1.426** (0.568)
Destination: Developed	-0.256 (0.620)	1.386* (0.747)	0.194 (1.035)
Destination: Other	-0.605 (0.917)	-0.358 (1.173)	2.490*** (0.855)

Table 7. Panel A. Estimation results of the regression- Continued

VARIABLES	Bank	Personal	Informal
Household head age	0.0174 (0.0121)	0.00114 (0.0150)	-0.0025 (0.018)
Household head gender	-0.0182 (0.268)	0.417 (0.338)	-0.0276 (0.396)
Household head education: Secondary	-1.160*** (0.398)	1.333 (0.832)	0.740 (0.860)
Household head education: University	-1.330*** (0.494)	0.857 (0.963)	0.482 (0.973)
Household expenditure	0.222*** (0.0645)	0.247*** (0.0776)	0.108 (0.106)
Nearness of financial institution.	-0.0118 (0.0106)	0.00320 (0.0148)	-0.0178 (0.018)
Owners of current account	-1.063** (0.454)	-2.019*** (0.730)	-0.653 (0.757)
Owners of saving account	1.186** (0.507)	0.855 (0.735)	1.069 (0.938)
Urban area	-1.186*** (0.367)	0.0996 (0.437)	-0.798 (0.571)
Household size	-0.180** (0.0902)	-0.242** (0.110)	-0.150 (0.121)
Number of children	0.107 (0.192)	-0.196 (0.252)	-0.0749 (0.356)
Trust in banks (low)	-0.597 (0.423)	-0.00748 (0.495)	0.407 (0.613)
Trust in banks (medium)	-0.0274 (0.358)	-0.191 (0.459)	0.458 (0.546)
Trust in banks (high)	0.319 (0.653)	-0.107 (0.940)	2.275** (1.063)
Savings (>500\$)	-0.391 (0.358)	-0.284 (0.456)	-1.133* (0.676)
Has a loan	0.450 (0.357)	-0.474 (0.536)	0.766 (0.587)
Plan to open a business	-0.274 (0.383)	-1.149** (0.554)	-2.376** (1.136)
Constant	-0.0641 (0.839)	-5.512*** (1.385)	-3.557** (1.478)
Observations	606	606	606

Standard errors in parentheses
 *** p<0.01, ** p<0.05, * p<0.1

Table 8. Panel C. Estimation results of the regression

VARIABLES	Bank	Personal	Informal
average sum per transfer (100\$)	-0.166 (0.103)	-0.116 (0.122)	-1.839** (0.779)
remittances 12months	0.111** (0.0480)	0.0637 (0.0552)	-0.199 (0.236)
comes back at least 1 time	-0.264 (0.443)	1.951*** (0.611)	0.931* (0.549)
migrate and stay at home same time	-0.118 (0.430)	1.761*** (0.589)	0.498 (0.622)
stay at home more than migrate	-1.235* (0.654)	2.055*** (0.671)	0.374 (0.778)
Motive: Convenience	-0.488 (0.383)	1.837*** (0.521)	2.448*** (0.601)
Motive: Security	-0.285 (0.301)	1.845*** (0.483)	0.851 (0.602)
Motive: Cost	-0.652 (0.749)	1.070 (0.840)	2.037** (0.809)
Motive: Confidentiality	0.847 (0.722)	3.947*** (0.770)	3.704*** (0.923)
Motive: Habit	-0.965 (0.841)	3.589*** (0.685)	2.670*** (0.734)
migrant Owns CA	0.500 (0.376)	0.164 (0.530)	-0.580 (0.680)
Legal status: residence permit	0.549** (0.306)	-0.876** (0.407)	-0.346 (0.456)
Legal status: fully illegally	-0.587 (0.373)	0.106 (0.444)	1.031** (0.478)
Destination: Other CIS	0.891 (1.058)	3.559*** (0.886)	2.549** (1.077)
Destination: Europe newcomers	0.367 (0.784)	0.742 (0.885)	1.331 (1.184)
Destination: South Europe	0.549 (0.426)	-0.483 (0.609)	1.329** (0.594)
Destination: Developed	-0.552 (0.664)	1.336* (0.768)	-0.698 (1.319)
Destination: Other	-0.469 (0.915)	-0.502 (1.182)	2.357*** (0.885)

Table 8. Panel C. Estimation results of the regression- Continued

VARIABLES	Bank	Personal	Informal
	(0.0134)	(0.0155)	(0.019)
Household head gender	-0.0702 (0.290)	0.399 (0.347)	-0.247 (0.407)
Household head education: Secondary	-0.964** (0.426)	1.427* (0.830)	0.864 (0.881)
Household head education: University	-1.247** (0.531)	0.943 (0.955)	0.730 (0.991)
Household expenditure	0.235*** (0.0727)	0.297*** (0.0831)	0.150 (0.107)
Nearness of financial institution.	-0.0185 (0.0118)	0.00349 (0.0152)	-0.0194 (0.019)
Owners of current account	-1.385*** (0.503)	-2.155*** (0.746)	-1.144 (0.797)
Owners of saving account	0.845 (0.546)	0.677 (0.748)	0.784 (0.996)
Urban area	-1.239*** (0.406)	0.0529 (0.461)	-0.680 (0.584)
Household size	-0.196** (0.0998)	-0.222* (0.115)	-0.173 (0.127)
Number of children	0.164 (0.201)	-0.205 (0.254)	-0.0492 (0.359)
Trust in banks (low)	-0.320 (0.466)	-0.0471 (0.502)	0.725 (0.648)
Trust in banks (medium)	0.252 (0.396)	-0.198 (0.463)	0.689 (0.587)
Trust in banks (high)	0.645 (0.684)	-0.277 (0.944)	2.314** (1.094)
Savings (>500\$)	-0.205 (0.389)	-0.135 (0.471)	-0.806 (0.700)
Has a loan	0.273 (0.391)	-0.436 (0.547)	0.785 (0.595)
Plan to open a business	0.0141 (0.400)	-0.984* (0.573)	-2.276* (1.176)
Constant	-0.0274 (0.894)	-5.452*** (1.389)	-3.594** (1.512)
Observations	541	541	541

