

MIGRATION, REMITTANCES, AND LOCAL DEVELOPMENT IN MOLDOVA

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SUMMARY

Remittances and know-how transfer play a significant role in economic development in countries with high out-migration, and Moldova, in this regard, has been abundantly studied. In our research, we tried to assess the influence of remittances and knowledge transfer on local development from the point of view of migrants' families, local entrepreneurs, and stakeholders. We used the empirical data from a nationwide survey of 608 rural households whose members experienced international migration and from the interviews with stakeholders and focus groups with farmers' attendees. The results revealed that remittances often support the household's budget, covering the salary gap and contributing to the initiation of local businesses. To encourage the investment of remittances in local infrastructure and entrepreneurship, the government launched several programs that aim to subsidize migrants' business incentives. However, the results show that migrants prefer to invest in improving living conditions and are more reluctant to invest in their own businesses, either because of the lack of a market or because of institutional mistrust. The local authorities acknowledge the importance of remittances on local development, but at the same time, they are concerned about the demographic resilience of the localities and emphasize the lack of labor force caused by migration. In the context of labor shortage, entrepreneurs in the agricultural field admit that they have to improve the technology of production processes but also adapt their field of activity to one that requires less intensive manual work. The obtained results contribute to a better understanding of the influence of remittances on migrants' households and local development.

Keywords: migration, remittances, local development, subsidies, agriculture

INTRODUCTION

Remittances are one of the primary sources of income for the migrants' households and contribute to economic growth in countries with high out-migration rates (Meyer & Shera, 2017). Particularly, the migrants' remittances add to the development of the community of their origin (De Haas, 2010), facilitating the increase in consumption and local entrepreneurship initiation (Piracha & Saraogi, 2012) and contributing to the local budget. Remittances are synergic to overall growth, especially when accompanied by good-quality local infrastructure and governance (Cingolani & Vietti, 2019).

In host countries, migrants accumulate financial resources, extend their networks, and acquire ideas and knowledge essential for entrepreneurial initiation. Often, business models initiated by migrants are inspired in the host countries or improved by the know-how transfer in terms of productive or managerial optimization. However, the migrant or migrant's family will only start a business when their remittances can cover household budget constraints and sufficient savings are accumulated (Kakhkharov, 2018).

Migrant transfers generally offer educational opportunities for remittance-receiving households by covering the budget gap, especially in secondary education. Additionally, overall remittance-created household improvements facilitate the family members' state of health and increase their life expectancy (Zhunio et al., 2012).

In Moldova, high out-migration has challenged the country's demographic resilience (Gagauz et al., 2023)

while remittances have improved living standards and contributed to poverty reduction among the household members left behind (Waidler et al., 2016; Meyer & Shera, 2017; Abduvaliev & Bustillo, 2019). Remittances in Moldovan households are widely used for consumption purposes, while investments are made when a certain amount of savings is accumulated (Ianioglo et al. 2020).

In the receiving countries, migrants interact with institutions and are involved in the production chain of goods and services – factors that shape their economic, political (Barsbai et al., 2017; Marcu, 2014), and social behavior. Nonetheless, migrants accumulate resources and knowledge, contributing to the sustainable development of their community of origin.

In this research, we aim to explore the influence of remittances and knowledge transfer on local development and national and local authority interventions in response to the population migration experience. We used national-representative qualitative and quantitative data collected within the AGRUMIG project for this analysis.

The results suggest that remittances' contribution to the development of the migrants' origin community also depends on the quality of the national and local governments and their policies to incentivize investments in the local economy. On the other hand, migrants are less willing to invest when there is a lack of infrastructure, high corruption, or extractive state bodies in the localities of their origin.

