DETERMINANTS OF MIGRANT WORKERS' REMITTANCES: A CASE STUDY OF THE GULF COOPERATION COUNCIL COUNTRIES

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UNIVERSITI PENDIDIKAN SULTAN IDRIS

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.

ABSTRACT

The purpose of this study is to analyze macroeconomic, non-macroeconomic and financial sector development (FSD) factors that influence migrant workers' remittances in the selected Gulf Cooperation Council (GCC) countries. An augmentedgravity model was employed as the theoretical framework and econometric methods were used to examine the relationships between macroeconomics (Gross Domestic Product (GDP), exchange rates, and inflation rates), non-macroeconomics (borders, cultural and history, partner countries, distances, and language) and FSD factors(credit to private sector (CPS) and openness to trade (OT)) towards remittances. Data sources from World Bank and group of central banks from 1989 to 2012 wereutilized. The empirical findings demonstrated that the GDP of the countries was the most significant factor in influencing the remittance flows. Moreover, other macroeconomic factors were also found to be significant in affecting the remittances including exchange and inflation rate. The result further suggested that, the GCC countries share similar results for the following non-macroeconomic factors language, cultural and history do provide the opportunity to remit extensively. The results also suggested that the development factors in financial sector including CPS and OT were significant and positively associated to remittances. In conclusion, the GDP (9.421, $p<0.001$) which is known as macroeconomic factor was found to be the significant in determining migrant workers' remittances in the selected GCC countries, followed by distance (7.101, $p<0.001$) for non-macroeconomic and CPS (1.449, $p<0.001$) under FSD factor. The implication of the study suggested that GCC governments need to understand the consequences of the outflow remittances and were recommended to identify significant factors that shape the size of remittance flows. Both regions were proposed to formulate policy systems of informal channels, including addressing the weaknesses of the formal systems.

PENENTU-PENENTU ALIRAN KIRIMAN WANG PEKERJA MIGRAN: KAJIAN KES DI NEGARA-NEGARA MAJLIS KERJASAMA TELUK

ABSTRAK

Tujuan kajian ini dijalankan adalah untuk menganalisis faktor makroekonomi, bukan makroekonomi dan pembangunan sektor kewangan (PSK) yang mempengaruhi kiriman wang pekerja migran (KWPM) di negara-negara Majlis Kerjasama Teluk (MKT) yang terpilih. Model Graviti Tambahan dijadikan sebagai kerangka teori dan kaedah ekonometrik digunakan untuk menentukan hubungan di antara faktor makroekonomi (Keluaran Dalam Negara Kasar (KDNK), kadar pertukaran dan kadar inflasi), bukan makroekonomi (sempadan, budaya dan sejarah, negara rakan kongsi, jarak dan bahasa) dan PSK (kredit kepada sektor swasta (KSS) dan keterbukaan perdagangan (KP)) terhadap kiriman wang. Sumber data daripada Bank Dunia dan kumpulan bank-bank pusat dari tahun 1989 hingga 2012 digunakan. Penemuan empirikal menunjukkan bahawa KDNK negara merupakan faktor yang paling signifikan dalam mempengaruhi aliran KWPM. Selain itu, faktor makroekonomi lain juga didapati signifikan termasuklah kadar pertukaran dan inflasi. Hasil kajian juga menunjukkan negara-negara MKT mempunyai persamaan dari segi faktor bukan makroekonomi termasuk bahasa, budaya dan sejarah yang dapat memberi peluang untuk melakukan pengiriman secara meluas. Dapatan juga menunjukkan faktor PSK termasuk KSS dan KP adalah signifikan dan positif terhadap KWPM. Kesimpulannya, KDNK (9.421, $p<0.001$) yang dikenali sebagai faktor makroekonomi didapati paling kuat mempengaruhi KWPM di negara-negara MKT terpilih, diikuti oleh jarak (7.101, $p<0.001$) sebagai faktor bukan makroekonomi dan KSS (1.449, $p<0.001$) di bawah faktor PSK. Implikasi kajian memberi penekanan terhadap kerajaan di negara-negara MTK untuk memahami akibat daripada aliran keluar KWPM dan disarankan untuk mengenal pasti faktor-faktor penting yang membentuk saiz kiriman wang. Kedua-dua wilayah diusulkan untuk membentuk sistem polisi terhadap saluran kiriman wang tidak rasmi di samping mengatasi kelemahan sistem rasmi sedia ada.

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LIST OF ABBREVIATIONS

ADF	Augmented Dickey-Fuller
AMF	Arab Monetary Fund
AML/CFT	Anti-Money-Laundering/Combating the Financing of Terrorism
CPI	Consumer Price Index
GCC	Gulf Cooperation Council
DCPS	Domestic Credit to the Private Sector
EXRATE	Exchange Rate Variable
FD	Financial Development
FDI	Foreign Direct Investment
FE	Fixed Effect
GCC	Gulf Cooperation Council
GDP	Gross Domestic Product
GLS	Generalized Least Squares
IFS	International Financial Statistics
IMF	International Monetary Fund
KSA	Kingdom of Saudi Arabia
LM	Lagrange Multiplier
MEN	Mean Remittance Outflow
MENA	Middle East and North Africa
OECD	Organization for Economic Co-operation and Development
OLS	Ordinary Least Squares
RE	Random Effects
REM	Remittance

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RSP	Remittance Service Provider
SAMA	Saudi Arabian Monetary Agency
SSA	Sub-Saharan Africa
SWF	Sovereign Wealth Fund
UAE	United Arab Emirates
UK	United Kingdom
UNDP	United Nation Development Program
US	United States
VAR	Vector Auto Regression
VECM	Vector Error Correction Model
WEO	World Economic Outlook
WDI	World Development Indicators

CHAPTER 1

INTRODUCTION

1.1 Introduction

This study primarily aims to highlight the macroeconomic and non-macroeconomic determinants of workers' remittance flows from the Gulf Cooperation Council (GCC) region. The first chapter is structured as follows: First, the background of the study is introduced and the research problem outlined. The research objectives and research questions are then presented. Next, the importance of the study is outlined along with its limitations. The final part of the chapter covers the operational definition of the study and ends with a summary.

1.2 Background of the Study

1.2.1 Overview

One of the most important elements affecting economic relations between developing and developed countries in the 21st century is global migration (Adams & Page, 2006). International migration occurs when people from countries with low wages, low productivity, and low resource availability move and settle in countries with comparatively better opportunities.

Remittances are the transfer of migrants' savings abroad to their country of origin. In the literature on remittance, migrants' motives for remitting include exchange, insurance, and investment as well as the more traditional motivation of altruism. Altruism implies that the volume of remittances increases with the needs of household members back home. The exchange motive corresponds to the repayment of the expenses borrowed by the family or friends while they traveled abroad. The insurance motive implies that the migrants send cash or cash in kind to protect the family members' standard of living during economic shocks. The investment motive denotes that the migrants transfer funds in order to assist family members in taking on investment opportunities (Arab Monetary Fund, 2015).

To compile statistics on remittances, one or more of three components of the balance of payments are frequently used. Firstly, workers' remittances include current transfers by migrants from host to home countries. Secondly, employee compensation includes wages, salaries, and other benefits earned by non-resident individuals and paid by resident companies, and the remuneration received by residents from non-resident employers (for instance, earnings of seasonal workers and embassy employees). Thirdly, migrants' transfers include the flow of assets due to individuals' change of residence from one country to another; for instance, transfer of accumulated assets on returning to the home country (World Bank, 2020).

Workers' remittances and compensation of employees are recorded in the current account under current transfer and income, respectively. In contrast, migrants' transfers are recorded in the capital account of the balance of payments under capital transfers of non-government sectors (BPM5, the 5th edition of the Balance of Payments Manual). The flow of remittances is typically considered as periodic, unrequited, non-market transfers of money by a migrant back home. Migrants' transfer is a one-off transfer of funds (World Bank, 2019).

According to a 2016 United Nations Report, about 230 million people, or approximately 5% of the world's population, lived and worked outside the country of their birth at the beginning of this century. International remittances are funds sent by these emigrants to their families in their home countries. These remittances have a significant impact on developing regions, as they represent the most important source of external financing in the developing countries after foreign direct investment (FDI).

Remittance flow, which is one of the economic consequences of emigration, has become a significant issue in the discussion of the economy in recent decades. The recorded remittance from migrant workers raises the debate about the importance of the issue of conversions in the development of developing countries. In fact, workers' remittances sparked controversy over a new road map in political, economic, and social terms because migrant remittances accounted for significant growth. (Ratho, 2017).

