



REMITTANCES AS AN IMPORTANT SOURCE OF INCOME IN KOSOVO

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Abstract:

This study aims to explain the positive role played by remittances in terms of development and their impact on income. In practice, remittances are regular payments of emigrants (workers who send money to their families in the country of origin). In the largest number of cases, remittances are transfers between people living in developed and developing countries, so with lower living standard. International emigration from Kosovo is among the highest in the world. Today, every third or fourth family has a family member living abroad. Based on empirical studies and measurements, world literature concludes that in the early stages of migration, migrant income is used at large as a livelihood for benefiting families, such as the needs for food, clothing, and health care. For the purpose of this paperwork primary data, (Survey) and secondary data are used. I've uses a questionnaire structured with closed questions. The model used is - the experimental study, the sample that is used is a deliberate champion. As a conclusion, remittances help in reducing private consumption and improve living conditions, as well as help to overcome financial constraints for investment in education and health, which are then reflected in poverty alleviation for beneficiaries.

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1. Introduction

In the transition process after the 1990s, Kosovo faced the migration phenomena due to political and socio-economic conditions. As an economy, Kosovo has a high dependency on the remittances from the immigrants abroad. A survey on remittances shows that remittances have contributed positively to all regions, but it had a higher impact in least developed regions, thus reducing the inequality in average income per capita. In 2016, Kosovo received 566.6 million euros from remittances.

It results that about 400,000 Kosovars are living abroad. This is due to three major migration waves: in the late 1960s, early 1990s, and during the armed conflict of 1998-1999. Migration and remittances from the diaspora have been dedicated to secure their livelihoods in a country that has the highest unemployment and poverty rates in Europe.

In the early literature, dualistic on economic development, labour migration outside the rural sector and industrial production was considered uniformly as the key to modernization and revenue growth.

1.1 Objectives of the study

This study aims to determine the role of remittances from total income. The study will address these specific objectives:

- First objective: To identify key factors affecting monetary/non-monetary delivery in Kosovo,
- Second objective: To illustrate the importance of migration and money sent to Kosovo.

1.2 Research questions

- Are migrants' remittances needed and why?
- What was the contribution of compatriots to households?
- In which way and to what extend emigrants' remittances affected the easing of households?

1.3 Description of the study methodology

Direct interviews with 100 families receiving incomes from migrants; survey was conducted in January 2017.

I used a structured questionnaire with closed questions; the questionnaire was conducted through face-to-face survey by explaining and staying there during the survey. The model used is - the experimental study, the sample that used is a deliberate champion.

1.4 Source of data

1. Primary data, (Survey), and
2. Secondary data (Kosovo Agency of Statistics, United Nations Development Program, GAP Institute, Ministry of Diaspora, Ministry of Labour and Social Welfare, Central Bank of Kosovo).

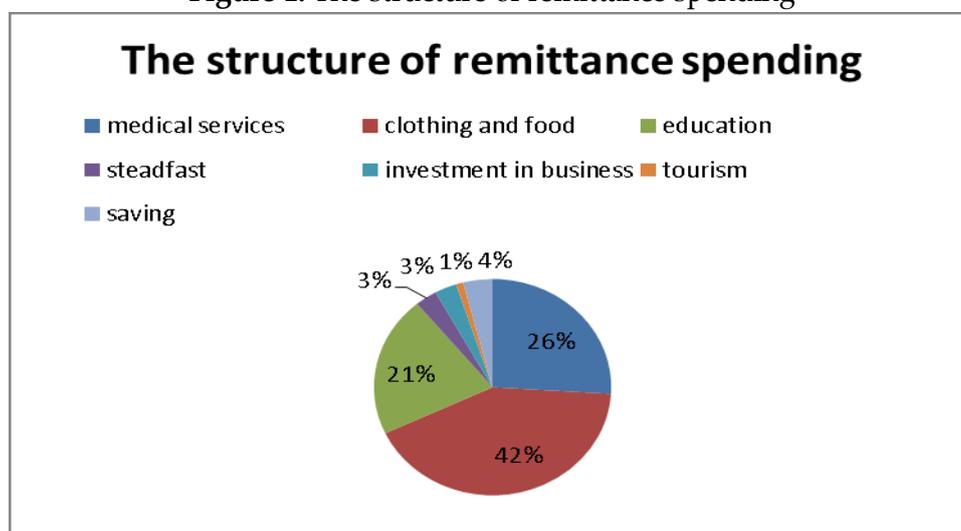
2. Average rating of the importance of factors affecting the remittance incomes

Remittances continue to have a major impact in Kosovo's economy. Remittances' revenues contribute to about 40 percent of the total monthly income of the families receiving remittances, adding that this shows they are an important tool for reducing poverty, improving health care and improving education.