DATA SOURCES AND USED METHODS

The study is conducted based on collected qualitative data and refers to 608 respondents from a nationally-represented rural household survey, five interviews with the representatives of the academia and national and local authorities, seven focus groups with farmers attendees, and six in-depth interviews with Moldovan farmers. In the table insert is presented detailed information on the data used:

Source	Description
Household survey on agricultural activity and migration in rural households of the Republic of Moldova	A nationally representative study includes 608 households with emigrational experience, where at least one person is involved in agricultural activity and at least one member of the household has migrated seasonally / long-term in the last 10 years. The survey was carried out between 4 and 21 January 2021 in all three regions (North = 193 households, Centre = 250 households, and South = 165 households), covering 63 villages. The purpose of the survey was to analyze various aspects of rural households in Moldova and the strategies they adopt to manage the impact of migration – in particular, general living strategies, patterns of migration by family members, cultural patterns, changes in the allocation of agricultural resources, gender / generational roles and decision-making before and after migration and allocation of remittances. The questionnaire included 75 questions that mainly included blocks that concerned household characteristics, short and long-term migration, land cultivation, animal husbandry, means of living, remittances and financing of migration, public programs and subsidies, changes in lifestyle, and the impact of the COVID-19 pandemic.
In-depth interviews with stakeholders	In September-October 2021, were conducted five in-depth interviews with (1) two scholars from the State Agrarian University of Moldova, (2) the deputy mayor of the Ialoveni City, (3) three representatives of the Agency for Intervention and Payments in Agriculture (AIPA), (4) one representative of the Organization for Small and Medium Enterprises Sector Development (ODIMM), (5) the mayor of the Nișcani village, Călărași.
Focus group discussions with farmers' attendees	In January 2022, seven focus groups with farmers and rural entrepreneurs in Cahul (6 men and 2 women), Cioc-Maidan and Congaz, Comrat (7 men), Nisporeni (6 men), Gordinești, Edineț (8 men and 5 women), Țaul, Dondușeni (7 men and 1 women), Ungheni (6 men and 3 women), Cubolta, Singerei (6 men and 1 women).
In-depth interviews with Moldovan farmers	3 interviews in the Hancești region (villages Loganesti, Draguseni, and Draguseni Noi) and 3 interviews in Cahul (villages Valeni, Gavanoasa, Gotesti)

MAIN RESULTS AND DISCUSSION

CHARACTERISTICS OF SURVEYED MIGRANTS' HOUSEHOLDS

In the survey, the households were selected based on two main criteria: at least one member of the household has migrated in the last 10 years (long-term or seasonally), and at least one household member is involved in agricultural activity. At the moment of data collection, 59% of the households had at least one member abroad for work, and the majority of the households' migrants were between 26 and 45 years of age, who in most cases were spouses/partners or children in relation to the persons interviewed. Migrants predominantly have vocational education (50%) and higher school completed (35 %),

while only 15% of migrants have higher education.

Most respondents (82%) indicated practicing agriculture in their household – cultivation of land and animal husbandry. Regarding the reasons for practicing agriculture, the interviewees most often indicated: producing healthy food for themselves and their household and providing enough food for the family, and rarely for selling. Among the respondents who practice agriculture, the most often produced crops are field vegetables, corn grains, and potatoes, whereas respondents generally rely mostly on irrigation through rain.

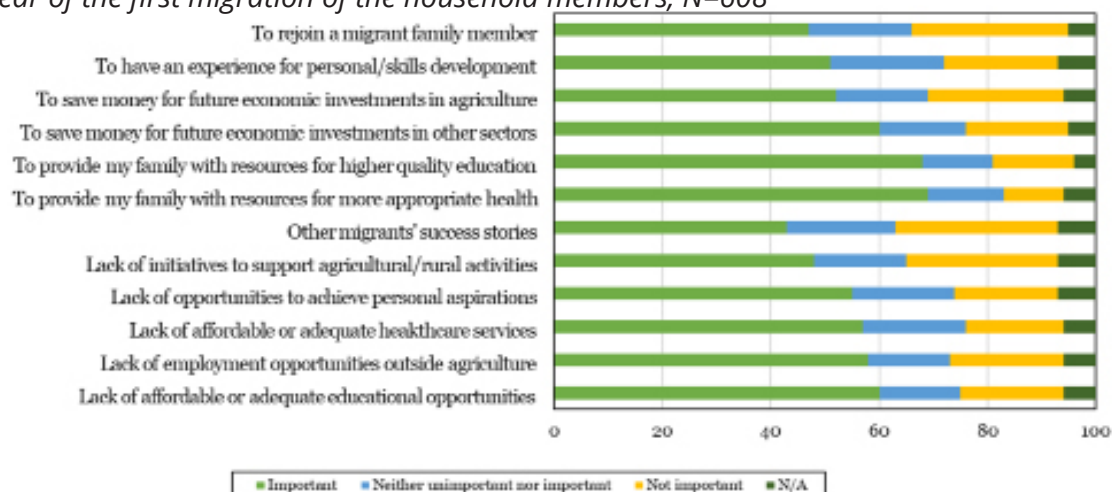
Among the respondents who have at least two members in the household, more than one-third (39%) pointed out that one household member is currently employed in Moldova and earns an income (outside of agricultural activity on their own farm). The average monthly income of these households amounts to 6900 MDL (median – 5000). As the results emphasize, the members of the interviewed households are highly involved in both seasonal and long-term migration, where the period of stay is predominantly determined by the country of destination. Among the main destinations were stated CIS (predominantly Russia) and EU countries (Italy,