For example, according to a report by the World Bank (2020), the estimated remittance flow to developing countries in 2019 was approximately $550 billion, an average increase of 7% on previous years. The report further analysed that the remittance flow from a sending country to a receiving country is estimated to be over three times the amount of certified development assistance.

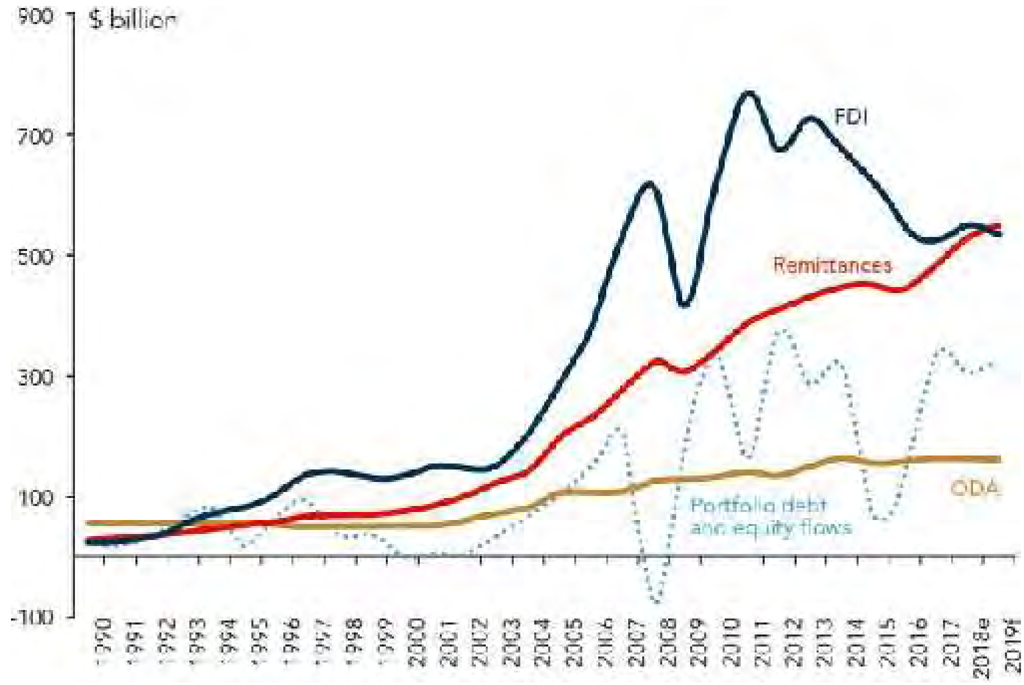
In fact, reports from the World Bank and the International Monetary Fund (IMF) demonstrate that formal remittance flows are the second largest source of external funding for development through official channels, although they fall behind FDI. Thus, remittances are larger than FDI when formal channels are used. Unofficial remittances, such as tangible items and funds not sent through formal channels, could add 50% or more to a country’s total (World Bank, 2020). Table 1.1 shows remittances among three types of external financial sources.

Table 1.1

Remittances among Three Types of External Financial Sources

	2011	2012	2013	2014	2015	2016	2017	2018	2019
FDI	3065	2444	1361	1859	346	2286	2111	1771	2165
Remittances	350	405	387	405	469	494	325	529	550
ODA	130	140	152	162	153	152	150	164	159
PBPE	127	121	128	123	117	128	122	123	128

Sources: World Development Indicators database and World Bank Migration and Remittances Unit. Note *PBPE*: Private debt includes only medium-and long-term debt. FDI = foreign direct investment; ODA = official development assistance.



IMF outlook, 2019.

Figure 1.1. Performance of remittances in the last three decades

Figure 1.1 shows that workers' remittance flow has increased significantly from 1990 to 2019 and now constitutes one of the largest sources of external development finance for developing countries. However, it is expected thatremittances will decline in the next 3 years by around 2% to 5% because of the COVID-19 pandemic (World Bank, 2021).

On the other hand, the World Bank data estimated remittance flows from the GCC region at approximately US$121.7 billion in 2019, which represents 22% of the total world remittances. There was approximately a 4.5% increase over previousyears. Table 1.2 shows the remittance flow from the GCC region as a percentage share of the world remittance.

Table 1.2

The Share of the GCC Region Remittances vs. World Remittances

Remittance Flows	2018	2019
GCC Region	93.18 (US$ billions)	121.7 (US$ billions)
World Remittances	529 (US$ billions)	550 (US$ billions)
Percentage	17.7%	22.2%

Source: Author calculated using World Bank Data, 2020

The literature on emigration demonstrates that income differentials between source and destination countries are a primary determinant of emigration. Indeed, the gap in incomes between receiving and sending countries and social protection coverage are the major determinants of emigration. This was obvious in that people from the regions (e.g., South East, South, and Central Asia) were experiencing poor economic conditions in their own countries. After oil was discovered in the Gulf Cooperation Council (GCC) countries in the early 1950s, the oil industry grew in this region. Increasing numbers of skilled and unskilled persons were needed to work in jobs related to the oil industry. They exited their own regions and entered the GCC area, looking to seize employment opportunities arising as a result of the GCC's rapid growth. This was especially true of people from the GCC's neighboring countries of India, Pakistan, Bangladesh, Egypt, Syria and Jordan (Assaad & Rowdy, 2007).

According to a report by the Word Bank (2019), GCC countries share the world dispersion of migrants, with the UAE, Kuwait, Qatar, Bahrain, Oman and SaudiArabia placed highly among world countries.

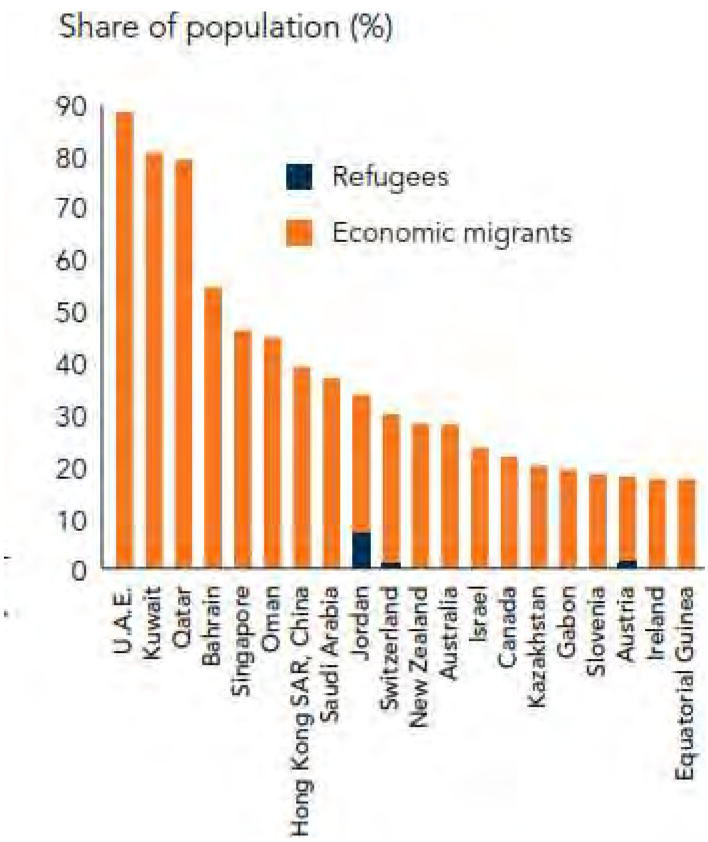


Figure 1.2. . Top 20 destination economies by share of population, 2018. Sources: World Bank 2019

With the increased stock of migrants in the GCC region from 1960 to 2019, the remittance outflows from these migrants into their home countries have substantially increased. Recently, the GCC countries demonstrated, as a notable exception, huge values of remittances in terms of both dollar amount and share of GDP. According to the Word Bank (2017), the aggregate level of remittance outflows from the GCC countries was over US $60 billion, which represented an average of 7.5% of GCC GDP.

The increasing size of mass labor flows across international boundaries has attracted many researchers to study its impact on the host countries in the pastdecades. It is also expected to continue to be the center of attention for economists, social scientists, and even politicians. Some central issues regarding the economic impacts of immigration, however, still remain under-developed as of today. While the literature on the domestic labor market effects of immigration is abundant, macroeconomic studies of the effects of immigration are rare in contrast. Thus, there is now a growing interest in macroeconomic studies of labor flow, particularly as economists attempt to link labor flow with trade and emittances.

