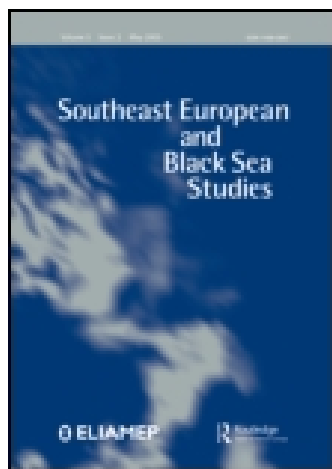


This article was downloaded by: [McMaster University]

On: 29 October 2014, At: 10:44

Publisher: Routledge

Informa Ltd Registered in England and Wales Registered Number: 1072954 Registered office: Mortimer House, 37-41 Mortimer Street, London W1T 3JH, UK



## Southeast European and Black Sea Studies

Publication details, including instructions for authors and subscription information:

<http://www.tandfonline.com/loi/fbss20>

### Savings and remitting attitudes of Albanian emigrants - an exploratory data analysis

Christos Nikas<sup>a</sup> & Grigoris Baklavas<sup>a</sup>

<sup>a</sup> Department of Balkan Studies , University of Western Macedonia , Florina, Greece

Published online: 17 Dec 2009.

To cite this article: Christos Nikas & Grigoris Baklavas (2009) Savings and remitting attitudes of Albanian emigrants - an exploratory data analysis, Southeast European and Black Sea Studies, 9:4, 481-495, DOI: [10.1080/14683850903314972](https://doi.org/10.1080/14683850903314972)

To link to this article: <http://dx.doi.org/10.1080/14683850903314972>

PLEASE SCROLL DOWN FOR ARTICLE

Taylor & Francis makes every effort to ensure the accuracy of all the information (the "Content") contained in the publications on our platform. However, Taylor & Francis, our agents, and our licensors make no representations or warranties whatsoever as to the accuracy, completeness, or suitability for any purpose of the Content. Any opinions and views expressed in this publication are the opinions and views of the authors, and are not the views of or endorsed by Taylor & Francis. The accuracy of the Content should not be relied upon and should be independently verified with primary sources of information. Taylor and Francis shall not be liable for any losses, actions, claims, proceedings, demands, costs, expenses, damages, and other liabilities whatsoever or howsoever caused arising directly or indirectly in connection with, in relation to or arising out of the use of the Content.

This article may be used for research, teaching, and private study purposes. Any substantial or systematic reproduction, redistribution, reselling, loan, sub-licensing, systematic supply, or distribution in any form to anyone is expressly forbidden. Terms & Conditions of access and use can be found at <http://www.tandfonline.com/page/terms-and-conditions>

## **Savings and remitting attitudes of Albanian emigrants – an exploratory data analysis**

Christos Nikas\* and Grigoris Baklavas

*Department of Balkan Studies, University of Western Macedonia, Florina, Greece*

*(Received 18 October 2008; final version received 23 March 2009)*

In a period of 15 years, one third of the population of Albania emigrated, mainly to Greece and Italy. The main compensation for this loss has been the inflow of remittances. In many cases, Albanian emigrants have chosen to use informal means for remitting and have proved to be reluctant to use their savings on productive investment. Therefore, analysing their savings and remitting attitudes is very important in terms of policy formulation and implementation. Albanian emigrants represent a very heterogeneous group. Their characteristics differ in terms of their educational level, marital status, age and regional origin. Economic theory suggests that such differences may be associated with substantial differences in emigrants' attitudes towards saving, investing and remitting money to their families. On the basis of the findings of a study sponsored by the International Organization for Migration, this paper uses exploratory data analysis in order to investigate the relationship between the characteristics of the Albanian migrants and their savings, investing and remitting attitudes.

**Keywords:** Albanian migration; remittances; exploratory data analysis

### **Introduction**

Emigrant remittances generally represent the most important positive direct economic effect for an emigration country, especially when they are of substantial size and finance productive investment. Both the size and the way remittances are used by the emigrants and their families could be influenced by factors such as the characteristics of the emigrants – their education level, employment status, etc. A second important issue refers to the 'channels' used for the transfer of remittances between the emigrants and their family members. Emigrants often prefer informal channels. In other words, they choose not to use the banking system (in the broader sense including Money Transfer Organizations – MTOs), especially when they lose confidence in the banking sector of their country of origin, as has happened in Albania.

There are basically two kinds of remittances regarding their use and exploitation (Nikas 2006):

- those aiming to financially support the family (consumption motive) and
- those representing a transfer of savings for hoarding (investment motive).

---

\*Corresponding author. Email: [xnikas@uowm.gr](mailto:xnikas@uowm.gr)

This heterogeneity of remittances regarding their use often causes a differentiation of the factors determining their size and frequency. Remittances directed towards financing consumption depend on factors such as the family status of the emigrants. Remittances to be used for hoarding depend mainly on economic factors such as the level of emigrants' savings and the investment and business environment in the emigration country (Nikas and King 2005).

The main aim of this paper is to analyse the relationship between the savings and investment attitudes of Albanian emigrants, on the one hand, and migrants' personal characteristics and geographic origin on the other. In other words, should Albanian emigrants be considered as a single and homogeneous group of people, or should they be grouped and differentiated on the basis of their various characteristics? Much of the source data for this paper is drawn from the International Organization for Migration (IOM) study *Competing for Remittances* (de Zwager et al. 2005).