According to the UN Development Program (UNDP, 2010), remittances from the diaspora contribute to up to 40 percent of the total monthly income of the families receiving them. Much of the emigrants' money is used for consumption. These families spend according to the study; about 42 percent of the households mention food and clothing, 26 percent for medical care, 21 percent for education, then a significant part goes to real estate, business investment, and less for saving and tourism.

Remittances sent for investment by most international migrants are intended for the purchase of immovable property (40.4%). Others send remittances for service sector (trade, transport, tourism, etc). While a small number of international emigrants sends remittances for investing in production sectors, such as agriculture, industry and construction. These data also support the conclusion that most international migrants send their remittances for the daily consumption of households. This model of using remittances does not favour the creation of new jobs.

Figure 1: The structure of remittance spending



Source: Survey - January 2017

2.1 How did the immigration process affect the development of the country?

Emigration and remittances have positively impacted the growth of material well-being. Remittances through bank transfers that emigrants send to their country of origin have an important role in the level of income, on the quality and living standard or in the economy of the beneficiary country. Taking into account the high number of unemployed in Kosovo, from the 1990s onwards, there have been remittances that ensured living conditions for many of Kosovo's citizens.

Remittances are mainly intended for financial support of family members. Most migrants send the money to their parents, spouses, and children.

Types of migration:

- Cause (economic, politic, education, family reunion, etc.);
- Form of organization (organized and spontaneous) and legitimacy;
- Duration (long or permanent, temporary, seasonal, weekly);
- The way of implementation (in phases, chain);
- Form of migration (individual and familiar).

Table 1: Individuals who receive income

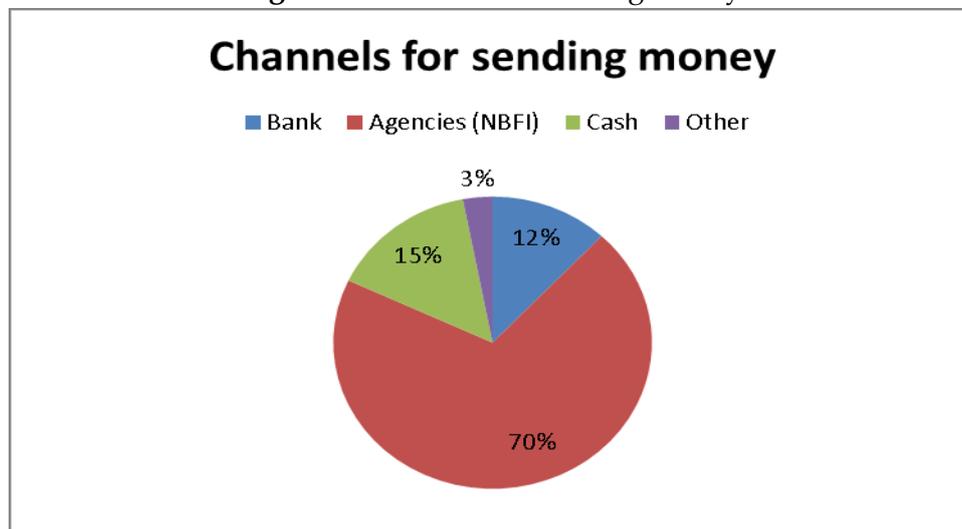
Benefits are available from:	Individuals who receive income
Relatives	92
Friends	2
Others	6

Source: Survey - January 2017

2.3 Channels for sending money to Kosovo

Different ways of sending remittances from Kosovar emigrants exist. The most common ones among them are through relatives, banks or money transfer agencies.