Germany, France, Great Britain, Romania, Czechia, etc.), with a noticeable shift towards European countries in recent years.

The years of the first migration of the surveyed households' members are predominantly concentrated between 2000 and 2017, with 22% in 2000–2005, 28% in 2006–2011, and 33% in 2012–2017 (Figure 1). This period corresponds with the years when the population in Moldova had a young structure with high migration mobility. Of course, the high migration during this period was molded by economic uncertainty in Moldova, and opportunities emerged in receiving countries.

Figure 1.

The year of the first migration of the household members, N=608



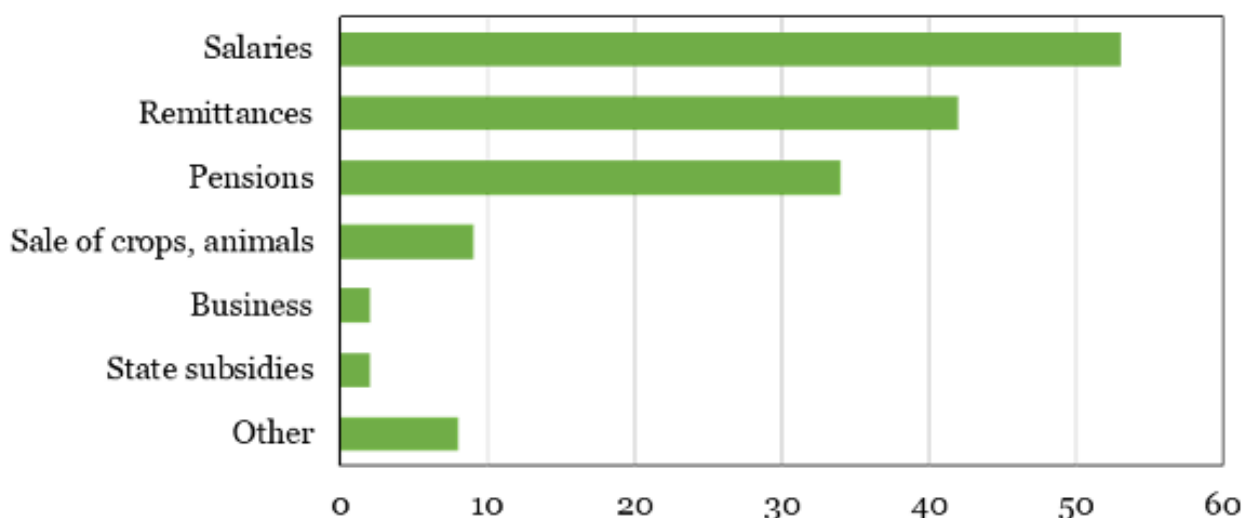
Source: Household survey on agricultural activity and migration in rural households of the Republic of Moldova

The received remittances of the interviewed families have significantly contributed to the overall household income (Figure 2), which on average amounted to 22.4 thousand Lei (median – 17.0 thousand Lei). In most cases, the migrant's spouse is responsible for deciding