Standard errors in parentheses

*** p<0.01, ** p<0.05, * p<0.1

Table 9. Main phases in migration and remittances research

Period	Research community	Policy field
until 1973	Development and migration optimism	Developmentalist views; capital and knowledge transfers by migrants would help developing countries in development take-off. Development strongly linked to return
1973-1990	Development and migration pessimism (dependency, brain drain)	Growing skepticism; concerns on brain drain; after experiments with return migration policies focused on integration in receiving countries. Migration largely out of sight in development field, tightening of immigration policies.
1990-2001	Readjustment to more subtle views under influence of increasing empirical work (NELM, livelihood approaches, transnationalism)	Persistent skepticism and near-neglect of the issue; “migration and development, nobody believes that anymore” (Taylor et al., 1996a: 401) further tightening of immigration policies
> 2001	Boom in publications: mixed, but generally positive views.	Resurgence of migration and development optimism under influence of remittance boom, and a sudden turnaround of views: remittances, brain gain, diaspora involvement as vital development tools. Development contribution of migration often framed within renewed hopes put on circular and return migration.

Source: Hein de Haas, 2008.

Table 10. Irregular migration of Moldovan migration worker

Migrant workers by destination regions and employment industry	People who went illegally (%)	People who lived abroad illegally (%)	People who worked abroad undocumented (%)
Construction workers in CIS countries	20	33	37
Migrant employed in other industries in the CIS	14	24	22
Migrant workers in the EU countries and Israel	38	44	35
Migrant workers in other countries	22	43	41
Total	24	35	32

Source: CBS-AXA – 2006 Sociological Research

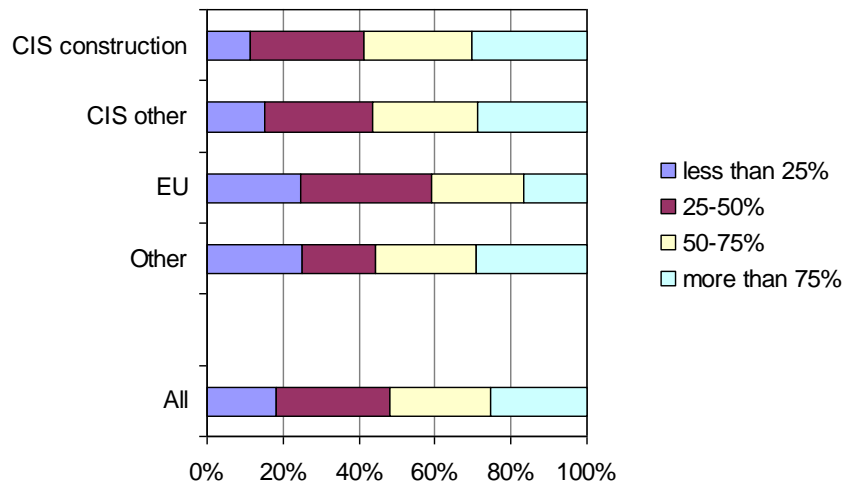


Figure 1: Proportion of income transferred (in percent)

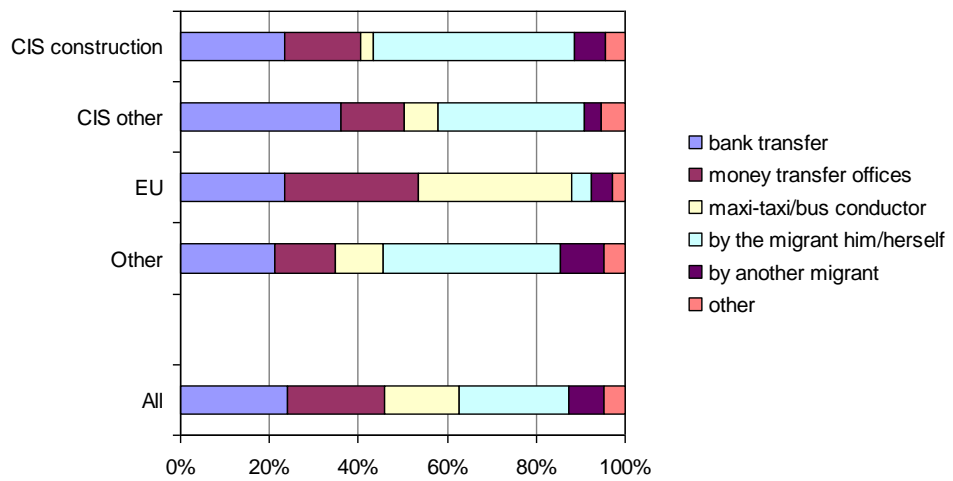


Figure 2: Main methods used to transfer the money (in percent)

Source: SBS AXA Survey