

**THE IMPACT OF REMITTANCES AND MACROECONOMICS
VARIABLES ON ECONOMIC GROWTH: EVIDENCE FROM ASEAN IN
PERIOD 2008-2022**



THESIS

**SUBMITTED AS PARTIAL FULFILLMENT OF THE REQUIREMENTS
FOR GAINING THE BACHELOR DEGREE OF ISLAMIC ECONOMICS**

Written By:

M Gilang Maulana Muharromi

16810016

**STATE ISLAMIC UNIVERSITY
SUNAN KALIJAGA
YOGYAKARTA**

**SHARIAH ECONOMICS STUDY PROGRAM
FACULTY OF ISLAMIC ECONOMICS AND BUSINESS
STATE ISLAMIC UNIVERSITY SUNAN KALIJAGA YOGYAKARTA
2023**

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STATE ISLAMIC UNIVERSITY SUNAN KALIJAGA YOGYAKARTA
2023**

AUTHORIZATION PAGE



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DECLARATION PAGE

DECLARATION

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I declared that this thesis entitled "The Impact Of Remittances and Macroeconomics Variables on Economic Growth: Evidence From ASEAN In Period 2008-2022" does not consist of any content that ever being proposed for any degree in other university, ideas of any research and publication of others, in exception all quotes and ideas which are purposely, taken are considered as the research references and listed in the references list. Therefore, if any violation of intellectual right is found in this study, I agree to accept any relevan academic consequences.

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HALAMAN PERSETUJUAN SKRIPSI

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Kalijaga Yogyakarta
Di Yogyakarta

Assalamu 'alaikum Wr. Wb

Setelah membaca, meneliti, memberikan petunjuk dan mengoreksi serta mengadakan perbaikan seperlunya, maka kami selaku pembimbing berpendapat bahwa skripsi saudara :

Nama : M. Gilang Maulana Muharromi

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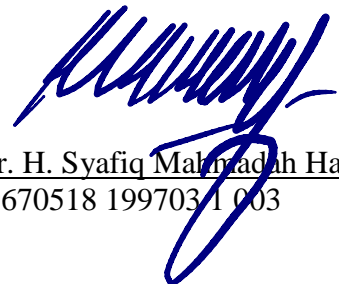
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Sudah dapat diajukan kepada Fakultas Ekonomi dan Bisnis Islam Jurusan/Program Studi Magister Ekonomi Syariah UIN Sunan Kalijaga Yogyakarta sebagai salah satu syarat memperoleh gelar sarjana dalam ilmu Ekonomi Islam.

Dengan ini kami berharap agar tesis saudara tersebut dapat segera dimunaqosahkan. Untuk itu kami ucapkan terima kasih.

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Yogyakarta, 16 Agustus 2023
Pembimbing



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MOTTO

Never stop being a good person.

أَحْسِبَ النَّاسُ أَنْ يُتْرَكُوا أَنْ يَقُولُوا ءَامَنَّا وَهُمْ لَا يُفْتَنُونَ ﴿١٠٣﴾



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DEDICATION

I dedicate my graduating paper to my beloved parent

Yuli Akhri and Nur Hizbaini

and my beloved sister and brother

Nur Aida Ayu Yurista and M Rizki Ananda Ayubi

I dedicate for all are love me and all my love



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PEDOMAN TRANSLITERASI ARAB-LATIN

Transliterasi kata-kata Arab yang dipakai dalam penyusunan skripsi ini berpedoman pada Surat Keputusan Bersama Menteri Agama dan Menteri Pendidikan dan Kebudayaan Republik Indonesia Nomor: 158/1987 dan 0543b/U/1987.