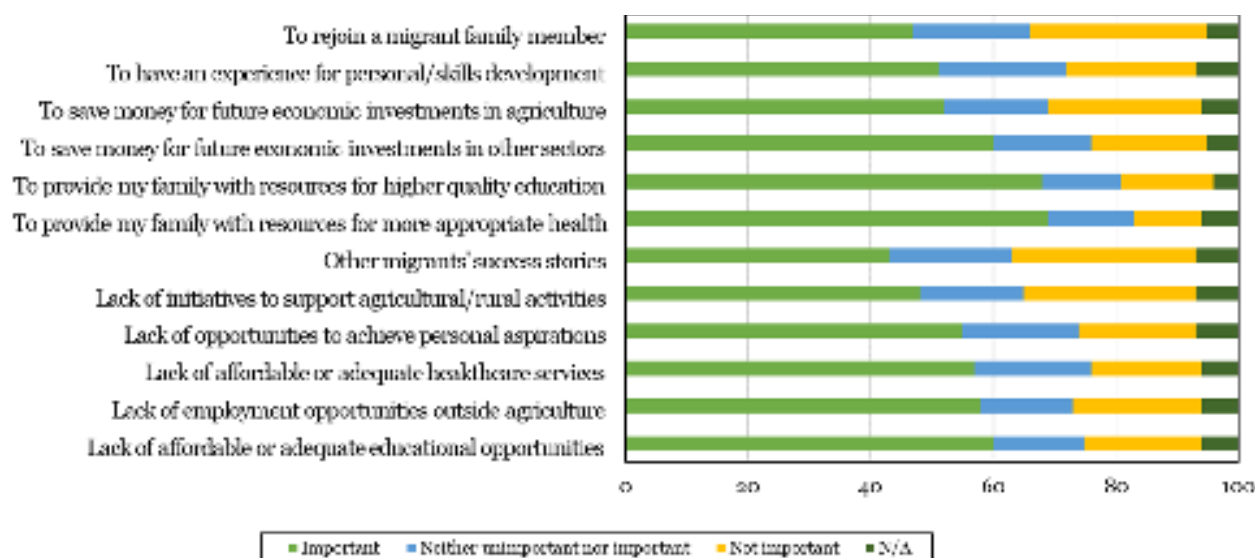
how to use the remittances received by the household, which are predominantly directed to basic needs (education, health, food, clothes), family events, building or repairing the house, savings, and investments.

Figure 2.

The sources of income of the interviewed households, N=608, %



Source: Household survey on agricultural activity and migration in rural households of the Republic of Moldova

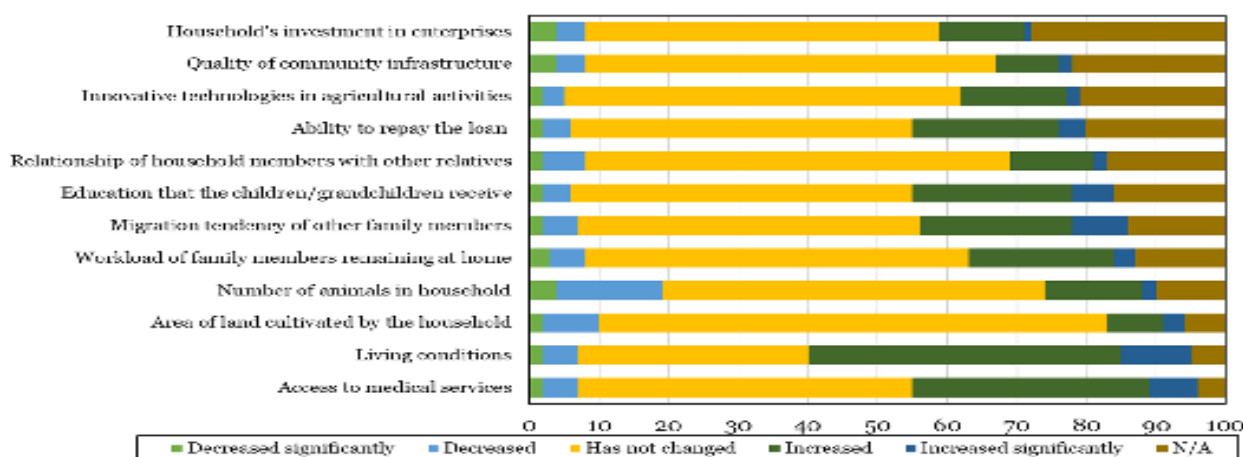
Figure 3.*The role of individual and contextual factors in migration intentions, N=608, %**Source: Household survey on agricultural activity and migration in rural households of the Republic of Moldova*

Migration decision is based on several factors that are strongly linked to the economic and social welfare of the population. With respect to the factors that would be considered by the respondents if they decided to migrate, 69% appreciated "the possibility to provide my family with resources for more appropriate healthcare" as a generally important factor, while 68% - said the same about "possibility to provide my family with resources for higher quality education". A higher share of male respondents (56%) than females (46%) noted that the possibility of having experience for personal/skills development would have a generally important role in their decision to migrate.