For example, labor flows have long been heavily involved in the export and import sectors in the GCC region; however, only recently has the link between immigration and trade been being empirically studied. Remittance flows, on the other hand, have increased significantly by 9% to US $325 billion in 2016, proving it to be resilient and unperturbed by the global recession (Issue Brief, The World Bank, 2017), and therefore capturing the attentions of not only commercial and policy interests but also of academic ones.

In view of the above, this study aims to explore and analyze migrants' remittances in the GCC in the context of the interrelated characteristics of macroeconomic determinants between host and home countries. This topic is examined closely in both host and home countries in terms of macroeconomic, non-macroeconomic and market characteristics, in the hope that the results obtained and the analysis conducted will contribute to a better understanding of the subject and can fill the observed gap in the literature with regard to these controversial issues.

Despite the importance of workers' remittances, especially from the GCC region with its ever-increasing size of remittance flow, to date, very little attention has been paid to this region. In fact, there is a lack of empirical evidence on the determinants of workers' remittance flows from the GCC region.

1.2.2 The Gulf Cooperation Council: Overview And Macroeconomic Indicators

The GCC was established on 19 June 1981 in Riyadh, Saudi Arabia, as an accord made between Saudi Arabia, the United Arab Emirates (UAE), Kuwait, Bahrain, Qatar, and Oman. The immediate objective of the GCC was to confront the security challenges of its members. The governments of the GCC approved an economic agreement setting the stage for full economic integration. Kapiszewski (2006) stated that the adoption of effective free trade economic policies and the geographic proximity of these countries motivated them to form the GCC. The member countries share a common religion (Islam), cultural beliefs, value systems, and political orientation, as well as a shared economic destiny, mainly driven by the oil industry.

The GCC countries are key players in the world market for hydrocarbons. This factor has helped achieve rapid economic development and a significant improvement in all macroeconomic indicators including social indicators. Some of GCC macroeconomic indicators show below in detail.

GCC Gross Domestic Product indicators. This indicator is considered as one of the most important macroeconomics indicators. According to the IMF (2019), the total Gross Domestic Product (GDP) of the GCC region is around $3.6 trillion, with an average annual growth 2.5%. A further IMF report displaying the annual GDPs of six GCC countries places Saudi Arabia first, with $792,967 m, followed by the UAE ($414,179 m), Qatar ($191,362 m), Kuwait ($140,645 m), Oman ($79,277 m), and Bahrain ($37,746 m) (Table 1.3). GCC economic growth over the years has delivered strong economic and social outcomes over several decades.

Table 1.3

Selected indicators of the GCC Region and member states, 2018

Countries	Population	Annual GDP Million	GDP per capita	Oil Reserves, % of world	Oil Exports	Oil reserves – Million Barrels	Gas % of world
Bahrain	1,569,439	$37,746.00	$24,051	0	77.7	120	0
Kuwait	4,137,309	$140,645	$33,994	8.1	93.7	101,500	0.9
Oman	4,179,000	$79,277	$18,970	0.4	77.5	5,500	0.5
Qatar	2,781,677	$191,362	$68,794	2	88.4	25,244	13.1
Saudi Arabia	33,699,947	$792,967	$23,530	21.2	87.1	265,850	4.2
UAE	9,630,959	$414,179	$43,005	7.8	34.5	97,800	3.2
TOTAL GCC	55,998,331	$1,656,176	29,575$	39.5	69.9	496,014	22

Sources: Word Bank 2019 and IMF 2019 data - Formatted by Author

Table 1.3 shows that the six GCC countries hold about 39.5% of world oil reserves, with Saudi Arabia, Kuwait and the UAE holding more than 90% of the region's reserves. Qatar, however, holds the largest natural gas reserves in the region, accounting for about 13.1% of world natural gas reserves. Jointly, Qatar, Saudi Arabia and UAE hold more than 90% of the region's natural gas reserves, while together the six states account for about 22% of world natural gas reserves. The existence of oil and gas has led to many similarities in the economies of these countries, since oil constitutes the main source of exports and the main government revenue, with nearly 70% of the region's exports being oil and about 83.4% of government revenue being from oil.

These large energy reserves have provided the member countries with a most important source of comparative advantage, while oil revenues have made it possible for them to reach their present stage of economic development, including an underlying massive infrastructure.

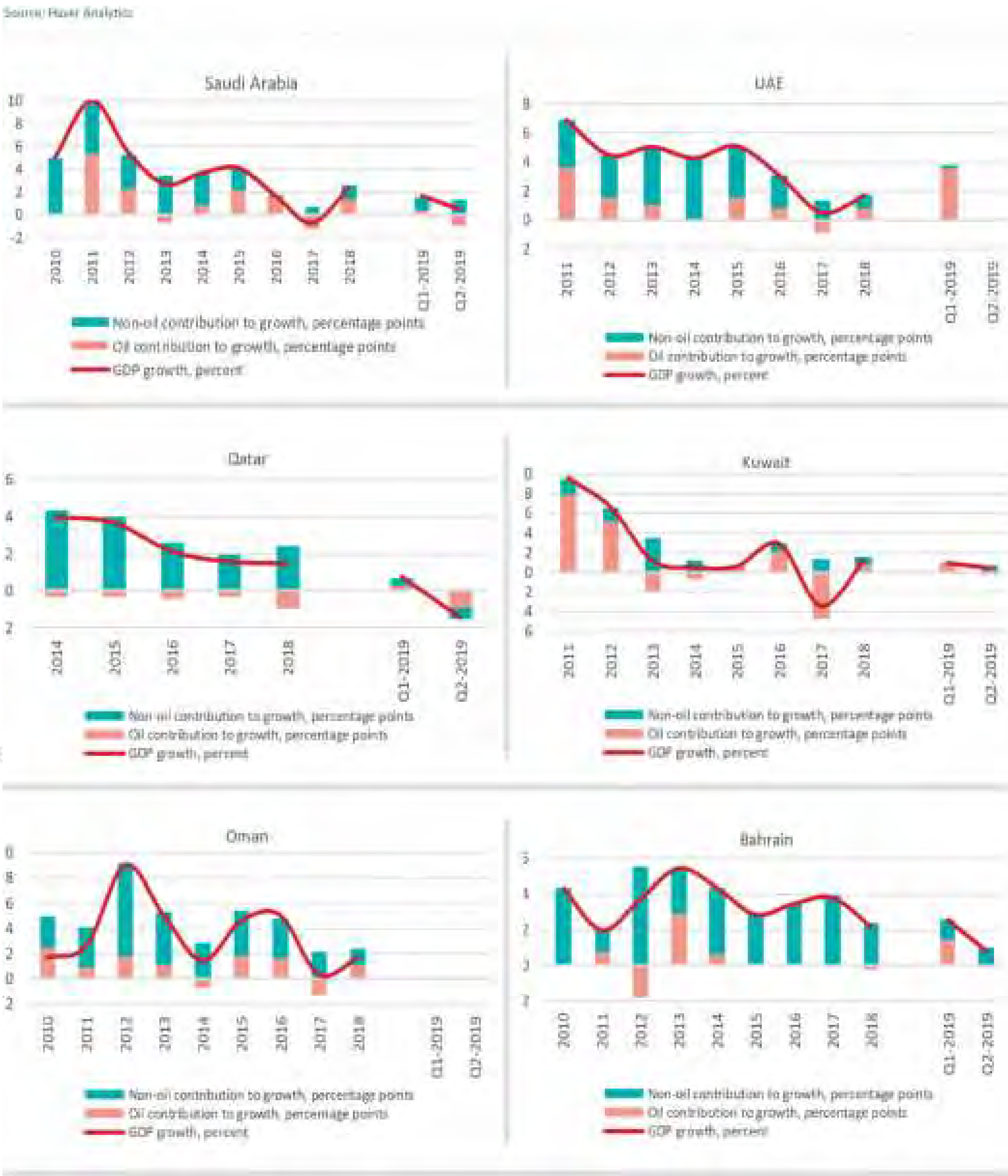
Over the past decade, the GCC has been one of the fastest-growing regions in the world due to it having benefited from rising oil prices; sound macroeconomic policies; investments in health, education, and infrastructure; and reforms to the business environment. Human Development Index scores have improvedsubstantially, infant mortality has decreased, expected years of schooling have increased, and life expectancy has risen.

For all of the GCC countries, oil revenues as a share of total budget revenues are higher than 80%. Public finance's dependency on oil income introduces a high cyclicality of expenditure due to oil prices, which comes on top of that of GDP, given the importance of the public sector and its oil extraction industries. With public spending structurally on the rise (strong demographic growth), public accounts are vulnerable and have accumulated massive deficits when oil prices are depressed.