A. Konsonan Tunggal

Huruf Arab	Nama	Huruf Latin	Keterangan
ا	Alif	Tidak dilambangkan	Tidak dilambangkan
ب	Bā'	b	be
ت	Tā'	t	te
ث	Šā'	š	es (dengan titik di atas)
ج	Jīm	j	je
ح	Hā'	h	ha (dengan titik di bawah)
خ	Khā'	kh	ka dan ha
د	Dāl	d	de
ذ	Žāl	ž	zet (dengan titik di atas)
ر	Rā'	r	er
ز	Zāi	z	zet
س	Sīn	s	es
		sy	

ش	Syīn	ş	es dan ye
ص	Şād	ḍ	es (dengan titik di bawah)
ذ	Dād	ṭ	de (dengan titik di bawah)
ط	Ṭā'	ẓ	te (dengan titik di bawah)
ظ	Zā'	‘	zet (dengan titik di bawah)
ع	‘Ain	g	koma terbalik di atas
غ	Gain	f	ge
ف	Fā'	q	ef
ق	Qāf	k	qi
ك	Kāf	l	ka
ل	Lām	m	el
م	Mīm	n	em
ن	Nūn	w	en
و	Wāwu	h	w
هـ	Hā'	`	ha
ء	Hamzah	Y	apostrof
ي	Yā'		Ye

B. Konsonan Rangkap karena Syaddah Ditulis Rangkap

متعددة عدة	Ditulis	Muta'addidah
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	Ditulis	'iddah
--	---------	--------

C. *Tā' marbūṭah*

Semua *tā' marbūṭah* ditulis dengan *h*, baik berada pada akhir kata tunggal ataupun berada di tengah penggabungan kata (kata yang diikuti oleh kata sandang “al”). Ketentuan ini tidak diperlukan bagi kata-kata Arab yang sudah terserap dalam bahasa Indonesia, seperti shalat, zakat, dan sebagainya kecuali dikehendaki kata aslinya.

حكمة	Ditulis	<i>Ḥikmah</i>
عَلَّة	ditulis	'illah
كرامة الأولياء	ditulis	<i>karāmah al-auliyā'</i>

D. Vokal Pendek dan Penerapannya

-----َ-----	Fathah	ditulis	A
-----ِ-----	Kasrah	ditulis	<i>i</i>
-----ُ-----	Dammah	ditulis	<i>u</i>

فَعَلَ	Fathah	ditulis	<i>fa'ala</i>
ذُكِرَ	Kasrah	ditulis	<i>zūkira</i>
يَذْهَبُ	Dammah	ditulis	<i>yazhabu</i>

E. Vokal Panjang

1. fathah + alif	Ditulis	<i>Ā</i>
جاهلية	ditulis	<i>jāhiliyyah</i>
2. fathah + yā' mati	ditulis	<i>ā</i>
تَنَسَى	ditulis	<i>tansā</i>

3. Kasrah + yā' mati كريم	ditulis	<i>ī</i>
	ditulis	<i>karīm</i>
4. Ḍammah + wāwu mati فروض	ditulis	<i>ū</i>
	ditulis	<i>furūḍ</i>

F. Vokal Rangkap

1. fathah + yā' mati بينكم	Ditulis	<i>Ai</i>
	ditulis	<i>bainakum</i>
2. fathah + wāwu mati قول	ditulis	<i>au</i>
	ditulis	<i>qaul</i>

G. Vokal Pendek yang Berurutan dalam Satu Kata Dipisahkan dengan Apostrof

أَنْتُمْ	Ditulis	<i>a'antum</i>
أَعْدَاتُ	ditulis	<i>u'iddat</i>
لَنْ شَكَرْتُمْ	ditulis	<i>la'in syakartum</i>

H. Kata Sandang Alif + Lam

1. Bila diikuti huruf *Qamariyyah* maka ditulis dengan menggunakan huruf awal "al"

القرآن	Ditulis	<i>al-Qur'ān</i>
القياس	Ditulis	<i>al-Qiyās</i>

2. Bila diikuti huruf *Syamsiyyah* ditulis sesuai dengan huruf pertama *Syamsiyyah* tersebut

السَّمَاءِ	Ditulis	<i>as-Samā</i>
الشَّمْسِ	Ditulis	<i>asy-Syams</i>

I. Penulisan Kata-kata dalam Rangkaian Kalimat

Ditulis menurut penulisannya

ذوى الفروض	ditulis	<i>zawi al-furūd</i>
أهل السنّة	ditulis	<i>ahl as-sunnah</i>



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Bismillahirrahmanirrahim

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This thesis entitled “has been made as partial fulfillment for the requirement to achieve the bachelor degree of economics (*Sarjana Ekonomi*). So that, I would like to give my sincere gratitude for all parties who are contribute in this thesis. In particularly they are:

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3. Dr. Abdul Qoyum, S.E.I., M.Sc.Fin. as the Head of Department of Islamic Economic, Faculty of Islamic Economics And Business in UIN Sunan Kalijaga Yogyakarta.
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7. All of my family members, especially for my beloved parents Yuli Akhri and Nur Hizbaini, my brother and my sister who always be my lifetime biggest supporter. For relentless prays and warmest embrace.

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Finally, the author believes that this thesis is not perfect yet, hence, the constructive corrections from outer parties are hoped and expected to enrich and lead this minor thesis into a better one. Hopefully, this thesis would be useful in enriching the knowledge of all reader.

Yogyakarta, 20 Agustus 2023

Author



M. Gilang Maulana Muharromi

Student No. 16810016

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ABSTRACT

This study explains the impact of remittances, total population, exports, and foreign direct investment on economic growth (GDP) in 5 Asean countries, namely Indonesia, Malaysia, Thailand, the Philippines and Vietnam in 2008 to 2022. Remittances are a variable important in increasing economic growth. Total population, exports, and foreign direct investment are control variables in looking at economic growth. This study uses quantitative methods and secondary data by collecting data through the world bank. This study uses panel data regression with the best model approach, namely the Fixed Effect Model (FEM), to find out how the impact of the independent variables on the dependent variable (GDP). Based on the results of the F test obtained, it shows that in general the independent variables have a significant positive impact on the dependent variable. Meanwhile, the results of the T test show that the variables of remittance, total population, and exports have a positive and significant impact on economic growth (GDP). In the independent variable foreign direct investment (FDI) has a negative impact on economic growth.

Keywords: Remittances, Total Population, Exports, FDI and GDP.



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ABSTRAK

Penelitian ini menjelaskan bagaimana dampak remitansi, total populasi, ekspor, dan investasi asing langsung (foreign direct investment) terhadap pertumbuhan ekonomi (GDP) di 5 negara Asean yaitu Indonesia, Malaysia, Thailand, Philipina dan Vietnam pada tahun 2008 sampai 2022. Remitansi merupakan variabel hal yang penting dalam peningkatan pertumbuhan ekonomi. Total populasi, ekspor, dan invetasi asing langsung merupakan variabel kontrol dalam melihat pertumbuhan ekonomi. Penelitian ini menggunakan metode kuantitatif dan data skunder dengan pengambilan data melalui world bank. Penelitian ini menggunakan regresi data panel dengan pendekatan model terbaik yaitu Fixed Effect Model (FEM), untuk mengetahui bagaimana dampak variabel bebas terhadap variabel terikat (GDP). Berdasarkan hasil uji F yang diperoleh, menunjukkan bahwa secara umum variabel bebas berdampak positif signifikan terhadap variabel terikat. Sedangkan pada hasil uji T menunjukkan bahwa variabel remitansi, total populasi, dan ekspor berdampak positif dan signifikan terhadap pertumbuhan ekonomi (GDP). Pada variabel bebas investasi asing langsung (FDI) memiliki dampak yang negatif terhadap pertumbuhan ekonomi.