The use of remittances has visibly increased the socioeconomic state of the households, according to the persons interviewed (Figure 4). Thus, since a family member migrated, most households have

improved living conditions and increased their access to education and medical services. Interviewees also stated that migration has contributed to an increase in investment in entrepreneurship and improved the technologies used in agricultural activities. However, in numerous households, the person interviewed reported that migration of the family members had not changed their economic situation, while, as reported, in some households, it worsened.

The majority of the interviewed households have kept the original size of their agricultural land during the last 20 years, while 9% of the households sold their land plots, and 7% of the households increased the cultivated land. However, many households choose to lend their land plots to agricultural companies due to the lack of technical machinery necessary for land processing, aging, lack of time, and involvement in other non-agricultural activities.

Figure 4.*The impact of migration on households' socioeconomic state, N=608, %**Source: Household survey on agricultural activity and migration in rural households of the Republic of Moldova*

The members of the households interviewed revealed that the main reason for a family member to migrate is usually economic. At the same time, the migrants keep strong ties with family members left behind, and, according to interviewees, they are disposed to return after a specific amount of money is earned.

The results emphasize some changes in migration patterns. If a considerable number of migrants were

previously working in CIS countries, currently, the main destinations are the EU countries, the United Kingdom, the USA, Israel, etc. Stakeholders and migrants' families explain this change through economic factors and from high accessibility to the European labor market and educational and social systems with dual citizenship holders. At the same time, early migration is associated with a life strategy in the young population.

MIGRATION AND LOCAL ENTREPRENEURSHIP

In addition to investing in the local economy, migrants often implement business models inspired by their experiences in destination countries. When investments are made in traditional businesses (predominantly agriculture in rural localities), emphasis is placed on optimizing production processes, especially in reducing the intensive labor force. However, the interviewed farmers revealed that among the main factors that incentivize them to invest in local entrepreneurship are the diverse co-financing programs and, for greater chances of receiving a grant, they have to propose a sustainable project.

While discussing with agricultural entrepreneurs who were previously involved in international migration, we noticed that they are highly informed about the opportunities of state co-financing programs, and the decision to invest in agriculture often derives thanks to the programs that aim to attract remittances in the local economy. Due to the limited budget of the co-financing programs, entrepreneurs often adopt a strategy of applying to multiple subsidizing programs for smaller projects that are part of a whole business. While conducting interviews, we observed that most small entrepreneurs with migratory experience applied for business financing programs by using remittances. However, only 1% of the households we interviewed indicated that they had received or applied for financial support from a public program to initiate or co-finance an existing business.

All the interviewees of co-financing program beneficiaries mentioned their positive contribution to starting and developing their businesses, also the importance of the consultancy support from the funding organization, and, ultimately, the beneficial economic and social consequences for their families. Moreover, interviewees

mentioned on the positive aspects of development of local agricultural businesses on the local (rural) development, many of them pointing to the concept of "living" villages as a result of accessing investment development programs.

Besides the programs that aim to attract remittances in the local economy, migrants are eligible to apply for other national funding projects. In this regard, as stated, migrants frequently use agricultural subsidies as an additional tool for financing their businesses. However, it was mentioned that migrants are reluctant to apply for financing projects due to a lack of certitude in selecting the applicants for financing. The subsidy measure for former migrants is not among the most popular, as it has only a few applications from farmers, mainly due to its recent introduction and lack of information for agricultural producers on the application process. But, at the same time, former migrants, when starting a business in the agricultural sector or developing the existing one, have the possibility to apply for any subsidy measures they are interested in.