The majority of export revenues are also linked to oil income, which promotes economic growth in all sectors including the public sector, technology, education, and infrastructure. Trends in economic growth were notable in GCC countries and led to diversity in their economies, especially in Qatar, the UAE, the Kingdom of Saudi Arabia (KSA), and Kuwait. Lastly, merchandise exports from the UAE have the lowest dependence on hydrocarbons due to re-exportation activities developed among the countries (Arab Monetary Fund, 2018).

This oil revenue is highly correlated in real oil GDP growth and economic activities in the GCC region at all levels. A study by the Arab Statistics Center (2017) took data from Saudi Arabia as an oil-exporting country to study the relationship between the economic conditions of a host country and the flow of remittances. The study found that workers' remittances are highly correlated with oil revenues, since oil revenues boost the real oil GDP growth of the country, and consequently, outflow remittances. The study also showed that the remittances fluctuate significantly in response to economic conditions in Saudi Arabia.

In the past two decades, GCC economies have evolved significantly in diversifying their economies. The GCC governments have implemented many policies to support economic diversification, including reforms to strengthen the business environment, develop infrastructure, increase financing for companies (particularly small and medium-sized enterprises), and improve educational outcomes. While the share of non-hydrocarbon output in the GDP has increased steadily, export diversification has been more limited, (IMF 2017).



World Bank, 2019

Figure 1.3. GDP growth and contribution to GDP growth percent

Further diversification would make these economies less reliant on volatile hydrocarbon revenues, would create high-value-added private sector jobs for nationals, and would establish the non-oil economy that will be needed when oil reserves are eventually exhausted. Figure 1.3 shows the share of growth due to oil contribution vs. growth due to non-oil contribution.

The second key factor is GDP per capita. Wage rates in GCC counties are higher than in all neighboring counties such as India, Bangladesh, Pakistan, Egypt, the Philippines, Indonesia, Jordan, and Syria, according to the IMF report (2019). Wages in the GCC region are considered to be among the most competitive in the world, which make the region a popular destination for immigration. The report shows the GDP per capita of Qatar at $68,794, UAE at $43,005, Kuwait at $33,994, Bahrain at $24,051, the KSA at $23,530, and Oman $18,970 (Table 1.3). Indeed, in 2017, three GCC countries (Qatar, Kuwait and the UAE) were among those with the highest GDP per capita in the world (World Bank, 2018)

The GCC governments are the dominant force in the economy, receiving oil export revenues and in turn distributing them to citizens. A portion of these revenues is spent directly by the governments and provided to citizens through transfers and public sector jobs; another portion is invested in infrastructure and real estate, education, and health; and the rest is saved,

Empirical studies have documented a strong association between economic diversification and sustained growth in economies. In the case of the GCC, higher GDP per capita is positively associated with diversification of output and exports. Diversification in output and exports are closely linked to one another and are considered to be the outcome of structural transformation—the dynamic reallocation of resources from less productive to more productive sectors and activities (IMF, 2018; Papageorgiou & Spatafora, 2016).

Economic diversification in GCC counties has substantially upgraded their level of exports, with a resultant rise in the GDP per capita. Higher income levels are also strongly associated with the upgrading of export quality and greater sophistication of exports. Exports and open trade provide the region with an important channel for utilizing economies of scale and a path to new technologies and knowledge spill-overs.

The third key factor is cyclical business. Strong growth in non-oil output has re-directed GCC governments in two directions. Firstly, private sectors are encouraged and involved in this growth. The private sector produces many jobs to meet the consumption and investment needs of the domestic market, but it employs few nationals, as they are expensive to employ. They thus depend on low-wage foreign labor. Nationals are employed mostly in the public sector and typically seek an education that prepares them for these jobs, while the private sector generates only a limited number of attractive job opportunities for nationals. Between 2000 and 2018, about 9 million jobs were created in the GCC, of which 7.4 million were in the private sector. Although some variation exists across countries, on aggregate, nearly 88% of these private sector jobs were filled by foreign workers (with about 85% of them being low skilled), while nationals filled over 70% of public sector jobs. Nationals in the private sector are employed in high-paying jobs (for example, financial services) or in supervisory positions in low-productivity sectors (for example, construction, trade, and transportation) (Kapiszewsk, 2006).

Table 1.4

Process with business indicators

Rank 2017/2018	Rank 2018/19	Change	Economy	Score 2018/19
11	**16**	↓	**UAE**	**80.9**
62	**43**	↑	**Bahrain**	**76**
91	**62**	↑	**Saudi Arabia**	**71.6**
78	**68**	↑	**Oman**	**70**
83	**77**	↑	**Qatar**	**68.7**
97	**83**	↑	**Kuwait**	**67.4**

IMF: Outlook 2020.

The fourth key factor is openness to trade. One of the important elements of economic diversification in the GCC is the non-oil-exporting sector. GCC countries mixed their economies by exporting goods and services that add value to the non-oil output, which promote another income flow for the nations. Open trade growth in services exports is most highly developed in Oman, Qatar, the UAE and the KSA, but it is still at a very low base. Table 1.5 shows the degree of openness among GCC members.

Table 1.5

Degree of openness in GCC countries (%)*

Country	2015	2016	2017	2018	2019
Bahrain	128.5	133.0	145.9	150.7	136.2
Kuwait	66.1	69.4	75.1	70.5	76.6
Oman	85.5	89.4	89.5	91.3	101
Qatar	76.9	77.1	83.4	88.9	90.1
Saudi Arabia	62.9	69.3	76.1	78.8	84.3
UAE	134.0	152.0	145.2	149.7	164.3

*Source: National Central Banks, 2020. Openness = {(exports + imports of goods)/GDP}*100*

The GCC countries are all known for their liberal trade policies with the rest of the world, with whom trade greatly dominates that of the intra-regional trade. Table 1.5 illustrates the degree of openness of the GCC countries. On the other hand, the average internal trade, which is very important for this analysis regarding economic integration of the GCC, among the GCC countries for the 5-year period 2015–2019 is relatively small (less than 10%) due to the fact that all the GCC countries are mainly oil producers and have similar economic structures. Table 1.6 shows the internal trade among the GCC countries as a percentage of total trade, most of which consists of re-exported goods and agricultural products.

Table 1.6

Intra-trade ratios among the GCC members

Country	Bahrain (%)	Kuwait (%)	Oman (%)	Qatar (%)	KSA (%)	UAE (%)	Average
2015	15.4	4.8	7.5	17.3	7.5	7.5 4	9.2
2016	16.6	4.6	16.3	8.4	4.9	4.4	9.2
2017	18.5	4.4	16.4	10.0	4.6	4.5	9.7
2018	18.6	4.6	15.2	10.0	4.7	4.7	9.7
2019	19.2	4.7	15.0	8.6	5.1	4.7	9.7

Source: Directions of Trade Statistics, IMF, 2020

The fifth key factor is stable exchange rates. Since early, the GCC countries have realized the significance of the US dollar for their foreign trade, as transactions are settled mainly in US dollars. This is particularly the case for GCC oil revenue, which represents the lion’s share of the GCC revenues. According to the World Bank (2016), average petroleum activities of the six GCC counties account for 45.7% of GDP among the GCC countries. Oil revenues make up around 93.3% of total revenues in Kuwait, 87.5% in the KSA, and 80.1%, 77.1%, 60.7% and 62.1% in

Bahrain, the UAE, Qatar, and Oman respectively. As a result, all the GCC currencies have managed to maintain the credibility of their fixed exchange arrangements by avoiding the devaluation option even in periods of very real depressed oil prices.

The sixth key factor is inflation rates. The GCC countries attempt tomaintain stable inflation. A general rise in the price level will cause a reduction in the purchasing power of a member country's currency. Therefore, in order to maintain union-wide monetary stability, it is important to think about a criterion that would aid the convergence of inflation rates among GCC members.

Price stability is an important element in facilitating the task of the new central bank. Historically, all GCC countries have maintained good records of price stability as a result of their flexible trading system and the strength of their anchor, theUS dollar, especially in the past. An important factor that should not be foregone is the establishment of harmonized and comparable price indices. Such harmonizedindices will serve as base for comparing records of price stability among the GCC members. It will also be important for the conduct of the future single monetary policy. To achieve convergence in inflation rates among GCC members, the inflation rate must not be more than two percentage points higher than the weighted average, based on GDP size, of the inflation rate in all GCC countries.