Kata kunci: Remitansi, Total Populasi, Ekspor, FDI dan GDP



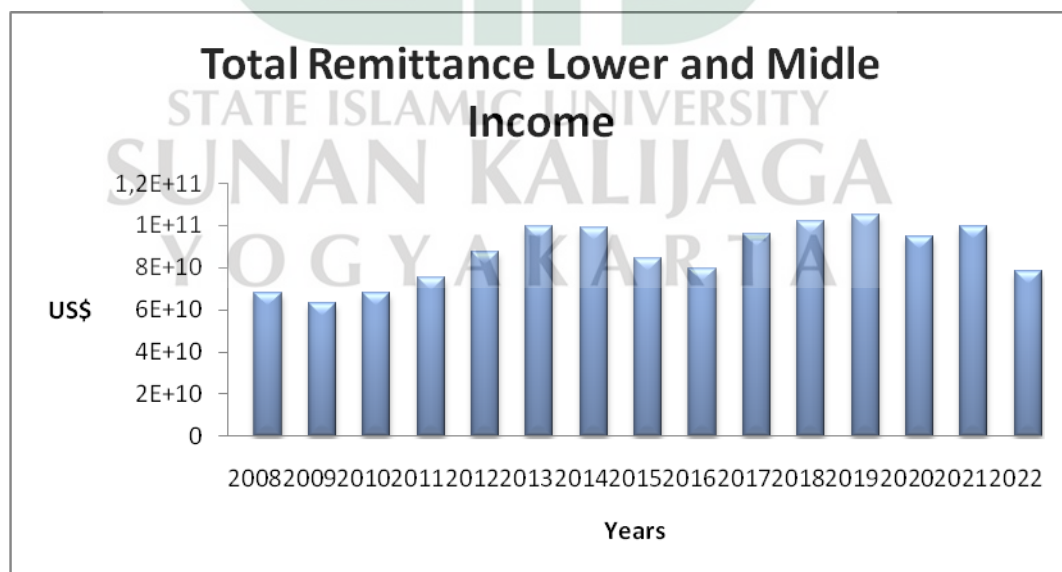
CHAPTER I

INTRODUCTION

A. The Background of The Study

With the development of the world in technology and commerce, a countries cannot be secluded from globalization and the outside world either from economic relationships, humanity, etc. Hence, a country was demanded to create employment or hire its human resources. In empowering human resources, surely in developing countries, the number of jobs will not be able to absorb all human resources, it is necessary dispatch human resources that is labour force to neighboring countries that require their services. Transferring labour force from one country to another country, or in other word called migration, has a household economic impact for migrant, either in origin country or migrant destination country.

Figure 1.1 Remittances of Lower and Midle Income Countries



Source: Data World Bank 2023

The middle income countries, relationships between migrant labour and their home regions is very close indicated in the form of remittances, which are useful for their home regions. Moreover, it also brings positive information about working opportunities in destination country. Remittance can be made as investment for their family in home regions of migrant labours and also can be as reflection for the success of migrants in the destinations country (Sukesi, 2017:142).

The impact of migrant labour toward economic growth of origin countries from the labour force comes from remittances are sent to origin countries. Remittance can influence poverty level and economic growth of a countries. Data from World Bank 2019, remittance result always increases each year, except in 2009 and 2016. Remittance was resulted decreases in 2009 as much as US\$ 10,567,792,150 in developing countries. In 2015, remittance was resulted to developing countries as much as US\$ 431.817.939.841,567, in 2016 as much US\$ 417.933.956.580,13 remittance was resulted decrement for developing countries in 2016 due to the dropping of world oil price.

Basically, remittance only defines as transferring money of labour to the country of origin. However, by the time goes by and the more sophisticated technology of remittance, it does not only send money or goods but also remittance knowledge in the country of origin, it impacts on economy, culture, social, and village development. When a village is performing a progress, surely it will have an impact to the upper level such as sub district, this has an impact on increase PDRB, it also will increase PDB that is concerning wider. Remittance is

interpreted as personal money transfer (personal transfer), individual group remittance and total remittance. Personal transfer consists of all current transfer either cash money or money received by household in the place of origin, and from household not to other citizens. Personal transfer includes all transfer from population to household population, such as: a) source from sender income (salary, revenue, social benefit, or other transfer), b) Inter-household relation (it could be relative or non-relative household), c) other transfer, such as: legacy, allowance, and lottery (Sukezi, 2017: 136)

