THE ANALYSIS OF THE REMITTANCE VALUE ESTIMATE

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Abstract

The remittances are transmitted by migrants because they want to help their family. Also, to cover the expenses that a migrant has in his / her country of residence. The value of these remittances is rather high, but a number of emigrants provide less and less transparency. It is first and foremost the strategy of governmental authorities to bring these people into the possibility of imposing new taxes and taxes, and then causes them not to formalize remittances, but between remittances and their real value the difference is in favor of real value. There are a number of economists who have issued a series of opinions, even definitions, of the value of remittances and remittances in reality. The value of remittances increases as they enter the country, even if they are highlighted or not. We know that at the level of households, a high percentage especially in Romania and countries in our group, there is a reluctance on the part of migrants to work through the financial system, preferring to keep the cash inputs into the country. Remittances should also be interpreted as a strategic reason, namely, there are a number of migrants who want remittances to be interpreted as a consequence of migration and the desire to help their family, social group and, last but not least, to ensures the start of their own investments. It is difficult to put the problem so treacherous in the context in which we are today in a paradoxical situation. On the one hand, business is developing on the basis of information and data stored in a huge volume that provides transactions, international mutations. Today, there is no need for a country X trader to travel seven times in the Y country in order to perfect a business in its complexity. It is simply enough for the IT system to analyze the data it has access to and find the most efficient way to complete the transaction on the basis of certain conditions under which it can run. A number of economic models have been developed that study how a number of macroeconomic factors ensure the change of migrant opinion

and the increase of remittances. The relationship between the conditions of the migrant's country of destination economy and its income indicates that the migrant can save a percentage of the proceeds of the proceeds to use lightly in investments or other generations to carry out some profitable business. This kind of business, even though in the first phase it does not show through the tolling system that it brings great advantages to the government of the revenue-generating system to the state budget, has a decisive role in increasing the volume of activities, creating jobs and implicitly increasing the of the population's incomes. The main conclusions of this model are that improving the economic conditions of the country of destination have an effect on remittances, that investment and business conditions are created, savings in the banking system through well-reimbursed deposits through interest or in the country of origin are more delicate, the migrant is slowly determined to come and expand these remittances, which he sometimes has reservations with.

Keywords: *remittances, account, model, migrant, strategy*
JEL Classification: F24, J61

Introduction

The value of remittances is broadly described in this article, as well as some models that imply that the exchange of these services in which the migrant adjusts the volume of remittances is determined by a number of factors. The model under analysis highlights precisely these factors that can lead to the acceptance by those who hold sums collected in a country other than their native home to come and send home the sums for the benefit of the family, the household as well as the national economy as a whole. The Stark model describes the case of two potential migrant people, but one is less qualified than the other. The most qualified person is of course thinking about remittances, he thinks of capitalizing on them in his / her interest, of the family. The other has a more reserved approach because the amounts available are of a lower value if they are produced. The article also relies on another economic model that studies the macroeconomic determinants of remittances. This model was based on Huang and Vargas-Silva in 2005 and was based on the two-period analysis of the remittances in the country of origin of the migrant and the destination country. The last opinion of the migrant is to consolidate if he has decided to stay in the country where he has migrated and to get an ever better situation. In this case, there is a reverse phenomenon of family reunification rather than the transfer of remittances. Also in this situation can enter a series of people who find that in their native country the investment conditions have improved, becoming safe and profitable, to

increase the volume of remittances sent to the country. The model shows that, and so the relationship between the economic conditions in the country of destination of the migrant and his income from that country is a process of the migrant's income that he saves in his home country. In other words, a saved amount must be in excess of the usual expenditure needs for himself and his family under the circumstances.

Methodology, data, results and discussions

Remittances are transmitted by migrants either because the migrant wants to help their family, cover their material needs (home, car, land, etc.), in which case the amount of the remittances will be converted into local currency and will fall between the price the market and the opportunity cost of the beneficiaries. In the case of remittances being sent in order for the migrant to cover its debts (bank rate, costs incurred by migrating to the country of destination), the remitted value of the remittances will also take into account the interest rate for repayment of the loan, the interest rate will be set between the market of borrowers and creditors.

The model implies that in exchange for these services, marked with $\bar{X}$, the migrant adjusts the volume of remittances. The relationship by which the resident, considering remittances transferred, would accept to provide the migrant service is:

$$F^g\left(V^g + R, \bar{X}\right) \geq F^g(V^g, 0) \quad (1)$$

Remittances R can be expressed as follows: $R = R\left(\bar{X}, V^g\right)$

F is a function of consumption and quantity of services the resident has to make for the migrant $F^i\left(C^i, \bar{X}\right)$, i and may be the migrant *m* or household *h*.