### **Determining factors of the magnitude and use of remittances: a theoretical approach**

The existing literature identifies a number of factors determining remittance flows. These factors can be divided into three groups (de Zwager et al. 2005, 22):

- Factors clearly positively related to the remittance flows such as the number of emigrants working abroad, their economic standing and growth rates in the immigration countries, the availability of channels for the flow of remittances and the educational level and family status of the emigrants. Married people tend to remit more to their families back home. Also, policy measures adopted by the governments of the emigration countries, such as remittance-backed bonds, are positively related to the size of remittances.
- Factors clearly negatively related to remittance flows such as political instability in the emigration country, the number of employed family members remaining in the country of origin and the process of family reunion. A male immigrant who is accompanied by his family is likely to remit less, especially when his wife is also working. This is the main reason why the high participation of women in the bulk of the emigrants is usually negatively related to the size of remittance flows. Also, the immigration countries themselves can adopt policy measures and incentives preventing immigrants from remitting in order to avoid the outflow of foreign currency.
- Factors which could be positively or negatively related to remittance flows, such as wage levels, nominal or real interest rates, household income level, legal status and the duration of emigration.

Regarding the relationship between the level of education and the skills of the emigrants on the one hand and their remitting and investing behaviour on the other, there is no convergent theory as to whether it is the more or the less skilled and educated who are more likely to remit and invest in their country of origin. In fact, a review of the existing literature indicates that it could be either.<sup>1</sup> For analytical purposes it is best to examine the remitting and the investment attitudes separately.

As far as the relationship between the education and skill levels and the likelihood to remit is concerned, the following points could be made:

- Educated and highly skilled emigrants are more familiarized with the use of the services of the banking system, tend to save more and have access to loans. Consequently, they are more likely to use the formal channels when remitting, to keep savings in foreign currency accounts and to channel money for direct investment in their country of origin.
- Educated and highly skilled emigrants usually originate in urban areas while the less educated and unskilled ones come from rural ones. Whether the former or the latter group of emigrants displays a higher propensity to invest, therefore, will depend on the investment opportunities and rates of return in these two kinds of area. If the urban areas are congested and present little investment potential, the propensity to remit of the unskilled and less educated emigrants will be higher. The opposite will apply if the rural areas are practically depopulated following the departure of the emigrants.
- Social and cultural integration abroad is usually easier for the educated emigrants. More acculturated emigrants are less committed to ongoing connections to their home country. In addition to that they may have less incentive to remit, either because their families back home are less needy, or because they self-financed their departure and have no obligations. Low skilled workers, on the other hand, may send remittances to repay the family and social networks that prompted/supported their emigration.
- Educated and highly skilled emigrants usually earn more than the low skilled and less educated ones. Most empirical findings support a positive relationship between the emigrants' level of income and the amounts they remit. Even if we accept, therefore, that fewer highly skilled emigrants send remittances back home, when they do so they usually remit larger amounts of money.

Turning now to the relationship between the education and skill level of the emigrants and their propensity to invest in their country of origin, one could stress the following points:

- Assuming that the amounts of money remitted by the highly skilled and better educated emigrants are larger, they can finance a wider range of expenditures including productive uses. After financing the immediate family needs (food, medical care and other household basics), there is still money left over to save and/or invest. In the case of the low skilled and less educated emigrants, these immediate family needs may absorb the total of the amounts remitted.
- Being richer and more aware of the existing investment opportunities, skilled and educated emigrants are more likely to be attracted by financial products such as remittance-backed bonds. According to Lowell (2002), when the governments of the emigration countries issue these bonds they mainly aim at the highly skilled and educated emigrants.
- It has been already mentioned that skilled and educated emigrants are better integrated in the society and economy of the immigration country. This allows them to have more alternatives as to where they should invest. If they feel that investing in the country of destination is safer and provides higher returns than in their country of origin, they will probably be practical rather than patriotic.
- The propensity of the skilled emigrants to invest in the home country may differ substantially on the basis of which this country is. Obviously country-specific

factors (investment opportunities, level of infrastructure, risk and uncertainty, etc.) apply here. The emigrant in this context is a potential investor and the decision taken will be made according to the soundness of the investment. It is therefore reasonable to assume that he (or she) would choose to avoid high-risk projects, even in his or her homeland.

- It has been argued that low skilled emigrants are usually fed up with dependent employment in the immigration countries and may have a greater propensity for entrepreneurship upon return (Nikas 1991). On the other hand, the nature of the activities that the highly skilled emigrants engage in may generate more capital-intensive enterprises provided that they choose to invest in their country of origin.

### Applying the theory to the Albanian case

As far as Albania is concerned, the factors determining the inflow of remittances have not been systematically analysed. This is mainly due to the relatively short period since emigration started and the lack of data. As a result, the degrees of freedom for a detailed and proper econometric investigation have been considerably reduced. Nevertheless, there is evidence that the aforementioned three sets of factors are the ones determining the inflows of remittances to Albania (de Zwager et al. 2005).

The existing literature suggests that in the case of the Albanian emigration, the magnitude of remittances is positively related to the education level of the emigrants as well as their family status (Gedeshi, Mara, and Preni 2003; Germenji 2000; Germenji, Sarris, and Swinnen 2002). Married emigrants with their families living in Albania tend to remit considerably more than those accompanied by their families (Gedeshi, Mara, and Preni 2003; Germenji and Swinnen 2004; Konica 1999).