Figure 2: Channels for sending money



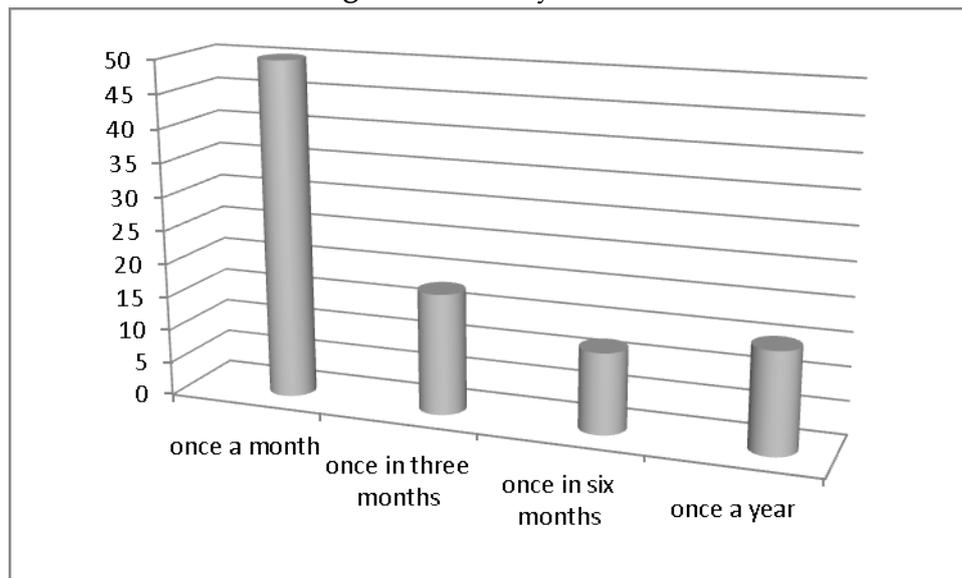
Source: Survey - January 2017

Transfers through specialized money transfer agencies remain one of the preferred ways for migrants to send remittances. Accepting money through institutional channels, such as money transfer agencies, has increased. According to the survey 70% of money is sent out among non-bank financial institutions, while only 12% through banks. This is the result of high money transfer rates by banks, which are the highest compared to the countries of the region. However, in order to stimulate a substantial change in the use of banks as a channel of remittances, it will be necessary to expand banking branch networks and increase financial awareness.

2.4 The role of diaspora for the freedom and independence of Kosovo

Kosovo diaspora is an important factor for the economic development of Kosovo. This is also explained by the frequency of remittances the emigrants send to their families living in Kosovo, and according to surveys, it is concluded that the income is sent to most households every month as we can see in the table:

Figure 3: Monthly incomes



Source: Survey - January 2017

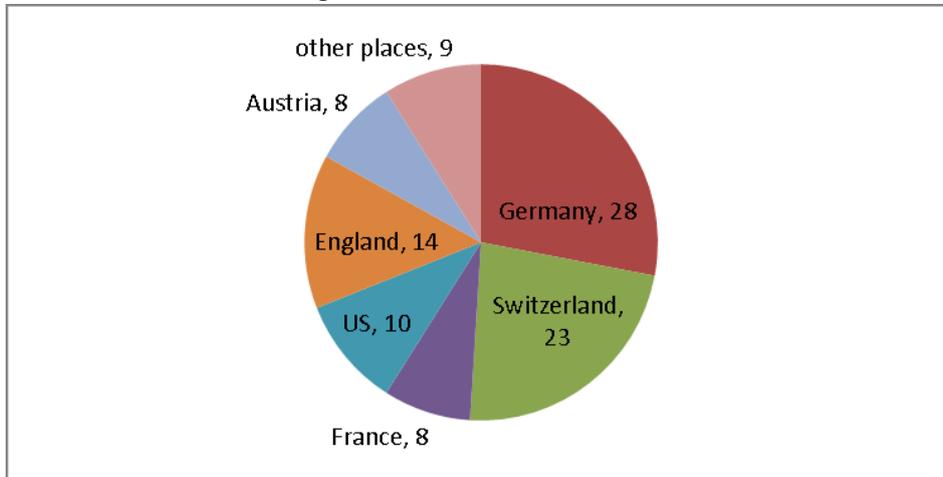
Experts for economy demand that their Diaspora incomes change their destination and instead of being dedicated for food products and health, they should be directed towards economic development. From 2004 until December 2013, migrants have sent to Kosovo 5 billion 347 million and 800 thousand euros, according to Central Bank of Kosovo. According to Central Bank of Kosovo data, within 5 years, remittances from abroad have increased to 3 billion euros. Most of the remittances in Kosovo from abroad are used for consumption, while another part for investments.

