

ABSTRACT

DUMAUAL, H.M. J.; PONIO, R. JR. V.; RIGONAN, J. D.; RUBIO, R.S., Impact of OFW Remittances on the Philippine Economy. Undergraduate Thesis, Bachelor of Science in Business Administration major in Economics. De La Salle University-Dasmariñas, Dasmariñas Cavite. March 2004. Adviser: Dr. Alice T. Valerio.

This study sought to determine the impact of overseas Filipino workers' remittances on the Philippine economy. Specifically, it attempted to determine the number, nature of work, and countries of destination of OFWs; to analyze the sources and the trend of the OFW remittances; and to know the factors affecting OFW remittances.

Government agencies such as Philippine Overseas Employment Administration (POEA), Department of Labor and Employment (DOLE) and Overseas Workers Welfare Administration (OWWA) were the main sources of secondary data. Descriptive statistics such as graphical and tabular methods were employed to offer greater visual impact of the trend of the OFW remittances. Simple and multiple regression analyses were employed to ascertain the impact of OFW remittances on the Philippine economy.

The study concentrated on the OFW remittances from 1982 to 2002 to analyze the trend of the OFW remittances. The study presented some economic variables that may have an impact on the OFW remittances such as Gross National Product (GNP), dollar reserves, and foreign exchange rate.

These are various sources of dollar supply in the Philippines. Among the major sources are export, foreign investments, tourism, and OFW remittances. But the major contributor among these sources are the OFW remittances which send

the country billions of US dollars. The supply of dollars in the foreign exchange markets determines exchange rate, the demand for money balances, and the total domestic money supply determined by interest rate.

Filipinos working abroad constituted 10 percent of the country's population and almost 20 percent of the productive age population. As of 2002, there were 891, 908 OFWs consisting of 682, 315 in land-based area and 209, 593 in sea-based area. As of 2001, the majority of the OFWs were professionals, followed by contractual domestic helpers while others were on managerial, clerical, sales, and agricultural categories.

Saudi Arabia has the largest number of OFWs by country of destination followed by Hong Kong, Taiwan, Japan, UAE, Kuwait, Singapore, Brunei, Qatar, and Italy.

The remittances were being passed through formal and informal channels. Some common practices were through checks, money orders and transfers via telegraph, while other methods include electronic transfers, couriers, postal service, self-carry, and hand carry by friends or family members.

The deposit rates, foreign exchange, and number of OFWs significantly affect OFW remittances. An increase in deposit rates by means of remittances would give additional funds that could be used in financing other government expenditures. Foreign exchange simply refers to all currencies other than the domestic currency of a given country. On other hand, the number of OFWs affects the amount of remittances significantly because remittances are spent by spectrum of migrants, whether legal or illegal workers, what is important is that bulk of remittances they send. Remittances, however, rely on the migrant workers. If the

number of overseas workers decreases, the amount of OFW remittances will also decrease.

OFW remittances have a positive effect on the Philippine economy especially on the country's export earnings. In general, OFW remittances serve as one of the major sources of foreign income for the Philippine economy.

