

## THE ROLE OF MIGRATION AND REMITTANCES IN THE ECONOMY

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**Abstract**

This article analyzes migration processes and the role of remittances in the economy. Special attention is given to the impact of remittances on household income, consumption levels, and economic growth in developing countries. The case of Uzbekistan is used to highlight the significance of migration and financial flows based on statistical data. The results show that remittances are an important factor in ensuring economic stability.

**Keywords**

Migration, labor migration, remittances, economic development, household income, poverty, investment, economic stability.

**English Translation**

Globalization has turned international migration into an integral part of the world economy. Today, millions of people are migrating to other countries in search of higher incomes and better living conditions. Migration affects economies not only through the movement of labor but also through financial flows. In particular, remittances sent by migrants to their home countries represent a vital source of finance for developing nations. According to World Bank data, the total volume of global remittances in 2023 exceeded 860 billion US dollars. The majority of these funds are directed to developing countries and play a significant role in their economic development.

For Uzbekistan, labor migration is also highly relevant. Funds sent by citizens working abroad are an important factor in improving living standards and ensuring economic stability.

**Migration** is the process of people moving temporarily or permanently to other regions. From an economic perspective, migration is driven by a shortage of jobs, income disparities, and unequal distribution of economic opportunities. Through labor migration, the workforce is redistributed internationally: on one hand, it fills labor shortages in developed countries; on the other, it reduces unemployment problems in developing countries.

One of the most important economic outcomes of migration is **remittances** — funds sent by migrants to their families. These resources occupy a significant place in the economies of many countries. First and foremost, remittances increase household incomes and reduce poverty levels. Studies show that poverty rates in households receiving remittances decrease by an average of 10–20 percent. Remittances also stimulate domestic consumption. Families primarily spend these funds on food, clothing, housing, education, and healthcare. This revitalizes the



domestic market and has a positive impact on economic growth. In addition, remittances serve as a source of investment. Some families use these funds to start small businesses, expand entrepreneurial activities, or build housing. As a result, new jobs are created and economic activity increases.

In the case of Uzbekistan, migration and remittances are of great importance. In 2023, the volume of remittances entering the country amounted to approximately 14–16 billion US dollars. These funds constitute a significant share of the country's Gross Domestic Product and represent one of the main sources of household income. Remittances mainly come from Russia, Kazakhstan, South Korea, and Turkey. However, migration also has certain negative aspects. These include increased dependence of the economy on external factors, the departure of a portion of the able-bodied population, and the emigration of highly qualified specialists, which creates a "brain drain" problem. Overall, migration and remittances play a significant role in economic development. With properly managed migration policies and effective financial mechanisms, maximum benefit can be derived from these processes.

In recent years, large-scale economic reforms implemented in Uzbekistan, the liberalization of investment policy, and institutional changes aimed at improving the business environment have contributed to a significant increase in foreign capital inflows. Foreign direct investments, portfolio investments, loans from international financial institutions, and financial flows related to labor migration occupy an important place in the national economy. In this process, the inflow and outflow of international capital are shaped under the influence of specific economic, social, and institutional factors.

The characteristics of international capital flows in the context of migration in Uzbekistan are closely linked to the structural transformation of the economy, the modernization of industry, the financing of infrastructure projects, and the development of small businesses and private entrepreneurship. At the same time, remittances resulting from labor migration, as an important form of capital migration, play a notable role in supporting household incomes and domestic consumption. The main objective of this study is to scientifically analyze the formation, movement mechanisms, and specific features of international capital in Uzbekistan within migration processes. The results of the research will serve to develop practical recommendations for the effective use of international capital flows, improving investment policy, and strengthening the sustainability of the national economy.

Migration and remittances are among the key factors of the modern economy. In particular, remittances positively influence economic development by increasing household incomes, reducing poverty, and stimulating domestic consumption. In the context of Uzbekistan, funds sent by migrants serve as an important source for improving public welfare. At the same time, the economy's dependence on external financial flows and the outflow of labor resources may lead to certain negative consequences. Therefore, the rational use of migration and remittances and directing them toward economic development is a pressing issue.

#### **Recommendations:**

1. Strengthen mechanisms for directing remittances into investments. Introduce special programs through banks that channel migrants' funds into small businesses, housing construction, and production.
2. Increase the share of formal remittances. Encourage sending money through the banking system by reducing commission fees and expanding fast services.
3. Expand domestic employment. Create new jobs to reduce the economic need for labor migration.
4. Implement reintegration programs for migrants. Provide employment for citizens returning from abroad and utilize their experience in the national economy.



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