

# Chapter 18

## Remittances and Economic Growth

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### ABSTRACT

*Economic growth has become an important study growth matter. By economists economic growth is defined as capital stock growth, rising per capita GDP, increased access for manufactured goods and services for consumption and so on. In economic growth affect several factors and policies. Corruption, lack of investment, inappropriate institutions, inappropriate education etc. are some of obstacles to economic development. Consumption and investment are important components of aggregate demand with multiplicative effect in development. Remittances of migrants are significant potential financial capital used for investments, reflected in economic development and social prosperity. Remittances in Kosovo since 1960 have always been increasing. Participation of remittances to GDP in Kosovo in 2010 is about 12%. Remittances are the highest contributor to the Kosovo trade deficit coverage and are higher than foreign direct investments. Remittances unfortunately for various reasons are not exploited and are not sufficiently exploited for economic development.*

### INTRODUCTION

In development strategy, Brian Levy and Francis Fukuyama (2010) include five broad dimensions of development (one social and three political): economic growth, development of civil society, state-building, liberal democratic political institutions including both rule of law and electoral democracy.

The importance of economic growth has become a study growth matter. What is economic growth. Economists define economic growth as capital stock growth, rising per capita GDP, increased access for manufactured goods and services for consumption and so on. Economic growth has the benefits and costs. Economic growth generates jobs, welfare but also creates pollution, resource exhaustion, destruction of natural habitat.

DOI: 10.4018/978-1-7998-1207-4.ch018

What are those factors that affect economic growth. In general, economists, the factors affecting growth factors count as follows (David C. Colander, 2010):

- Growth – compatible institutions
- Capital accumulation- investment in products
- Available resource capacity
- Technological development
- Entrepreneurship

Some policies of impact in economic growth are as follows:

- Encouraging savings and investments
- Property formalizing rights
- Bureaucracy and corruption reduction
- The right kind of education
- Policies that provide and encourage technological innovation
- Promoting policies that allow taking advantage of specialization (David C. Colander, 2010, p, 614)

But for economic development there are some of obstacles like:

- Corruption
- Lack of investment
- Inappropriate institutions
- Inappropriate education, etc.

These obstacles are related to each other because corruption hinders investment but also creates educational inappropriate institutions.

Consumption and investment are important components of aggregate demand with multiplicative effect in changing the GDP of an economy of a country. In investment category affect many factors. The government can influence investment creating macroeconomic climate through appropriate fiscal and monetary policies. Investments comes from domestic and foreign savings.

## **MIGRANT DELIVERIES AS GLOBAL PHENOMENON AND EXPERIENCES OF THEIR USE**

Remittances of migrants who live and work in different developed countries of the world undoubtedly represent a significant potential financial capital, which is clearly reflected in economic development and social prosperity of a country's financial capital. This potential impacts on raising standards of living of the population, reduce unemployment, alleviate social problems and to create opportunities for investment in various business development in the country.

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