• **Remittances seen as a strategic reason**

Starting from Stark's (1995) model, it is considered that both m and h are potential migrants, but h is less qualified than m. In this case, remittances can be interpreted as a strategic motivation, can be both a cause and a the consequence of migration. The hypothesis of the model is that in an economy where potential migrants have the same qualities, individual productivity does not stand out and so employers can pay lower wages than the wages of residents in the destination country, migrants will receive a salary according to the average productivity of the group minority of which I belong. Thus qualified migrants can increase the average productivity of the group and implicitly the salary received for the work done. With this in mind, unskilled migrants express their desire to stay in the home country and can convince

those qualified to take their place. This decision about who should migrate can be expressed from the point of view of game theory and Nash equilibrium through the following payment array:

Nash Equilibrium of Migration

Table 1

	He is migrating	**He does not migrate**
He is migrating	$\left(\frac{1+\pi}{2}V^m, \frac{1+\pi}{2}V^m\right)$	(V^m, V^g)
He does not migrate	$\left(\frac{V^g}{\pi}, \pi V^m\right)$	$\left(\frac{V^g}{\pi}, V^g\right)$

When two conditions are met simultaneously, the strategic reason for remittances appears.

To achieve the Nash balance, in the (Migrate, Migrate) point, you must:

$$\frac{1+\pi}{2}V^m > \frac{V^g}{\pi} \quad (2)$$

If condition (2) is met, for both players to benefit from strategic remittances, conditions (3) and (4) must be met simultaneously.

$$V^m - R \geq \frac{1+\pi}{2}V^m \quad (3)$$

$$V^g - R \geq \frac{1+\pi}{2}V^m \quad (4)$$

The optimal transfer is given by the relationship:

$$R^* = \frac{1+\pi}{2}V^m - V^g \quad (5)$$

An economic model that studies the macroeconomic determinants of remittances was developed by Huang and Vargas-Silva (2005). This model, over two periods, analyzes the relationship between remittances with the country of origin of the migrant and the country of destination. This is the utility of the migrant $U(C^d, C^o)$, a utility that depends on the migrant's consumption in the country of destination C^d and the migrant's family consumption in the country of origin C^o. The household consumption in the country of origin is given by $C^o\left((V^o + \pi V^o), \alpha R\right)$, π shows the relationship between the economic conditions in the country of origin and the income of the household $(V^o + \pi V^o)$, and α represents the cost associated with the

remittance transmission, R being remittances. Thus, in this first period the income restriction of the migrant is:

$V^d + \mu V^d = C^d + R + S$, μ shows the relationship between economic conditions in the migrant's country of destination and its income, and *S* is the percentage of the migrant's income that he / she saves in his / her home country.

In the second instance, the model hypothesis is that the migrant brings his / her family to the destination country, so the migrant maximizes your usefulness when:

$$\max_{\{C,R,S\}} U(C^{d1}, C^o) + \beta U(C^{d2}) \quad (6)$$

that is: $V^{d1} + \mu V^{d1} = C^{d1} + R + DS$ and

$C^{d2} = V^{d2} + \mu V^{d2} + (1 + i)S$.

$U(C^{d2})$ - utility in the second period, and β is the reduction factor.

The main conclusions of the model are:

The improving the economic conditions of the country of destination will have a positive effect on remittances ($\partial R / (\partial V^{\uparrow} d) \geq 0$).

The improving the economic conditions in the country of origin will have the effect of reducing the volume of remittances ($\partial R / (\partial V^{\uparrow} o) \leq 0$) .

Conclusions

The study shows that between remittances and remittances per se there is a correlation rather than a level of uniqueness in the sense that remittance is defined as the amount a migrant sends to his / her home country for the needs of the family, household, relatives or for starting a business. In this situation, the value, ie the total of remittances, undergoes changes from one time to another. Given that the migrant is confident that his country has a higher level of investment guarantee, tax, etc., he will send more money, so the value will increase. If the sums saved in a bank in Romania, say, are well below the amounts deposited in a bank in other European countries or elsewhere in the world, it will be reluctant to send a large volume of remittances at home, limiting only to the strict needs he / she feels, the family, his / her household in Romania. Another issue is that at national level each country should consider improving the conditions for receiving remittances and other possibilities for bringing value into the country through favorable legislation in this area. We can do a simple analysis. A rigid legislative system does not eliminate the entry of remittances into the country but rather determines the adjustment and capitalization by those concerned of the conditions in which they make unrecorded remittances and do not allow them to know their volume. In the context of a well-founded

legislative system that facilitates and even encourages remittances, their volume will increase. This is why the amount of remittances will increase depending on the factors mentioned above and from time to time changes occur depending on the changes that occur in the migrant's home country.

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