There is also evidence (Lianos and Cavounidis 2004) on the impact that a steady job has on the remittances of Albanians living in Greece. Interestingly, a steady job is negatively related to the amount of money Albanians remit. This is probably because people who have steady jobs consider long-term or even permanent residence in the country of migration and therefore keep their savings there rather than send them back to the emigration country. However, the lack of a steady job also influences negatively the propensity of Albanians to remit because such employment schemes usually do not allow the building of savings.

Regarding the role of gender, the evidence suggests that the amounts remitted by Albanian women emigrants are indeed considerably smaller on average (Gedeshi, Mara, and Preni 2003; King and Vullnetari 2003; Konica 1999). An increasing proportion of female Albanian emigrants living and working with their husbands do not remit large or consistent amounts, because their moral obligation is to support their husband's parents rather than their own.<sup>2</sup>

As far as the education level of the Albanian emigrants is concerned, the vast majority have completed at least the first eight–nine<sup>3</sup> years of education of the compulsory school system of Albania (de Zwager et al. 2005, 12). Furthermore, there seems to be a positive selection: those who emigrate are usually better educated than those who do not. The propensity to emigrate is higher for those who have a longer secondary school education (Germenji and Swinnen 2004; Konica 1999). It appears that the brain drain, i.e. the loss of specialists and researchers who have left, is very high for Albania and in fact proportionally higher than for other Balkan emigration countries (de Zwager et al. 2005, 13).

The contemporary migration flows from Albania have emerged and evolved on the basis of three geographic origins (north, south and central-western Albania) and three destinations (Greece, Italy and Tirana). The most important and sizeable one has been the flow to Greece and this has been mainly drawn from people living in the southern regions of Albania, neighbouring the border with Greece. Italy has also attracted emigration from these southern areas but to a much lesser extent compared to Greece. The main source for the emigration to Italy has been western Albania.

Albanians living in the northern mountainous regions of the country also faced severe economic problems during the 1990s. A large number of these people, previously employed exclusively in agriculture, initially chose internal migration and resettlement in the large urban centres such as Tirana and Durrës, seeking better living conditions and employment opportunities. External emigration from these areas has been relatively smaller than the southern part of the country, although emigrants from the north have found their way to Greece, Italy and the UK.

The central regions of Albania, having attracted internal migration from various parts of the country, also formed a pool for potential external emigration. Here, however, we find different characteristics in terms of the higher economic and educational profile of the emigrants from these regions. People from central Albania, emigrating mainly from cities such as Tirana, Durrës and Elbasan, moved to Italy and to the more developed European countries as well as the USA, some as students (initially at least) and some as highly specialized professionals.

Greece has failed to attract considerable numbers of Albanian emigrants of this profile. This country has therefore absorbed the bulk but not the cream of the Albanian emigration flow, since the more developed European countries and the USA exercised stronger 'pull' forces and provided better incentives. This elite flow has been the main source of loss of specialized professionals and highly educated people; in other words the 'brain-drain' element of the Albanian emigration (Barjaba and King 2005, 6–7; Zezza, Carletto, and Davis 2005).

The growth of remittances to Albania can also be attributed to the development of the financial and banking sector. The contribution of MTOs such as Western Union and Money Gram, in addition to the expansion of foreign banks operating in Albania, has been very important to this end (de Zwager et al. 2005). However, according to the data provided in Table 1, Albanian emigrants continue to use the so-called informal channels for transferring their remittances, especially those from the two main emigration countries.

Table 1. Remittances to Albania by country of destination and means of remitting (in %).

Country	Informal means					Formal means		
	By myself	Through other person				Through banks	Through MTOs	Total
		Through friends	No charge	With a fee	Total			
Greece	68.7	12.3	3.0	1.1	85.1	11.9	3.0	14.1
Italy	62.2	12.4	1.2	0.0	75.8	3.7	20.5	24.2
UK	15.1	27.8	3.7	3.7	50.0	11.1	38.9	50.0
Other	33.3	6.7	0.0	6.7	46.7	6.7	46.6	53.3
Total	60.4	13.6	2.4	1.0	77.4	9.0	13.6	22.6

Source: de Zwager et al. (2005, 31).



At this point it is useful to clarify why the use of formal channels is believed by officials and economic policy-makers to be preferable in general and for the particular case of Albania. The intervention of the banking system in this process, the so-called 'bank intermediation', is desirable for three main reasons:

- First of all, bank intermediation brings to the surface the real size of the remittance flow. A considerable part of the remittances flowing through informal channels is not even registered. The small level of bank intermediation therefore leads to a serious underestimation of the size of the remittances.
- Secondly, remittances flowing through informal channels can be subject to all the macroeconomic side-effects remittances usually cause – such as demand-pull inflation, appreciation of the local currency and the 'Dutch Disease'<sup>4</sup> – without enjoying the benefit of the money multiplier effect the bank intermediation would have on the money supply and economic growth.
- Thirdly, bank intermediation could facilitate the productive utilization of remittances in investment. For the emigration/remittance receiving countries the use of remittances for productive investment is of crucial importance regarding their economic development. Whether remittances will be used for 'productive investment' (agriculture, industrial development, productive services, health, education, etc.) or 'unproductive' uses (housing, conspicuous consumption, etc.) largely depends on a number of factors such as the complementary infrastructure, the local services and the political, business and financial environment (Nikas and King 2005, 244–5). For transition economies such as Albania, the poor business environment and flawed operation of the market system have proved to be major obstacles to investment and economic growth. Under these circumstances, the low level of bank intermediation further limits the degrees of freedom for policy implementation and the channelling of remittances to uses alternative to the 'unproductive' ones (Nikas 2006).