According to Kuznets (Jhingan, 2012) economic growth is a long term ability increment of a country to provide various types of economic goods to its citizens. This ability is growing related with the development of technology and adjustment of ideological and institutional needed. The definition has three components. First, economic growth of a country is seen by the continuous increment of goods supply. Second, advanced technology is a factor in economic growth that determines the level of growth ability in supplying various goods to society. Third, widespread and efficient use of technology requires adjustments in the field of institutional and ideology, then innovation created from humanity's science can be used appropriately. So far, remittance impact toward economic growth is still debatable. On one side, remittance can create economic growth through saving and investment. Remittance can increase economic growth when remittance fund is used in the form of saving or investment, so that, it can increase foreign exchange reserves for the country. According to Adenutsi (2011), remittance can be categorized as capital inflow, such as export revenue which is

positive determinant of an economic growth. Next, remittance is like any other capital inflow that has important role as source financing in various countries and noted in payment balance (Adenutsi, 2011).

On the other hand, the remittance number that is too big will increase the demand of domestic currency that will cause an appreciation in the value of domestic currency and also will decrease export competitiveness (Karagoz, 2009). Chami, Fullenkamp & Jahjah (2003) adds that remittance will cause moral hazard problem. Recipient household uses remittance as work wages replacement (labour income), it will decrease the desire to work and influence negatively toward economic activity in many countries. In several countries, research on remittance impact toward economic growth has been done a lot. In several researches said that remittance has positive impact to economic growth and some also said it has negative impact. In Shera and Meyer (2013) research entitled “Remittances and Their Impact on Economic Growth” which is conducted in Albania obtained result that remittance has positive impact on PDB per capita. Shera and Meyer (2016) conducted similar research entitled “The Impact of Remittances on Economic Growth: An Econometric Model” in 6 Europe countries of remittance receiver derived result that remittance has positive impact toward economic growth.

In other research conducted by Adenutsi (2011) “Financial Development, International Migrant Remittances, and Endogenous Growth in Ghana” in short term, remittance has positive impact toward economic growth. And there are also said that remittance has negative impact toward economic growth, such as

research by Jawaid and Reza (2012) entitled “Workers’ Remittances and Economic Growth in South Asia” in which the research takes 5 South Asian countries as research object, such as: Pakistan, India, Bangladesh, Sri Lanka, and Nepal. It was obtained that in long term, remittance has positive impact toward economic growth in India, Bangladesh, Sri Lanka, and Nepal, however in Pakistan remittance has negative impact toward their economic growth. And in the Chami (2003) research, it was derived conclusion that migrant remittance negatively affected toward GDP growth per capita in 113 countries taken as the objects of the research entitled “are Immigrant remittance flows a source of capital for development?.”

Based on above description, it was showed that impact of remittance toward economic growth is still debatable. Empirical studies or research in various countries derived difference results. There some show the remittance correlation has positive impact toward economic growth but not a little said that the correlation is negative.

Remittance indeed becomes issue that is very phenomenon to be discussed. This is because remittance impact not just on economy of the migrant family but also education, social, and culture. Besides economy, there are other variables that can influence development in economic growth. That is the existence of exports and FDI that can provide fund injection form abroad or foreign countries for economic growth especially to developing countries. FDI gives impact on GDP of a countries. The amount of FDI that receiv to low and middle income is always fluctuates in year to year.

Theories and empirical approaches have become long polemic in literature about motivation behind remittance transfer behavior. Two factors determine as main reasons or motivation of remittance, are altruism and implicit contract between migrant and family left behind (sometimes are called as *Quid pro quo* motivation). Empirical evidence where motivation dominates rather mixed shows that altruistic and contractual motive are working (Akay, 2012).