Table 1.7 illustrates inflation rates in all GCC members in the 5-year period 2015–2019. The two countries that deviated from the target were Qatar and the UAE for the years 2016–2019. Clearly, the inflation rates of the two countries was as a result of the high spending capacity that the two economies could not easily absorb. It is possible that these high inflation rates will diminish after years of spending on expanding the economic base. Table 1.7 shows which countries have satisfied this criterion.

Table 1.7

The percentage rate of inflation in the GCC in a 5-year period

Country	Bahrain	Kuwait	Oman	Qatar	KSA	UAE	Weighted average	Convergence Threshold
2015	1.6	1.0	0.2	2.3	0.6	3.1	1.3	3.3
2016	2.2	1.3	0.7	6.8	0.3	5.0	1.9	3.9
2017	2.6	4.1	1.9	8.8	0.7	6.2	3.0	5.0
2018	2.0	3.0	3.4	11.9	2.2	9.3	4.8	6.4
2019	3.3	5.5	5.9	13.8	4.1	11.1	6.9	8.9

Source: Secretariat General of GCC countries, Statistics Database

1.2.3 Migration to the GCC and Outflow Remittances

This study defines a migrant as a temporary worker in the GCC region. Migration is a generic term for the movement of people both within and across national boundaries, whether voluntary or forced. According to the United Nations, a migrant worker is “a person who is to be engaged, is engaged or has been engaged in a remunerated activity in a State of which he or she is not a national.” Officials in the Gulf countries often object to the use of the term “migrant” as for them it connotes permanency (asin immigrant), preferring “foreign contract” labor or workers, thus highlighting their temporary status.

Many analytical categories of migrants are based on their circumstances and motivations for moving. These include factors such as labor migration, migration for family reunion, education and training, economic enhancement opportunities, asylum and protection against persecution, environmental calamities, etc. However, in the case of the GCC, labor flows into the region for employment or investment and not for permanent resident requirements.

Since the mid-1970s, following the oil price boom, the GCC has emerged as a leading destination for South Asian migrants. Most home countries of migrants have enjoyed massive financial inflows, mainly driven by rising economic activities in the Gulf states, particularly in the construction, health, and oil and gas sectors, driven by the upward trend in oil prices. In the last decades, economic activities in all sectors have further boosted growth and the demand for labor in the Persian Gulf. As shownin Table 1.8, approx. 96% of all migrants from India and 94% of those from Pakistan have relocated to a GCC member country in recent years (Achy & Awad, 2020).

Table 1.8

Statistics on South Asian migrants registered in selected GCC, 2019

Nationality	Kuwait	Qatar	Saudi Arabia	UAE	Total
Indian	732,000	545,000	2,800,000	1,700,000	5,777,000
Pakistani	120,000	90,000	1,500,000	1,200,000	2,910,000
Bangladeshi	180,000	137,000	500,000	900,000	1,717,000
Nepali	42,000	341,000	500,000	250,000	1,133,000
Total	1,074,000	1,113,000	5,300,000	4,050,000	11,537,000

Source: Achy and Awad, 2020

Impressive infrastructural projects, planned or current, in the GCC states have created important medium-term job opportunities, mostly for low-skilled individuals. All GCC members are undertaking massive efforts to achieve economic diversification and reduce reliance on oil and gas revenue, especially Saudi Arabia, where the dominant demand is generated by the trade and leisure industries, construction, manufacturing, agriculture, education, and medical services. New trendsin various sub-areas, such as automobile manufacturing and green industries, will require human talent with technical and vocational abilities. However, the nexusbetween demand and supply of higher-skilled migrant labor is affected by preferencesin the quota and recruitment for low-skilled workers, and reliance on low-cost, labor- intensive business practices.

Large-scale projects in the six GCC countries are attracting large flows of migrants from India, Pakistan and other South Asian states. In recent decades, millions of workers from these areas have migrated to the Gulf in search of better job opportunities. It is important to note that the patterns of migration have been intertwined with swings in the oil prices (Mohapatra & Ozden, 2016).

Despite plummeting oil prices and the financial turmoil in 2008 and 2009, the GCC economies followed an upward trend during 2005–2016, which has attracted millions of migrants into the GCC region seeking economic opportunities. Between these years, the number of migrants living in the Middle East has increased twofold, from 25 million to over 54 million (Connor, 2017), mainly driven by individuals and families seeking better job prospects.

However, most of the migration surge, particularly post-2011, was driven by regional armed conflict and forced displacement of people looking to find safe refuge and secure a higher standard of living. Within the Middle East, the share of migrants in the domestic population increased from 7% in 2005 to around 13% in 2015 (Connor, 2017), which means that one in ten people in the region are international migrants or individuals displaced because of conflict, primarily in Syria, Iraq and Yemen.

The latter category accounts for 60% of the rise in the Middle East migrant population during 2005-2016. Economic opportunities provided by the oil-rich GCC states have attracted millions of non-displaced international migrants from the region.

The United Nations (2016) tracked the history of the labor markets in the GCC countries since 1975. They found that labor from Asian countries, such as India, Pakistan, Bangladesh, the Philippines, and Indonesia, started coming to the GCC countries in 1975. Table 1.9 illustrates the average growth in the number of migrant workers in the GCC from 1975 to 2015.

Table 1.9 shows that the percentage of migrants in the GCC region grew from approximately 39% in 1975 to 64% in 2005. The period between 1985 and 1995 represented a peak period for employing migrant workers, as the level of emigrant stock was 68% and 74%, respectively, during same period. The table also shows that Qatar, the UAE, and Kuwait had the highest percentage of migrant stock with 90%, 89%, and 80%, respectively, in 2015.

Migration characteristics in the Gulf region may be linked to the economic, political, social and demographic peculiarities of the system and to migration policies pursued by GCC states. Specifically, the major determinants of GCC migration patterns are (i) income differences between senders and recipients; (ii) increases in the high growth rates in the GCC area, and (iii) the cultural and historical proximity among countries in the system, (Valenta & Jakobsen, 2016).

Geographical proximity is also considered to be a determinant of migration between the GCC region and countries such as India, Pakistan, Bangladesh, Egypt, Jordon, Syria and Philippines and Indonesia. GCC counties are not only locatedclosely to these counties, but they also share other factors such as language religion, colonies, and cultural contingence. This, along with wage rates and economic conditions, has driven the GCC region to obtain a high level of migrant stock.

Several GCC members have majority foreign-born populations as a result of the high number of economic migrants. Statistics show that from 2005–2018, the entire GCC region hosted increasing flows of foreign workers. For instance, foreigners now comprised the majority of the population in the UAE, Qatar, and Kuwait.

Table 1.9

Percentage of migrant workers in GCC countries from 1975 to 2015

GCC Countries	1975 Total Population (000s)	1975 Percentage of Migrants %	1985 Total Population (000s)	1985 Percentage of Migrants %	1995 Total Population (000s)	1995 Percentage of Migrants %	2005 Total Population (000s)	2005 Percentage of Migrants %	2010 Total Population (000s)	2010 Percentage of Migrants %	2015 Total Population (000s)	2015 Percentage of Migrants %
Saudi Arabia	1,924	25.2	4,342	62.7	6,450	63.5	7,176	55.8	8.381	49.2	9.88	42.7
UAE	279	84.0	865	90.6	1,088	89.8	1,356	89.8	4.265	90.1	8.318	91.5
Kuwait	305	81.8	670	85.7	1,052	83.4	1,320	80.4	5.214	85.4	9.591	85.9
Oman	225	31.1	369	51.8	670	64.2	859	64.3	3.682	59.2	9.989	55.8
Qatar	69	83.0	100	76.5	218	82.1	-	90.0	5.213	94.2	6.21	94.6
Bahrain	60	81.8	171	57.9	227	60.0	-	54.0	1.596	74.5	2.681	75.6
Total	2,861	39.0%	6,518	68.2%	9,705	74.0%	-	64.0%		72%		75%

Source: United Nations, 2016. (-) shows data not available

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The share of non-displaced migrant workers is not uniform across the GCC states. In 2016, within the Gulf members, foreign labor represented an overwhelming majority of the resident population in the UAE (88%), Qatar (75%), and Kuwait (74%). The percentage is smaller but still significant in Jordan (41%), Syria (40%), and Lebanon (34%), with the majority being displaced individuals, born in these areasor international refugees or job seekers. Between 2005 and 2016, the number of non-displaced manual laborers and highly skilled individuals relocating in the region rose from 19 to 31 million (Connor, 2017).