The data provided in Table 1, based on the above-mentioned IOM study (de Zwager et al. 2005), could be interpreted as a sign that bank intermediation on the process of remittances reflects the extent of bank intermediation in the immigration countries in general. The use of informal channels is more intensive for remittances from Greece, because the Greek banking system is less developed than the Italian or the British one. In other words, immigrants adopt the patterns followed by the native population of the immigration country. However, a more careful look at the data collected by IOM (Table 2) indicates that the percentage of Albanians who do not have (even one) bank account is quite high (20–30%) in all the main European immigration countries (Greece, Italy and the UK), and extremely small only for the other immigration countries (including USA).

Table 2. The bank account status of Albanian emigrants by host country (in %).

Country	Have a bank account	Not have a bank account
Greece	73	27
Italy	71	29
UK	80	20
Other	96	4

Source: Based on authors' calculations of data in de Zwager et al. (2005, 31).

A more careful look at the data also allows us to explain what, at first sight, appears to be a paradox. A comparison of the data provided in Tables 1 and 2 reveals that the country with the lowest use of formal channels is also the one with the higher use of the transfer through banks (even compared to the UK) and the higher percentage of those having a bank account. In fact, the ratio remittances through informal channels to remittances through formal channels is 6 for Greece, 3 for Italy, 1 for the UK and 0.8 for the other countries, although the proportion of the remittances transferred through banks in the case of Greece is the highest of the group examined and well above the average. The balance against Greece in the informal/formal remitting ratio is mainly due to the low use of the MTOs in the case of the Albanians living in Greece. According to the data in Table 1, only 3% of remittances from Greece are transferred through MTOs. The corresponding percentages are 20.5 for Italy, 38.9 for the UK and 46.6 for the rest of the world.

Based on these observations, we now move on to analyse the differences in the savings and remitting attitudes of the Albanian emigrants on the basis of their educational and professional characteristics rather than which immigration country they live and work in.

### Empirical study

The study we present in this paper was based on a survey that was conducted under the aegis of the European Union and the International Organization for Migration (de Zwager et al. 2005). The study related to Albanian economic immigrants in Greece, Italy and the UK. The survey involved the distribution of questionnaires (1718 in total) delivered to both the immigrants and their families. The emigrant survey was conducted within targeted areas of Greece, Italy and the UK (these three countries account for 94% of Albanian emigrants). An effort was made to match the sample to the distribution of migrant flows to the respective countries.

The data used in the previous study (de Zwager et al. 2005) classified participants according to the country of immigration. To capture a holistic perspective on the immigrants' lifestyle as well as their economic behaviour, all data was unified in one block. Therefore, in the present paper, there is no country classification in the questionnaires used. The household survey (a sample of 1006 households with at least one member working abroad) covered five regions of Albania – namely Korçë, Kukës, Elbasan, Gjirokastër and Shkodër; while in the three destination countries 712 more or less randomly selected emigrants were interviewed.

Survey subjects, beyond the completion of their basic demographic data (sex, nationality, place of residence, members in the family, education level), answered questions concerning their economic behaviour and the remittances that are dispatched and received between immigrants and their families. These questions related to the maintenance of a bank account (particularly after the traumatic political and financial events of 1997 in Albania and the loss of the banking deposits of many Albanian citizens), the number of money transfers, their way of spending the income generated by remittances, and the improvement of their economic situation compared not only to the past, but also to other residents of their region.

Specifically, the questions that were of interest to the analysis were as follows. For each variable that we portray in the graphs that follow later in our paper, we introduce the variable name in italics.



- *District*: the place in Albania that the subjects came from. The answers were then grouped according to the geographical location of the place into three categories, north, central and south Albania.
- *Age*: the subjects had to fill in their age, which was then grouped into three categories: up to 30 years, between 30 and 55 years and above 55 years.
- *Gender*: the usual male/female option.
- *Ethnicity*: answers to this question were grouped into two categories: Albanian and non-Albanian.
- *Education*: possible answers to this question were: lower education (primary school or no schooling), obligatory education (up to high school) and higher education (university degree and above).
- *Employment*: respondents had to state whether they had a job or not.
- *Npersons*: the number of persons that were part of their family. The answers were then grouped in three size classes: small (one–two persons), average (three–four persons) and large (more than four persons) families.
- *Situation*: subjects had to compare the financial situation of their household to the average household of their city or village. The options were: lower, same and higher than average.
- *Improvement*: the feeling that the subjects have about the improvement of their financial situation due to remittance money. The answers were: no, slight and significant improvement.
- *Account*: a simple yes/no question asking whether the subjects maintain a bank account.
- *Keep*: a question about where the subjects keep their savings. The response options were: bank account, inside the house and making investments.
- *Use*: subjects had to state how they use remittance money. The options were: providing for daily needs of the family, improving the house and making investments.