The most common approach to identify the reason behind remittance transfer behavior is to analyze relation between money transfer and family income at home (before money transfer). In altruistic “pure”, it is assumed that the only migrant purpose is to support individual they left. Because of this, the poorer family at home, the more migrant want to give. Hence, this approach predicts that money transfer level is increasing along with the decrease of family income at home (Akay, 2012).

Therefore, the main purpose of this empirical study or research is to find remittance impact toward economic growth in 5 Southeast Asia countries namely Indonesia, Philippines, Malaysia, Thailand, and Vietnam. Besides studying about the impact of remittance, there are other factors considered important to complete remittance variable that has impacts on economic growth. Those factors namely total population, export, and foreign direct investment. The reason in choosing the 5 countries as research object is because it is consists of ASEAN countries in status as middle income countries. The second reason is the countries are equally affected by global crisis on 2008, it is also the reason choose 2008 as the base of the research. Therefore, the writer proposes the title as “The Impact of

Remittances and Macroeconomics Variables on Economic Growth; Evidence from ASEAN 2008-2022 Period”.

B. The Formulation of the Problems

Based on background description, the main problems will be discussed in the research are:

1. How is the remittance impact toward economic growth in ASEAN countries (Indonesia, Malaysia, Philippine, Thailand, and Vietnam) in period 2008-2022?.
2. How is the total populations impact toward economic growth in ASEAN countries (Indonesia, Malaysia, Philippine, Thailand, and Vietnam) in period 2008-2022?.
3. How is the exports impact toward economic growth in ASEAN countries (Indonesia, Malaysia, Philippine, Thailand, and Vietnam) in period 2008-2022?.
4. How is the foreign direct invesment (FDI) impact toward economic growth in ASEAN countries (Indonesia, Malaysia, Philippine, Thailand, and Vietnam) in period 2008-2022?.

C. The Objectives of the Study

1. To find the remittance impact toward economic growth in ASEAN Countries (Indonesia, Malaysia, Philippine, Thailand, and Vietnam) in period 2008-2022.
2. To find the total populations impact toward economic growth in ASEAN countries (Indonesia, Malaysia, Philippine, Thailand, and Vietnam) in period 2008-2022?.

3. To find the exports impact toward economic growth in ASEAN countries (Indonesia, Malaysia, Philippine, Thailand, and Vietnam) in period 2008-2022?.

4. To find the foreign direct investment (FDI) impact toward economic growth in ASEAN countries (Indonesia, Malaysia, Philippine, Thailand, and Vietnam) in period 2008-2022?.

D. The Significance of the Study

The research result hopefully can be useful for academician, government, and society.

1. For Academician

The research is expected to be useful for academician as a literature to add insight or as reference for specific research in the theory of remittance impact and macroeconomic variable that can increase the country's economy.

2. For Government

The research is expected to be useful for government as reference and consideration in undertaking policies related to increase foreign exchange reserves and economic growth through variable in the research.

3. For Social

The research is expected to be useful for society in opening insight related to remittance transferred by family who become migrant worker, in order to use remittance more wisely not only for them but also it can be used in productive ways to increase the growth of family economy and regional income per capita.

E. The Outline

Systematic discussion is divided into three parts, namely initial part, inner part, and final part. Initial part contains whatever needed before inner part. Inner part consists of 5 chapters exist in the research. While final part consists of reference, attachments, and curriculum vitae of the writers. The five main parts used by the writer in the core part are as follows:

CHAPTER I: Introduction

First chapter in the research is introduction. This introduction part explains about description of main issues behind the research writing. This part discusses issues on remittance and macroeconomic variable and also as proponent based on facts and data. The background in this research will emerge problems formulation, objectives, and benefits of the research.

CHAPTER II: Theoretical Base and Hypothesis

The second chapter in this research contains literature review from previous researches about remittance and also relevant researches topic discussed by the writer. In this chapter is also explained about theoretical framework which contains remittance theories and its supporting variable used in the research. Moreover, in this chapter also discusses about research hypothesis.