The UAE hosts the largest number of migrants from the region states in pursuit of economic opportunities, up by around 4.8 million in the past decade, (as this group of the total population grew from 3.3 million in 2005 to over 9 million in 2018), followed by Saudi Arabia. By contrast, Qatar and Oman have had the largest increase in the share of non-displaced migrants, each over 150% over the decade to 2018. Many migrants, mostly from India, Bangladesh, Pakistan, Indonesia, and the Philippines have relocated in the GCC states as medium-term manual laborers. However, some renew their 1-to-2-year work visas and live in the Gulf countries for years (Arab Research Centre, 2019).

Despite the above, there are signs of a decline in the number of job opportunities in the GCC countries as a result of plummeting oil prices. Thousands of migrants in the area are now facing unemployment, which is causing a decrease in remittance flows. Indeed, the context in the GCC explains the drop in the value of remittances sent worldwide in 2015 for the first time since the financial meltdown in 2018 (Table 1.10).

Table 1.10

Remittance flows matrix 2017 ($ million)

Remittance-receiving country (across) Remittance-sending country (down)	Bangladesh	India	Indonesia	Jordan	Pakistan	Philippines	Syria	Egypt
Bahrain	222	1,341	67	85	301	195	2	335
Kuwait	833	4,688	219	272	1,065	814	76	2,920
Oman	324	3,259	79	66	397	95	0	210
Qatar	527	4,292	118	292	486	1,159	8	997
Saudi Arabia	3,778	11,253	3,656	2,069	5,690	3,206	475	7,076
UAE	2,774	13,745	823	1,022	5,527	3,550	31	1,774

Source: World Bank, 2017, Bilateral Remittance Matrix 2017

Table 1.11

GCC Migrant remittance outflows (US$ million, 2004–2017)

Migrant remittance outflows (US$ million)	Bahrain	Kuwait	Oman	Qatar	KSA	UAE
2002	1,010	1,730	1,450	1,355	15,400	3,676
2003	1,290	1,790	1,530	1,507	15,100	3,910
2004	872	1,930	1,600	1,483	15,900	4,139
2005	1,080	2,140	1,670	1,595	14,800	4,389
2006	1,120	2,400	1,830	2,177	13,600	4,648
2007	1,223	2,648	2,257	3,009	14,315	5,372
2008	1,531	3,183	2,788	3,690	15,964	6,072
2009	1,483	9,764	3,670	4,483	16,447	8,683
2010	1,774	10,323	5,181	5,380	21,696	9,995
2011	1,391	11,749	5,316	7,105	26,470	9,532
2012	1,642	11,864	5,704	8,141	27,069	10,566
2013	2,050	13,012	7,215	10,445	28,475	11,220
2014	2,074	15,459	8,086	10,413	29,493	14,398
2015	2,166	17,711	9,105	11,281	34,984	17,933
2016	2,364	18,129	10,301	11,230	36,924	19,280
2017	..	15,203	..	12,192	38,787	..

Source: World Bank, 2018. Migration and Remittances Data

In addition, the United Nations and the World Bank have indicated that the flow of foreign workers into the GCC has been so significant over the last four decades that the Gulf Region became the third-highest labor-importing region in the world after the United States (US) and Europe. The steady flow of migrant workers into GCC countries has had the effect of restructuring the economies and societies of both the home and host countries. It has thus become essential for policymakers, planners, and researchers to study the trends, patterns, dimensions, and implications of this influx on the economic conditions of the host and home countries. .

Historical evidence indicates that although demand for foreign labor was initially met from Arab migrants, over time it shifted towards workers from South Asia. This trend is clearly visible in the remittance flows into the area. Migrants in theGCC states are provided with limited investment choices (e.g., they cannot own property in most Gulf countries), cannot bring their dependents from the home country, and in most cases have no path to citizenship. Altogether, these factors make them temporary workers, or expatriates, who, regardless of their home country or training, are prepared to eventually return (Abbas, 2020).

Available statistics reveal that 52% of GCC remittance outflows are directedto South Asian countries, and 43% are sent to the Middle East and North Africa (MENA) region. In 2017, the largest recipients of remittance from the Gulf were India($36.2 billion), Egypt ($13 billion), the Philippines ($10.3 billion), Pakistan ($8.7 billion), and Bangladesh ($7.3 billion) (World Bank, 2018).

In 2017, the remittance outflows from the Gulf states slowed substantially, and many receiving countries, such as India and Egypt, witnessed a contraction in remittance inflows. The moderate growth in remittance that started in 2012 was aggravated by the decrease in the oil price, which was distressing to many oil-exporting GCC members. Further shocks in the oil price would accelerate the drop in GCC remittance outflows to neighboring counties. Looking at the Middle Eastern states subjected to analysis, Egypt (73%) and Jordan (66%) are the main recipients of remittances in dollar terms and relative to GDP, and thus the most affected byreductions in remittances from the Gulf region (IMF, 2018).

Egyptian migrant workers, particularly skilled professionals, may have kept a share of remittances in expectation of a further devaluation of the Egyptian pound, subjected to several such measures since the beginning of 2015. However, the increasing shortage of foreign currency has put pressure on the Central Bank for an additional devaluation round. The majority of remittances were sent via unofficial channels as the black market premium (International Bank for Reconstruction and Development and World Bank, 2018).

Decreases in remittances are not entirely caused by a sharp slowdown in outward flows from the GCC countries, which used their assets in 2016 to cover government expenditure amid weak oil prices. For instance, around 40% of Egypt's inflows of remittances come from Saudi Arabia, where remittance outflows grew by 7% until Q3 of 2017, and where there is a notable rising demand for foreign labor.

As stated by the Arab Monetary Fund (AMF) (2019), South Asian countries that rely heavily on remittances from the GCC include Pakistan (59%) and Bangladesh (53%). According to the World Bank (2018), large numbers of migrants work mainly in the oil-rich GCC countries, with India being one of the major labor- sending countries to the GCC region. Flows to Bangladesh, Pakistan, and Nepal have also been robust, helped by strong economic growth in the GCC. Recently, these countries are considered the highest remittance-receiving countries in the world. Remittances from the GCC region reached $140 billion on average in 2017.

In 2017, the UAE was the second-highest remitting country in the world, second only to the US. The value of remittances from the UAE in 2017 was estimated at US $44.4 billion, placing it above Saudi Arabia, Kuwait, Qatar, and Oman (Table 1.12). The aggregate amount of annual remittances from approximately 17 million workers from the GCC countries amounted to US $96.8 billion (US $8,066 per person), according to a report published by the World Bank (2018). Table 1.12 identifies the key sources of remittances, as well as the recipient countries.

Table 1.12

Key remittance value sources and recipient countries, 2017

Sources of Remittances	US $ Billion	Recipient Countries	US $ Billion
US	68	India	72.2
UAE	44.4	China	63.9
Saudi Arabia	36.1	Philippines	29.9
Switzerland	26.6	Mexico	25.7
Germany	22.1	France	24.6
Russia	20.6	Nigeria	20.8
China	16.2	Egypt	20.4
Kuwait	13.8	Pakistan	20.1
France	13.5	Germany	17.5
Qatar	12.8	Bangladesh	15.8
Italy	11.2	Vietnam	12,3
Oman	10.3	Belgium	11

Source: World Bank Report, 2017

1.3 Scope of the Study

The strong economic growth rate, stable political situation, harmonious community, higher wages, and better working and living conditions are among the attractive factors that have attracted the higher flow of international migration into the GCC region. In addition, since these immigrants are largely from Indonesia, Bangladesh, the Philippines, Jordon , Egypt , Syria and India, they share the same racial roots, ancestors, cultures and languages with many citizens of Gulf counties in the form of the Arabs, Pakistanis, Bangladeshis, and Indians, making migration relatively easy. Inconjunction with the economic reason, many other factors such as political problems, religious persecution, location, and environmental degradation in their home countriesalso create strong pressures to push them into migration.

In addition to the above, residence in the GCC has helped migrants to bring their relatives into host counties and open their own business alongside their main jobs after establishing themselves in the resident county. This leads to increased demand on products and services in resident countries, which provides a good opportunity for either the migrants themselves or their relatives to establish new businesses. Some migrants enter into agreements with relatives to open own new business or invest in GCC markets, by way personal incomes or banking facilities. Some use local banking facilities in the form of loans, credit letters or overdrafts to establish their own business. Currently, many migrants from India, Bangladesh, Pakistan, Jordon, Egypt, Syria, and the Philippines own one or two business in the GCC market in the form of construction companies, education initiatives, healthcare centres and even restaurants.

The next section explores the motivation for this study. Figure 1.4 demonstrates the relationship between countries involved in this study.