Using the special data analysis software ‘CHIC Analysis’ (Markos 2007), we process the results for the correspondence analysis by applying cluster analysis in the zero-one table. The zero-one table is an  $m \times n$  table, where  $m$  is the number of questionnaires and  $n$  is the total of all possible answers in all questions. For every questionnaire and every question, we put 1 in the answer that the subject chose, and 0 to all other options. The analysis evaluates all questionnaires and, based on the answers, builds the ‘average’ subject, also called the ‘mass centre’ of the analysis (Papadimitriou 2005). Then, the correspondence table is constructed. In this table, we count the number of questionnaires in which a pair of answers, in different questions, was chosen. This leads to the calculation of two different values for each variable. These values show the distance between the variable and the ‘mass centre’. These are the values portrayed in the graphs we discuss below. The variables of interest are the ones that have relatively high values, either positive or negative; they are considered to be the ones that are not close to the ‘average’ subject. These variables are split in two areas, designated by the positive and negative side of the axis, respectively.

This analysis leads to the creation of two graphs (or factorial axes) that are then combined in a (factorial) plane. The order according to which the variables are displayed leads to the interpretation of each axis. In the factorial plane, the variables are grouped together according to their values in the two axes. Based on these observations, we can derive that the subjects giving these answers have some common

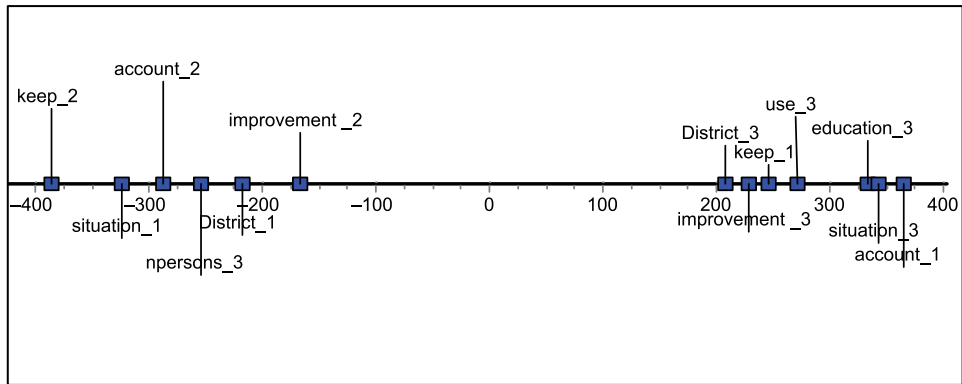


Figure 1. First factorial axis.

characteristics. In the graphs, the numerical notation after each variable (e.g. District\_1, or npersqns\_3) refers to the categorization options spelt out in the variable list given above (hence District\_1 is North Albania, npersqns\_3 is large families and so on).

The first factorial axis, on which the prevailing juxtaposition of our data is portrayed, illustrates the following characteristics (Figure 1):

- Left – the subjects who originate from Northern Albania (District\_1), live in large families (npersqns\_3), keep their money in the house (keep\_2), without opening a bank account (account\_2) and have declared that the money that was sent by their relatives in Greece has led to only a small improvement in their economic situation (improvement\_2). They also declare that their economic situation does not differ from that of the other residents of their region (situation\_1).
- Right – the respondents who, in their majority, live in Southern Albania (District\_3), are of higher education (education\_3), maintain a bank account (account\_1), in which they save up the money coming from their relatives in Greece (keep\_1), and feel that they are in a better economic situation than the other residents of their region (situation\_3). They also declare that they use the money to invest (use\_3).

Based on the information above, we can consider the first axis as the axis of satisfaction and also as an axis of high social and economic situation. This means that the higher the positive values the subjects have, the more satisfied and in a better economic situation they are.

The second factorial axis, on which the second (in order of importance) juxtaposition of our data is portrayed, illustrates the following features (Figure 2):

- Left – subjects who, in their majority, are women (gender\_2), aged 55 years and above (age\_3), residing in Southern Albania (District\_3), living in families with few members (npersqns\_1), unemployed (employment\_2) and with a lower education level (education\_1). These subjects declare that they use income generated by remittances in order to satisfy their everyday needs (use\_1).

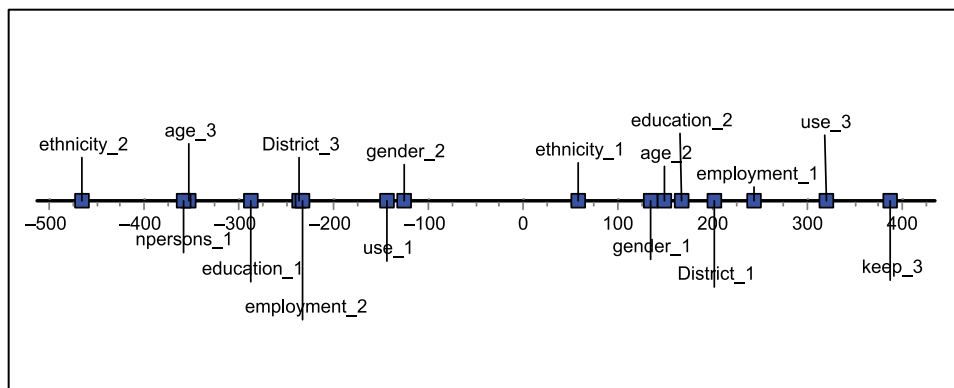


Figure 2. Second factorial axis.

