

CHAPTER I

INTRODUCTION

1.1. Background

There is an increase of the monetary transmission from migrant labors and others, including high-salary countries, in 2016 grew from USD 573 billion and in 2017 convert to USD 613 billion in 2017 (ibid.). The most imperative aspect upsetting economic relationships among developed and developing countries in the 21st era was called International migration. In 2004, Devesh Kapur argue that remittances have arisen as the second biggest source of remaining financial movements to developing states.

Study of remittances is likely to be important. Theory of International flow give classified the sources of financial resources into three part, firstly is private direct and portfolio investment, then remittances of earnings by international migrant, lastly public and private development assistance from government. in 2012, the level of remittances made up 12 % of FDI invasions and was even advanced than ODA.

From the economic fact of understanding, remittances make up a noteworthy component of the country's income. Workers' remittances augmented by 4 percent in 2012 linked with 2011, causative to 21 percent of gross invasions in the existing version. ow that the economic determinants of international remittances have been identified at the macro-level in the developing world, it becomes important to

identify the impact of these resource flows on welfare and poverty in specific developing countries.

Based on IMF (2009), the statistical description used for the group of data remittances is larger. Remittances exceed official development aid but are private reserves. It usually understood as the most direct and well-known link between migration and development. The money or goods that migrants send back to families and friends in origin countries, are often also, such estimations do not cover informal transfers. According to Levitt (1987), he argued that remittances can be transferred to communities of origin. It is also be of a social nature, such as the ideas, behaviour, identities, social capital and knowledge that migrants acquire during their residence in another part of the country or abroad.

Despite the everlasting-cumulative scope of authorized international remittances, the increase of foreign capital sources such as foreign direct investment (FDI) and official aid also become an increasing factor of economic development in developing countries. A host of main strategy questions thus remain unanswered: What kind of international migration, the proof of the importance of remittance in a developing country, then the analysis of remittances and another variable global overview to the economic growth. So, based on the explanation above, the writer would like to analyze the result with a title:

**"Intensifying Economic Growth Through Remittances
in Asia Developing Countries"**

1.2. Research Problem

In a developing economy with limited growth potential, the return to human capital is likely to be low. Nevertheless, the best and brightest from a developing country may essentially upsurge the incentive to attain education. Since only a small portion of educated people in a definite country would migrate, this would inspire the average level of education of the residual population to rise.

Determining which of the opinions that most accurate is hard, assumed the scarcity of obtainable information of international migration. For example, at the international level, data on either the number or skill characteristics of international migrants is no reliable or dependable system. Furthermore, labor-exporting nations do not naturally preserve pathway of the education of labor migrant at the national level.

1.3. Research Objectives

Objectives for this research are:

- i. To critically examine the relationship between Remittances and Economic Growth
- ii. To explain the relationship between Capital Account Balance and Economic Growth
- iii. To analyze the relationship between Foreign Direct Investment (FDI) to Economic Growth

1.4. Research Advantages

In this research, it can be seen the relationship between the remittances and economic growth, then this research will give advantages to:

1. In theoretical terms

- a. In theoretical terms is to promote development and knowledge, particularly in remittances and economic growth
- b. As additional literature, that relates to the study of Remittances and Economic Growth

2. In practical terms

- a. For the author - increase the ability to write scientific papers and doing research.
- b. For the government - the results of this research are ordinary to be useful as to the government in formulating the policy regarding International Labor Migration.
- c. For other researchers - can be used as consideration, the reference, information and stimulus them to conduct further research.

1.5. Limitation of The Study

This study will take a specific topic about the impact of Remittance to economic growth in selected eight Asia developing countries such as Indonesia, Bangladesh, China, India, Malaysia, Nepal, Philipines, and Samoa. Then, the researched period is 2008 - 2017 and the data of this study is provided by World

Bank Data. The writer would create the methodology and formula to finish the model with Panel Co-integration, whether GDP as the dependent variable, Remittance, Foreign Direct Investment, and Capital Account Balance as the independent variable.

1.6. Systematic of Writing

Here is the systematic writing of this paper:

Chapter I : Introduction

There is seven-part in this chapter, among of that is background and then, the goal of the research, research objectives, hypothesis of research, the limitation of research and systematic writing.

Chapter II : Theoretical Framework

This chapter discusses about international Remittance and Economic Growth theoretical framework and literature review.

Chapter III : Research Methodology

The research design of this study includes quantitative and qualitative analysis. From the quantitative analysis, the writer will set the methodology and formula to solve the equation with Panel Co-integration. Otherwise, the qualitative analysis of this study will focus on Indonesia remittance case compare to another 7 countries, the writer also did the deep interview in Japan related to the reality of labor migration in that country.

Chapter IV : General Overview.

This chapter explains the outlook and recent development of variables in 10 developing countries related to research data from 2007 until 2017.

Chapter V : Empirical Result and Analysis

This chapter explains about the output of the research and the analysis from the processed of data, then the writer will describe through modeling approach through some output of data processing in order to estimate the effect of remittance to GDP per capita by using software/system and manual approach to process the data.

Chapter VI : Conclusion and Recommendation