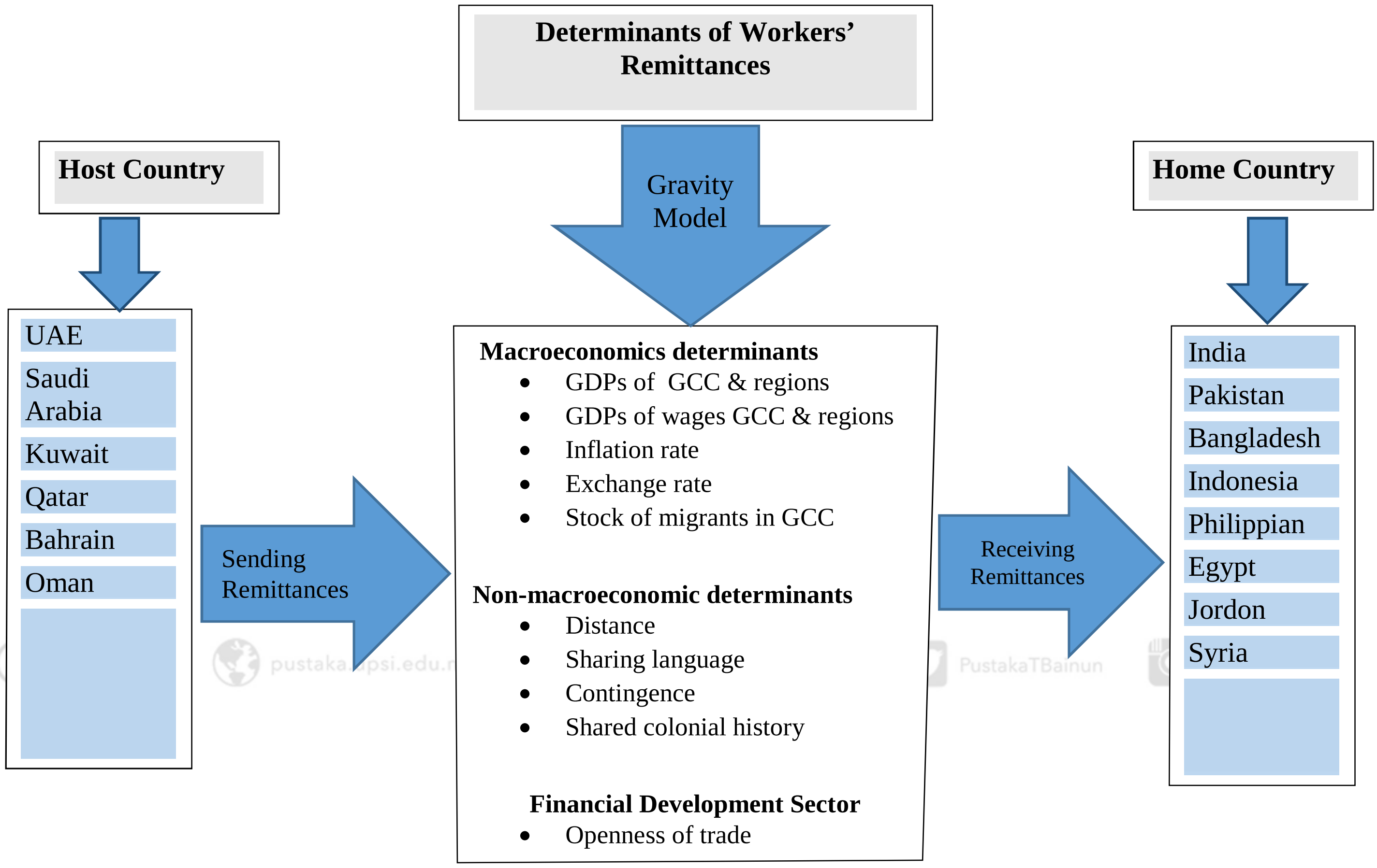

Figure 1.4. Relationship between countries and remittance flows

1.4 Problem Statement

This study is motivated by the large presence of immigrants in the GCC region, particularly from South Asia, South East and the Middle East regions. The stock of migrants is, as stated previously, more than 50 million people, which makes up about 70% of GCC population. As a result, remittances sent by these migrants to their home country have attracted attention. There are controversies surrounding the microeconomic and macroeconomic effects of remittances on the host countries. No doubt, there are benefits of remittance flows. These benefits will be obvious within the receiving countries, but what about the host countries? The GCC region does need to understand the importance of the subject and investigate it deeply and precisely.

Within this context, there are a few questions that can help improve economic and social policy by analyzing remittances:

- What are sequences of outflow remittances from the GCC region?
- Do large outflows of remittances bring more harm than good to the GCC region?
- Can we identify macroeconomic variables that can control the nature and context of remittance flows?
- If these variables are found, could they be redirected within the GCC to be pro-cyclical in business activities in the region?
- Are there any variables beside macrocosmic variables that can drive remittance flows?

The literature suggests that the inclusion of macroeconomics factors of both the home and host countries can help to explain variations in migrant remittances.This implies that some macroeconomic policies must be responsible for the changing and unequal flow of migrant remittances. Hence, it is necessary to frame the elements of these policies to include macroeconomics variables. This study highlights this field for further investigation.

There is wide disagreement among scholars in the field regarding the factors that drive and control the nature and context of workers' remittances. The argument revolves around the macroeconomic determinants of workers' remittances: Do financial activities, including openness to trade, or banking facilities to private sectorsin host countries have an effect on remittance flows? As shown earlier, the GCC region is a good model to investigate this area and to examine the relationshipbetween remittances and macroeconomic activities. The study thus contributes to the existing debates and sheds some light on identifying determinants of remittances.

The GCC region has attracted a significant number of migrants from neighboring countries, e.g., India, Pakistan, Bangladesh, Egypt, Syria and Jordan. These countries are not only physically closer to the GCC region, but people from these counties do share some common traits. These include language, colonial history,and cultural contingence, among others. These non-macroeconomics factors could play a significant role in driving remittance flows in addition to the macroeconomic factors.

Hence, the study aims to investigate this field to frame an appropriate policy at both the macroeconomic and non-macroeconomic levels.

Indeed, there are no empirical studies on the macroeconomic determinants of remittances using the dataset from the GCC region as a host country. Despite the important of workers' remittances, especially from the GCC region with the ever-increasing size of its remittance flows, to date, very little attention has been paid to this region. Most cross-country empirical studies on macroeconomic determinants of remittances tend to use the USA as the migrant host country. A few other authors, including Elbadawi and Rocha (1992), Lianos (1997), and Bouhga-Hagbe (2004) have attempted to use countries other than the USA as the migrant-host nation in country-specific studies at the micro-level, with the focus on bilateral remittances.

With the above in mind, the motivation of this study is to fill the gap and explore the characteristics of host countries that determine remittances, using data from the GCC. The research also identifies whether the gravity factors "non- macroeconomic factors" such as distance and sharing borders influence the nature andextent of workers' remittance flows from the GCC.

1.5 Objectives of the Study

The study seeks to determine the factors that influence the nature and the extent of workers' remittance flows using the Gulf Cooperation Council as a case study. More specifically, the three major objectives are as follows:

1. To examine the macroeconomic determinants of the workers' remittance flows from the GCC to the South East, South Asian, and Middle East regions.
2. To examine the non-macroeconomic determinants of workers' remittance flows from the GCC to the South East, South Asian, and Middle East regions.
3. To evaluate the impact of financial sector development on workers' remittance flows.

1.6 Research Questions

The research highlights and assesses the factors that affect remittance flows from the GCC countries. More specifically, this investigation will address the following three questions:

1. Which macroeconomic variables play important roles in determining the worker remittance flows from the GCC to the South East, South Asian, and Middle East regions?
2. Do the non-macroeconomic determinants affect workers' remittance flows from the GCC to the South East, South Asian, and Middle East regions?
3. Does financial sector development affect workers' remittance flows from the GCC to the South East, South Asian, and Middle East regions?

1.7 Importance of the Study

The literature on remittance is large, but it is mainly focused on remittance inflow. The literature has almost ignored the other side of remittances, namely outflows. It should also be mentioned that there are no empirical studies focusing on the macroeconomic determinants of workers' remittances from the GCC region as a host region. In fact, the Gulf region presents the first real opportunity for the academic community to study the determinants or consequences of remittance outflow. The Gulf region is the third largest labor-receiving region in the world, only behind North America and Europe, which have historically been destinations for migration (Adams, 2009).

The findings are thus expected to contribute significantly to our understanding of the respective contexts, recommend appropriate policies, and pave the way for future research. Specifically, the study on the determinants of remittances is significant in determining the explanatory power of the identified macroeconomic variables affecting remittance flows.