- Right – respondents who, in their majority, are men (gender\_1), aged between 30 and 55 years (age\_2), reside in northern Albania (District\_1), have a medium education level (education\_2) and who are using the money that they save up (keep\_3) for investments (use\_3).

Based on the above, we can consider the second axis as the axis of economic activity. That is to say, in the negative values we find the inactive individuals of higher age, and, moving to the positive values, we proceed to the average social layers of economically active individuals.

The first factorial plane (Figure 3) is actually the merging of the two axes shown in Figures 1 and 2, where the first axis is the horizontal one and the second is the vertical one. In the plane, we observe three groups of subjects:

- Left – Group  $X_1$ . These respondents are residents of Northern Albania, live in families with a large number of members, have a lower education level, do not hold paid employment, do not maintain a bank account, keep their money in the house, have seen a small improvement in their economic situation due to the money that their relatives send, find themselves in the same economic situation as the other residents of their region and use their money for addressing their daily needs.
- Top right – Group  $X_2$ . This group's members are of a higher education level, have a job, maintain a bank account, are in a better economic situation than the other residents of their region, and use the money that they save up for investments.
- Bottom right – Group  $X_3$ . This consists of women who live in families with few members, are aged 55 years and above, reside in southern Albania, save their money in the bank, and have seen an important improvement in their economic situation because of the remittance money they receive.
- Further down, isolated from the rest, we find individuals who declared a nationality other than Albanian. These are mainly the people who originate from Albania, but hold passports from other countries (mainly Greek), plus a small number of Roma. Although this group of subjects represents a not inconsiderable 9.3% of the sample, as it is placed far away from all others, it is not considered worth analysing by the method.

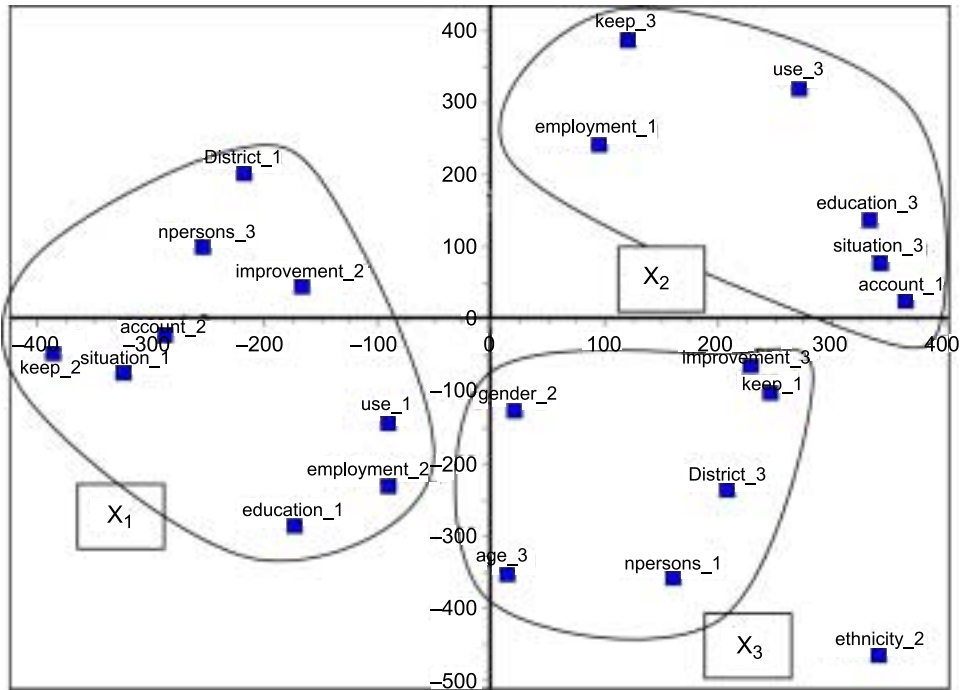


Figure 3. First factorial plane.

It has to be stated that not all variables of the survey appear in the diagrams. This happens because some variables tend not to play a significant role in the distinction of the groups. These are usually the variables that take values close to 0 in one (or both) of the axes in Figures 1 and 2.

A final stage of our analysis is to arrange our survey data in an ascending hierarchical classification diagram.

Observing the dendrogram in Figure 4, we make the following observations:

- The initial node that includes all subjects is split in Groups A and B by 90.7% and 9.3%, respectively. This split is due mainly to the fact that Group B surpasses considerably Group A in the presence of individuals with non-Albanian nationality. Consequently, Group B can be characterized by the presence of non-Albanians, and Group A by the presence of individuals of Albanian nationality.
- Then, Group A, considered as a node, is split in Groups  $A_1$  and  $A_2$  with percentages of 47.3 and 43.4, respectively. The members of Group  $A_1$  are characterized by their higher education (university degree or unfinished university degree), the fact that they have a job, their maintenance of a bank account, the fact that they invest the money that they save up, and also the use of their money for improving their residence.
- The members of Group  $A_2$  are characterized by their lower education level (less than obligatory education), the fact that they do not have paid employment, they do not maintain a bank account, and that the money that their relatives send is kept in the house and used to cover their daily needs.