CHAPTER III: Research Method

The third chapter is part of research method. This chapter explains all variable used in research, starting from data type, source of data, until its

operational variable definition. In this chapter is also explained about analysis tools used by the writer in research.

CHAPTER IV: Data Analysis and Discussion

The fourth chapter is part of data analysis and discussion. This chapter covers descriptive statistics of the data used in the research which is calculation resulted by the writer using (Fixed Effect, Common Effect and Random Effect) mode. In this chapter also explains about research result using comparison theories and previous researches.

CHAPTER V: Conclusion and Suggestion

The fifth chapter is the last chapter of the research. This chapter is closing part of the discussion in this research. This chapter contains final conclusion of the research and suggestions for achieving research results. Furthermore, it also contains implications and the limitations of the research.

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CHAPTER V

CONCLUSIONS AND SUGGESTIONS

A. Conclusion

Based on the results of research that has been carried out using the fixed effect model (FEM) approach and refers to the discussion presented in chapter IV (Results and Discussions) with several variables, namely economic growth (GDP), remittances, total population, exports, and foreign direct investment (FDI) then the following conclusions are obtained:

1. Remittances have a positive and significant impact on economic growth at 5 ASEAN countries. These results indicate that the alternative hypothesis that remittances have a positive impact on economic growth (GDP) in 5 ASEAN countries is accepted. This can be seen from the number of remittances to 5 countries in ASEAN which are experiencing fluctuations but tend to increase. Even though there was a global crisis in 2008-2009, it did not have a major impact on the amount of remittances that entered the 5 ASEAN countries (Indonesia, Malaysia, the Philippines, Thailand and Vietnam).
2. The total population has a positive and significant impact on economic growth at 5 ASEAN countries. These results indicate that the alternative hypothesis that was built that the total population has a negative impact on economic growth (GDP) is rejected. Population growth in 5 ASEAN countries has a positive impact on economic growth (GDP) seen because the increasing total population will affect the amount of labour, demand, supply of goods and services. So that the activity between supply and demand for a

product and service will affect the growth of people's income which indirectly affects the country's economic growth.

3. Export has a positive impact and not significant impact on economic growth in 5 ASEAN countries. These results indicate that the alternative hypothesis that was built that exports have a positive impact on economic growth (GDP) is accepted. Export growth in the 5 ASEAN countries can certainly increase economic growth in these countries. Exports occur when a country experiences an aggregate advantage in producing goods needed by other countries. So that the production of an item can increase the income of producers who produce goods and indirectly affect economic growth.
4. Foreign direct investment (FDI) has a negative impact on economic growth in 5 ASEAN countries. These results indicate that the alternative hypothesis that was built that foreign direct investment (FDI) has a positive impact on economic growth (GDP) is rejected. Foreign direct investment (FDI) is very much influenced by many things, so research is needed to determine a country as an investment destination. Investment in the short term can certainly affect economic growth. But not necessarily in the long term. Fluctuating flows of foreign direct investment (FDI) can provide an early sign that foreign direct investment has little impact on economic growth.
5. The all independent variables (remittances, total population, exports, foreign direct investment) have a significant simultaneous impact on the dependent variable (Gross Domestic Product) in 5 ASEAN countries. This can be seen

from the probability value of the simultaneous test, that the probability value F is smaller than the alpha value of 5%.

B. Suggestion

Based on research conducted on the impact of remittances and macroeconomic variables on economic growth in 5 ASEAN countries for the 2008-2022 period, this researcher provides suggestions that need to be considered and considered especially for academics and future researchers, as follows:

1. For future researchers to selected, update data and add independent variables that have a direct or indirect relationship with economic growth, in this case gross domestic product.
2. For the general public, especially migrants who send money to their country of origin or region of origin for their families, so that they can allocate money properly. Allocation of remittances for productive things, investment and children's schooling.
3. The government, which is a policy maker. The expected to consider many things in economic conditions, especially those related to variables that can increase a country's economic growth. Pay attention to the human development index to support the ability to increase economic growth.

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