On the other hand, it is important to study financial activities using quantitative research on how responsive workers' remittances are in the GCC region and to evaluate the relationship between them. For example, in some states in the region, migrants have limited investment opportunities, and they cannot own property in most states in the region. They face strict restrictions on bringing family members (linked to the level of monthly salary), and usually have no path to citizenship. These constraints effectively make all migrants in the region temporary workers.

In this context, the study is considered important to GCC countries in several ways. Firstly, the output of the research will be a seminal reference document on the nexus between finance through remittances and economic growth in the GCC region. Policymakers in the GCC will understand the role of remittances as a promoter of economic growth and development. This includes the question of how remittance flows can be channeled into productive investments in the GCC region by appropriate policies. For instance, permitting migrants to own property or to have an investment in the region will not only promote economic growth in the region, but it will also boost the cyclical business. In other words, remittance outflows lower the economic growth of the remitting countries by removing large sums of money from local consumption and investment flow.

Secondly, identifying the macroeconomic determinants of workers' remittance flows will provide a valuable comparison of GCC countries with Middle Eastern countries. In fact, the outcome of the research project will provide policymakers with evidence of the factors that motivate economic growth or that can influence the nature and the extent of workers' remittance flows from one country to another, or from one region to another.

Thirdly, policymakers and forecasters are particularly keen to learn what policies may encourage remittance and how they relate to other macroeconomic variables, including inflation rate in the home country, GDP in the host country, or the exchange rate in the home country. This will not only help guide future policies and regulation in this area but also provide a framing tool that will identify appropriate economic policies to deal with economic activities as whole in the home and host countries. For example, policymakers in the GCC region might need to pay attention to maintain a stable balance of payments and current accounts if an increasing size of remittance is significantly recorded every year, since this could lead to increasing probability of imbalance in the current account in the long run in GCC countries. In contrast, international remittances could finance and support the current account deficit in the receiving country (Bugamelli & Paterno, 2009).

This can be achieved for both home and host countries if specific initiatives and/or policies are developed and executed towards this goal. These initiatives could include lowering or raising the transfer costs of funds remitted overseas (lower fees and more favorable exchange rates), addressing the risks involved in these transfers, the creation of appropriate saving instruments, and offering attractive investment opportunities within the host country, so as to make funds available for domestic productive investments. Other ways could include providing opportunities for expatriates to set up business ventures in the host country, which would be very helpful in recycling the funds within the host country (Vargas-Silva, 2006).

For example, Western economies rely on open market activities (sale and purchase of bonds) as a monetary policy tool to enhance or slow down economic activity. The Gulf region lacks an operational government bond market, and since most GCC countries peg their currencies to the US dollar, the region also lacks an autonomous monetary policy. Money transfers play a tacit role in controlling inflationary pressure, effectively taking the role of monetary policy. Remittance outflow, therefore, also plays a positive role in the Gulf region (Naufal & Genk, 2014).

Fourthly, policymakers in home and host countries will also benefit from this research. A policy and regulation system of informal remittance channels, including addressing the weaknesses of the formal system services, will help to improve a remittance recording system. It is important to know the true size of the flow. Such policy will positively address externalities from using formal channels (and especially financial institutions such as banks) to transfer money, including increased access to credit and the use of financial institutions for savings.

Moreover, the study is a contribution to the inconclusive debate on the macroeconomic determinants of workers' remittance, and it provides empirical evidence based on data from the GCC region. The findings of this research will help stakeholders, the government, policymakers, potential investors, and the public in GCC countries, as they will focus on the major macroeconomic indicators in all involved countries. Therefore, the results of this research study have the capacity to develop audit tools that better identify any increase or decrease in the volume of remittance flow.

Finally, scholars willing to perform similar research in future will also benefit from the findings of this study because they will have a foundation on which to advance their research. They can identify the gaps left out, fill them in, or extend the scope to a level that may not be covered by this study.

1.8 Limitations of the Study

The first limitation of the study includes lack of data, which is expected to be a huge challenge to this study (Ambrosius & Cuecuecha, 2012; Amjad et al., 2013; Freund, 2008; Ilia & Jaffrey, 1999; Martinez et al., 2015; Puri & Ritzema, 1999; Ruiz-Arranz & Giuliano, 2005; Zachariah, 2002; Barajas, 2012; World Bank, 2006). Inadequate data or unrecorded remittance was widely viewed among the researchers as a problem. For example, money flows through informal channels such as hand deliveries by friends or family members or in-kind remittances of jewellery are rarely accounted for. If remittances sent through informal channels are included in official remittances data, total remittances could be as much as 50% higher than the official record (Ivlevs et al., 2016; Freund & Spatafora, 2008; Ambrosius & Cuecuecha, 2016).

The second limitation includes the scope of the area sampled in the study. The study concentrated on workers' remittance flow from the GCC region into South Asian and Middle East countries such as India, Pakistan, Bangladesh, the Philippines, Indonesia, Egypt, Jordan, and Syria as recipient countries. However, there are other countries that received remittance from the GCC that not covered by this study.

The third limitation of this study concerns the number of variables. The regression analysis examined a limited number of the macroeconomic variables. It is expected there are other variables that influence the remittance flow that are not covered by this research.

The last limitation of the study concerns the time series of the study. The study only assessed remittance flow from the GCC region in the last two decades from 1989 to 2012. This is because of the lack of adequate data on bilateral remittance flow. Jongwanich (2007) illustrated that the proximity of the GCC countries to each other, their similar habit patterns, and their weakness in informatics led to an increase in the informal registration of workers and the transfer of remittance.

Importantly, it is noted that the research utilises data from up to 2012 to determine the workers' remittance flow. This can be justified on several levels. The current time series data took two decades, or 21 years, to examine the remittance flow from the GCC region. Data can better fit to estimate the remittances when taking into consideration data quality, quantity, availability, and host and home economy conditions. In addition, the proposed time series is taken from where stable economies in Middle East and GCC countries are secured politically.

Moreover, the latest time series may not be sufficient to evaluate workers' remittances as the economies of regions are not stable. Some countries such as Egypt, Syria, Qatar, Jordan, and Iraq have been involved in world political issues since 2014, and, therefore, they have instable economies to date. These political issues, including war in Syria, Egypt, and Yemen, will not only affect the economic stability of the home and host regions, but will also impact the macroeconomic factors in this research. It will be hard to estimate remittances from these countries, and therefore,the output of the research may not be sufficiently significant to meet the studyobjectives.

The latest data also suffers from unbalanced shortcuts. In fact, not only is there inadequate data to run the regression properly, but data collection tasks themselvesare a huge challenge to the research, to collect data from a country at a time of war or government elections. The major sources for the data are surveys of the central bank of each country, so the collection of data will be hampered as it may be hard to engage in any communication with central banks. Additionally, there is wide agreement among all researchers regarding the lack of availability of data, which makes challenging to run regression tests or obtain proper analysis.

Similarly, using the latest data will be insufficient to arise at a clear picture of results. It is expected that all findings and results will be mixed and fabricated due to unstable macroeconomics indicators. Many significant factors can cause theremittance to increase or decrease and could be misrepresentative and misguiding. Therefore, the output of the study may not be of high enough quality to provide any recommendations or suggestions for decision makers in governments.

It should be reported that using the latest data in remittance is misleading to the research contribution and research significance, since findings from latest data are expected to be inappropriate for meeting community requirements. Hence, it is unfair to give governments or policymakers in home or host countries recommendations or suggestions that are not suitable to their current situation, as research ethics should be considered in this situation.

1.9 Summary

The focus of this study is to identify the non-macroeconomic and macroeconomic determinants of migrants' remittances from GCC countries. The chapter started with the background of the study and research problem. It is notable that the rise in the number of workers in the Gulf region has increased the amount of remittance from the region, which was the initial driver of the study and the search for factors that limit or alter these remittances, especially the economic impact on the host or the receiving country.

This introductory chapter has also outlined the research gap and research questions in this context, followed by the importance of the study and its limitations. The chapter clearly shows that migrant workers deployed in the GCC countries of Saudi Arabia, the UAE, Kuwait, Bahrain, Qatar, and Oman represent an emergingnew space in the research, policymaking, and reform aimed at improving the formulation of strategies and goals to achieve the vision of the future. The next chapter presents both the national and international empirical literature that has been instrumental in (i) shaping the study and (ii) conceptualizing the particular type of study required to meet a specific lacuna that exists in the empirical literature. It willbe critiqued to identify the themes, research findings, and deficiencies within the literature and present an argument to inform the purpose of this study.