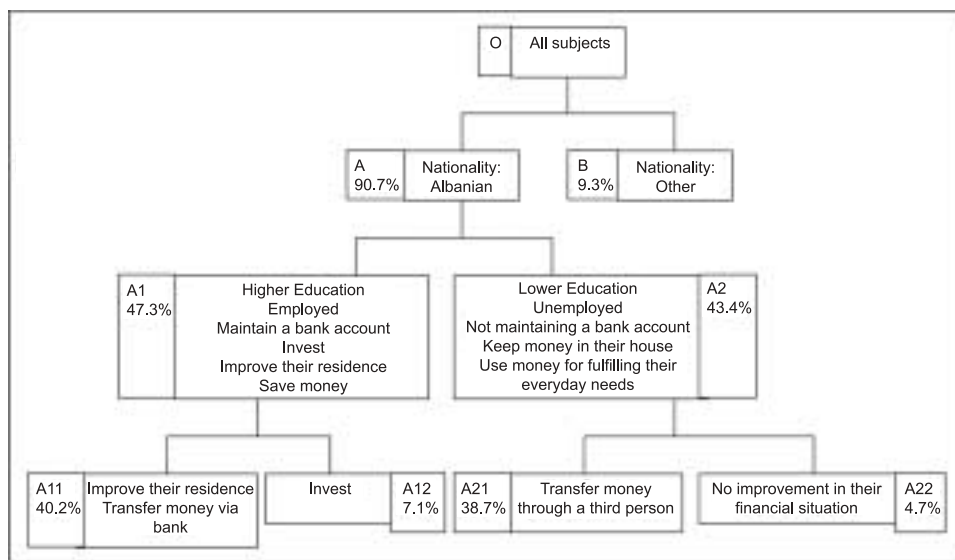


Figure 4. Dendrogram of the ascending hierarchical classification.

- Then, Group  $A_2$  is considered as the node, and split into Groups  $A_{21}$  and  $A_{22}$  with 38.7% and 4.7%, respectively. From the result tables, we can confirm that Group  $A_{22}$  includes the individuals of Group  $A_2$  who declare that income generated by remittances did not improve, by any means, their economic situation.
- Observing the dendrogram we also see that Group  $A_{21}$  distinguishes itself from the rest of Group  $A_2$ , as the individuals who transfer remittance money via a third person.
- Finally, Group  $A_1$  is considered as a node. This splits in two groups,  $A_{11}$  and  $A_{12}$  with 40.2% and 7.1%, respectively. As previously, from the result tables we can see that Group  $A_{12}$  is characterized by individuals who declare that they use the money for investing. Group  $A_{11}$ , naturally, as it is a subgroup of  $A_1$ , is characterized by common attributes with it. More important, however, is the fact that they use the money for improving their house and that they transfer the money through a bank.

### Interpretation of the findings

The findings of the exploratory data analysis, and the dendrogram of ascending hierarchical classification in particular, are very interesting since they test the theory on the determining factors of saving and investment attitudes for the specific case of the Albanian emigrants. Furthermore, they verify the conclusions of previous studies on Albanian emigration that were lacking the support of rigorous and quantitative empirical evidence. It appears that Albanian immigrants can be divided into two groups of equal size on the basis mainly of their educational level as follows:

- The first group includes immigrants of a higher level of education, i.e. people holding a university degree or at least having completed some stage of university education. The people in this group are employed, mainly in full-time jobs, and do not need to undertake a second job. They have income

levels comparable to the higher income brackets of the questionnaire and possess (at least) one bank account. Furthermore, their average propensity to save is high and they use their savings mainly in order to improve their houses in Albania. Regarding their remittances, they use the services of banks and MTOs and seem willing to use their savings for productive investment in their homeland. In general, they represent the dynamic fraction of the immigrants. They have good perspectives for professional and economic upgrading and declare themselves skeptical on repatriating (at least in the near future) to Albania.

- The second group includes people of a lower educational level. Most of these people do not have permanent employment, keep their savings at home and use them mainly in order to finance their everyday consumption needs. The money they remit, they either carry themselves when they return or they use other people (informal channels). They are stagnant professionally and acknowledge no improvement in their economic status. They declare their stay in the immigration country to be a short-term arrangement.

The literature review clarified that the relationship between the skill and education level of the emigrants and their remitting and investing behaviour may be positive or negative depending on the interaction of several (country specific rather than universal) factors. The exploratory data analysis revealed that in the case of the Albanian emigration this interaction provides a clear positive sign.

In general, the size and the investment potential of remittances seem to be positively related to the educational level of the emigrants rather than which country they have emigrated to. Also the permanent character of their employment, the holding of a bank account and the use of bank intermediation, as well as the existence of some medium to long-term investment plan in the emigrants' minds, are positively related to this end.

On the other hand, it appears that there is a negative influence from factors such as the size of their families in the immigration countries. It is indicative that women of middle age and older living with their families do not remit at all. Factors such as the number of years after which emigrants intend to repatriate, the amounts emigrants tend to remit in the future and the channels used for the remittances have very little influence on the size of the remittances.

In terms of the policy implications of these findings, the directives are quite straightforward. Following the analysis of the policy tasks related to remittances for the countries receiving them by Nikas and King (2005, 255–6), Albanian policy-makers should aim at:

- maximizing the volume of remittances; and
- maximizing their contribution to economic development and growth by channelling them to productive investments.

The findings of this paper indicate that, in terms of policy-making, there is scope for a market niche rather than a holistic approach. The segmentation or differentiation of the emigrants should be based primarily on their education level. In fact, it appears that the right target group for a policy aiming at maximizing the inflow of remittances and, more important, channelling it to productive investment is the high education segment of the emigrants. One should keep in mind that this segmentation of the



emigrants in order to attract remittances and investments is standard practice for many emigration countries (Lowell and Gerova 2004, 17–9).

