

Remittances from Expatriates: Importance and Maximizing Impact



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Expatriate remittances are a vital component of the national economy, offering numerous economic and social benefits. These remittances are defined as the monetary or in-kind transfers sent by non-resident families to their resident relatives, and they form part of the personal transfers in the balance of payments.

Remittances are an important source of foreign currency and contribute to various financial components, such as deposits in the banking sector and foreign reserves.

According to statistics, there are approximately 925,000 Jordanian expatriates, most of whom reside in Gulf countries, with 47% in Saudi Arabia. In the first quarter of 2024, Jordanian expatriates' remittances reached around 550.7 million dinars, an increase of 4.2% compared to the same period in 2023. On a broader scale, remittances have risen from 332 million dinars in 1990 to 2.234 billion in 2023, nearly sevenfold. Over the past three years, the average annual growth rate has been around 1.2%, which is a positive indicator of a steady upward trend in remittances.

One of the main benefits of expatriate remittances is their contribution to improving the living standards of beneficiary families, as they are often used to meet basic needs such as housing, education, and healthcare. This support positively impacts societal stability and the local economy by enhancing domestic consumption and stimulating demand for goods and services. Moreover, remittances play a crucial role in supporting small and medium-sized enterprises (SMEs), as they are often used as savings to establish family businesses, thereby promoting job creation and economic growth. Additionally, remittances contribute to boosting foreign currency reserves, which amounted to 19.141 billion dinars by the end of July 2024.

Remittances also play a significant role in the banking sector, forming a substantial portion of deposits. This is due to several factors, including the banking sector's stability, strength, and regional reputation, as well as the trust of both citizens and expatriates in the Jordanian banking system, making it the best choice for accumulating their savings. Enhancing deposits through expatriate remittances has substantial economic importance, as the banking sector acts as an intermediary in the economy. An increase in deposits enhances the banking sector's ability to extend loans and offer credit facilities, which in turn boosts investment and domestic spending, contributing to economic growth. A 10% increase in credit facilities leads to a 2.7% growth in real GDP.

Despite the many benefits of remittances, channeling them in the right direction can further maximize their economic and social benefits and prevent potential negative impacts on the economy. Unregulated remittance inflows could increase demand for imported goods, exacerbating the trade deficit. Additionally, concentrating remittances in non-productive assets such as real estate, while important, may limit their optimal use in productive investments and economic circulation.

To maximize the impact of remittances, it is often suggested to offer incentives for expatriates to invest in SMEs and reduce the costs of establishing businesses in their home countries. Providing an attractive investment environment by offering accessible information, promoting investment projects, and clarifying investment maps and opportunities are

crucial. It is also recommended to enhance savings programs for expatriates and diversify them. Examples include developing various savings products in the banking sector that cater to their needs and preferences, as well as other savings tools like life insurance policies that appeal to them. Furthermore, creating investment funds, sovereign funds, and pension funds can be attractive tools for channeling expatriate remittances. Lastly, there should be a focus on developing mechanisms for expatriates to invest and trade in local financial markets, such as the Amman Stock Exchange.

In conclusion, expatriate remittances are a testament to the achievements of Jordanians abroad, who represent a skilled and knowledgeable human capital recognized throughout the region. Under the Economic Modernization Vision, which aims to support economic growth and job creation, it is essential to preserve and continue developing Jordan's human capital to ensure they remain capable of progress and accomplishments wherever they are.