Development of rural areas used to be based mainly on the agricultural sector. Over 50% of the Moldovan population lives in rural areas, and about 20% of the employed population is engaged in agricultural activities. The current support programs for migrants are more diversified, and their focus has shifted from agricultural activities to non-agricultural ones. Therefore, the development of the rural environment is foreseen through investments not only in agricultural machinery or technique but also through the development of businesses in the provision of services for the population, like food and catering, agro-pensions, tailoring, car washing, hairdressers, etc.

PROGRAM INTERVENTIONS AND LOCAL GOVERNANCE

By conducting in-depth interviews with scholars, international organizations, and national and local body representatives who interact with the migration process and its outcome, we tried to investigate the changes that occur in the communities where the migrants originate. We noticed that the interviewed parties have divergent opinions on the effect of migration on local development. While scholars and program intervention

representatives perceive migration as an opportunity for development while attracting remittances to the local economy, local authorities have a more reserved opinion in this regard. At the same time, interviewees agree on the necessity to incentivize the investment of remittances in local entrepreneurship through public programs and interventions.

By asking the local authorities about the benefits that co-financing programs and subsidies bring to the localities, some representatives highlighted their crucial role in further development. First, the co-financing programs are generally initiated by the central authorities, and each financed and subsidized project boost the inflow of funds from the national budget to the local economy. Second, the subsidies and co-financing programs incentivize migrants to invest in local businesses. Third, local entrepreneurship reduces the level of out-migration and increases the degree of employment of the local population.

The representatives of remote localities revealed that, even though remittances contributed to community development and increased living standards, migration was among the main factors that caused population decline and hastened the aging process. Also, it was stated that the youth whose parents have migrated are likely to migrate internally or abroad. In this regard, local authorities perceive migration as a challenge to the further demographic resilience of the community. Among the main issues reported that result from outmigration was the migration of qualified human resources. In contrast, the local authorities of the villages and cities located near Chisinau appear to be more optimistic concerning further development, where remittances are seen as an additional tool for economic growth.

Generally, interviewees acknowledge the importance of remittances in the context of regional development, and, according to their statements, numerous local businesses were initiated or financed by using sources earned abroad. As mentioned, migrants are encouraged by intervention programs and subsidies to start a business. ODIMM representatives mentioned program PARE 1+1 (actual name PARE 1+2) as a largely implemented project, which aims to attract remittances in small-enterprise investments by contributing 50% to the overall investment. The PARE 1+1 program was highly appreciated by the local authority representatives, who agreed that it had incentivized some investments in their communities and contributed to the initiation of local businesses, primarily in agriculture. At the same time, interviews with beneficiaries of the PARE 1+1 program revealed the contribution of public funds to small business development, either in the agricultural sector or not, with a specific emphasis on the needs of local communities. Among the public programs that target migrants, interviewees mentioned DAR 1+3, which aims to incentivize the involvement of the diaspora in local infrastructure development by contributing 25% of investment in the project the community decides to implement. As the interviewed stakeholders stated, this program is improving local infrastructure but also helps to forge the network of relationships of people within the community.

DISCUSSION AND CONCLUSIONS

Migration in Moldova is a widespread phenomenon involving a significant number of rural population, for whom migration became a livelihood strategy. In the last decades, remittances significantly contributed to poverty reduction and improved living conditions, especially in rural localities. The majority of respondents of the interviewed households stated that, since one of the family members migrated, the living conditions generally improved.

The results show that migrant families are reluctant to use remittances to invest in business initiation, even though the state has been trying to stimulate the use of remittances for starting businesses for years. This could be explained by the low standard of living in rural localities when remittances are used to improve living conditions and solve daily problems. Another reason would be the lack of trust in state institutions and the high level of

perception of corruption. However, migrants who intend to invest gladly apply for co-financing programs that aim to attract remittances.

In rural areas, the agricultural sector is one of the most attractive sectors for investments. The possibilities of obtaining co-financing of the business are backed up by such support programs as PARE 1+1, a subsidy program, but other national economy sectors are also incentivized with the aim of increasing rural development and improving local infrastructure and service provision.

The results of the study suggest that regional development also depends on the involvement of local authorities. Developed infrastructure and qualitative local governance could be the key factors for building a resilient business environment, where remittances will serve as a synergic factor for economic growth.

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