Having satisfied their basic consumption needs, these people do not suffer from the myopia and the short-termism of the lesser-educated group and appear to have a clearer life-cycle saving and investment plan in their minds. Given the necessary information on investment opportunities, incentives to invest and confidence on the viability of investment in Albania, the highly educated Albanian emigrants could operate as catalysts for the development of an investment and entrepreneurship environment in their country of origin. Obviously, they are the ones that a consistent, credible and carefully designed policy of shifting remittances to productive investment should aim at.

### Acknowledgements

The authors would like to thank Russell King and the anonymous referees for their comments and suggestions for improving the paper.

### Notes

1. The literature reviews in Lowell (2002) and Lowell and Gerova (2004) are quite comprehensive although they both mainly focus on the emigrants living in USA.
2. This is the general finding from research by King, Dalipaj, and Mai (2006) in North Albania. In this patriarchal scenario the earnings from emigrant women's work abroad are subsumed under the husband's remittances to his family in Albania. For a more nuanced analysis of the gendering of remittances, see Smith's paper in this special issue.
3. According to the earlier school system in Albania, the first eight years of education were compulsory. A few years ago, however, Albania adopted a nine-year compulsory education system. Given that those interviewed belong to the working age-brackets, compulsory education refers to the eight-year cycle that existed previously.
4. 'Dutch disease' is the term used in the economic literature in order to describe the loss in competitiveness and consequent deterioration in the trade balance due to an appreciation of the national currency caused by an inflow of foreign exchange. This was the case in the Netherlands following exploitation of its natural gas reserves and the UK and Norway after the discovery and development of North Sea oil. In the case of the remittances flowing to Albania, the 'Dutch Disease' mechanism works as follows. The inflow of remittances improved the balance of current account and prevented the Lek from depreciating. The 'strong Lek' then reduced the competitiveness of Albanian products, leading to an enlargement of the trade deficit of the country.

### References

- Barjaba, K., and R. King. 2005. Introducing and theorising Albanian migration. In *The new Albanian migration*, ed. R. King, N. Mai, and S. Schwandner-Sievers, 1–28. Brighton: Sussex Academic Press.
- de Zwager, N., I. Gedeshi, E. Germenji, and C. Nikas. 2005. *Competing for remittances*. Tirana: IOM Tirana.
- Gedeshi, I., H. Mara, and X. Preni. 2003. The encouragement of social-economic development in relation to the growth of the role of the remittances. Unpublished report on behalf of UNDP and Soros Foundation. Tirana: Centre for Economic and Social Studies.
- Germenji, E. 2000. Performance of Albanian immigrants in the Greek labour market. M.Phil. diss., Catholic University of Leuven.
- Germenji, E., A. Sarris, and J. Swinnen. 2002. Remittances of emigrants from rural Albania. Paper presented at the conference 'Albanian emigration and new transnationalism', September 6–7, Sussex Center for Migration Research, University of Sussex, in Brighton, UK.

- Germezi, E., and J. Swinnen. 2004. Impact of remittances on household-based farms in rural Albania. Paper presented at the conference 'New perspectives on Albanian migration and development', September 16–7, in Korçë, Albania.
- King, R., M. Dalipaj, and N. Mai. 2006. Gendering migration and remittances: Evidence from London and Northern Albania. *Population, Space and Place* 12, no. 6: 409–34.
- King, R., and J. Vullnetari. 2003. Migration and development in Albania. Working Paper No. 5. Development Research Centre on Migration, Globalisation and Poverty, University of Sussex.
- Konica, N. 1999. The emigration experience and its impact on the Albanian economy. PhD diss., CERGE.
- Lianos, T., and J. Cavounidis. 2004. Immigrant remittances, stability of employment and relative deprivation. Paper presented at the conference 'New perspectives on Albanian migration and development', September 16–17, in Korçë, Albania.
- Lowell, B.L. 2002. Diasporas and economic development: State of knowledge. Paper prepared for the World Bank. Institute for the Study of International Migration, Georgetown University.
- Lowell, B.L., and G.S. Gerova. 2004. Diasporas and economic development: State of knowledge. Paper prepared for the World Bank. Institute for the Study of International Migration, Georgetown University.
- Markos, A. 2007. CHIC Analysis Software. <http://amarkos.gr> (accessed July 28, 2008).
- Nikas, C. 1991. The movements of labour from Greece to the EC countries in the period after the end of World War II. PhD diss., University of York.
- Nikas, C. 2006. *Αδηλοι πόροι και οικονομική ανάπτυξη* [Invisibles and economic development]. Thessaloniki: Epikentro.
- Nikas, C., and R. King. 2005. Economic growth through remittances: Lessons from the Greek experience of the 1960s applicable to the Albanian case. *Journal of Southern Europe and the Balkans* 7, no. 2: 235–58.
- Papadimitriou, I. 2005. *Ανάλυση δεδομένων* [Data analysis]. Athens: Dardanos.
- Zeza, A., G. Carletto, and B. Davis. 2005. Moving away from poverty: A spatial analysis of poverty and migration in Albania. *Journal of Southern Europe and the Balkans* 7, no. 2: 175–93.