The destination of migrants from developing countries is equally divided between high-income countries and developing countries. In 2005, about 62 million

people born in developing countries lived in high-income economies, but 61 million resided in other developing countries. Among high-income countries, those with the highest number of emigrants included the United States (38.4 million), Germany (10.1 million), France (6.4 million) and Canada (6.1 million). The developing countries with the largest migrant population included Russia (12.1 million, which were mostly displaced by other Soviet Union countries), Ukraine (6.8 million), Saudi Arabia (6.4 million), India (3.3 million) and United Arab Emirates.

Meanwhile, the countries that the remittances by immigrants come from include Germany and Switzerland, followed by England, Austria, USA, etc. We have also confirmed this on the basis of the survey I have done with 100 Kosovar families:

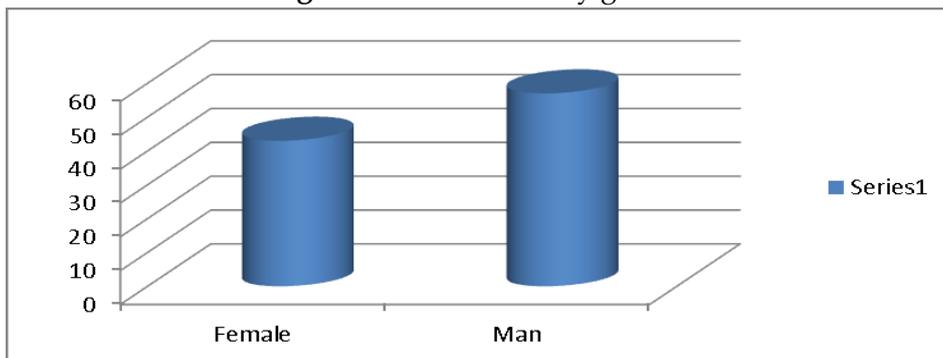
Figure 4: Incomes from states



Source: Survey - January 2017

The gender structure of emigrants is different from the one in Kosovo. While in Kosovo 50% of the population is female, and 50% male, 65% of migrants are males and 35% females. Most of them are married, 64%. According to the survey I did, found that men receive more because they are considered to be married and need to keep their families and this is best seen from the chart:

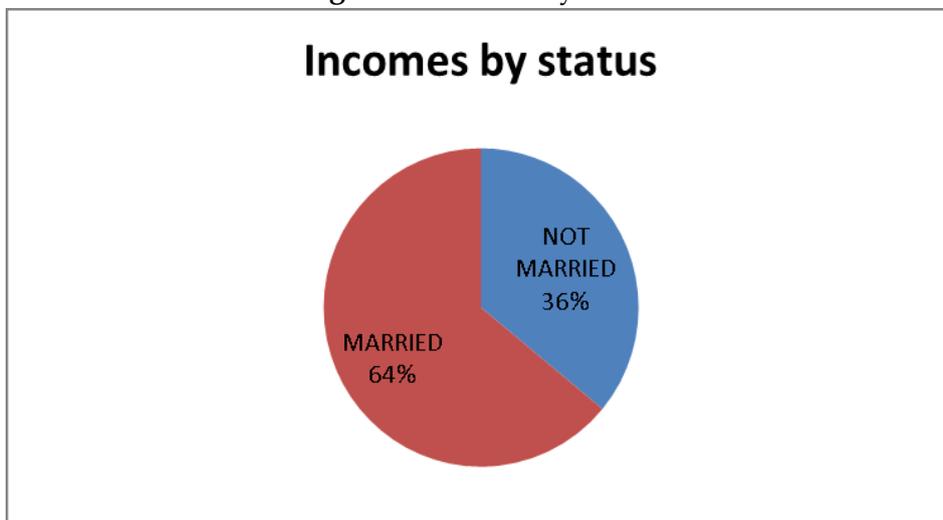
Figure 5: Remittances by gender



Source: Survey - January 2017

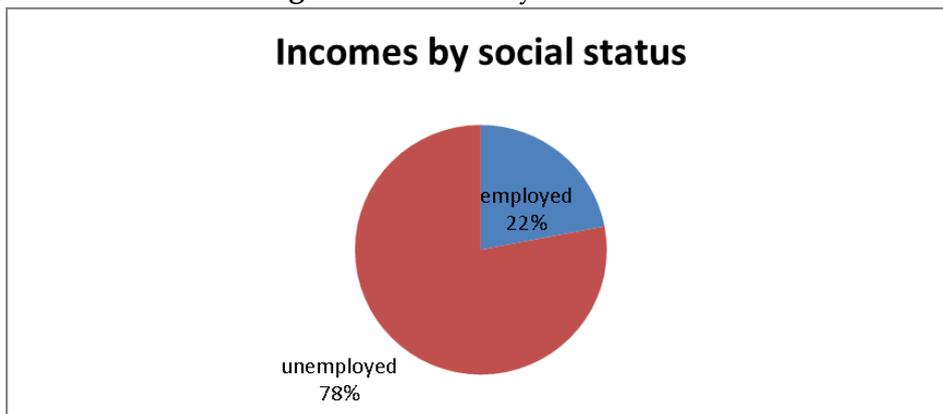
The survey shows that the average age of immigrants is 28 years. According to the survey, those aged 19-35 are most likely to be immigrants, and constitute 50% of the total number of immigrants. The similarities between the two groups are also presented with regard to their educational profile. About 46% of emigrants have completed secondary education, while a smaller proportion, 29%, have completed elementary education. The percentage of those who have completed higher education is 10%. Also, through the survey it was concluded that the marital status and the status of work also have an impact in the incomes of migrants, where the largest part of the income goes to the persons who are married and mostly unemployed:

Figure 6: Incomes by status



Source: Survey - January 2017

Figure 7: Incomes by social status



Source: Survey - January 2017

Table 2: Remittances – according to transfer channels - (in millions of Euros)

Description	Commercial banks	Money Transfers Agencies	Others	Total
2010	141.3	213.1	229.9	584.3
2011	93.9	220.2	178.4	492.5
2012	92.6	236.7	187.0	516.4
2013	115.4	250.3	207.7	573.4
2014	115.2	281.6	225.4	622.3
2015	121.1	303.3	241.1	665.5
2016	96.8	264.6	202.8	566.7

Source: Central Bank of the Republic of Kosovo

Table 3: Remittances – according to states - (in percentage)

Description	Germany	Switzerland	Italy	Austria	Belgium	USA
2010	136.8	84.7	30.9	21.6	10.9	16.5
2011	133	92.2	28.1	22.1	10.4	14.8
2012	137.4	93.6	29.6	24.5	13.5	17.9
2013	135.8	95.1	30.6	23.9	9.3	17.5
2014	145.6	90.1	19.7	15	10.5	25
2015	146.8	89.4	19.3	14.1	9.9	32.1
2016	110.5	67.1	16.7	10.8	6.8	20.6

Source: Central Bank of the Republic of Kosovo

The decision to migrate or not is modelled according to a potentially individual migrant judgment. Furthermore, migrations were treated as permanent moves; a life that changes, discreet choice, usually taken at the beginning of a life period in order to reap the benefits for a larger horizon.

3. Conclusions and recommendations

The research on remittances in Kosovo has analysed the data of a direct survey of about 100 Kosovar households in order to reflect the role and impact of remittances, better understanding of the flow and their use in Kosovo. The analysis and findings of this paperwork clearly present the importance of remittances to the well-being of Kosovars. Taking into account the close ties of Diaspora with Kosovo in spite of the many years spent on emigration, migration has a strong positive impact on human resource development, reduction of unemployment and poverty, developing vocational and intellectual training through the professions and experience they gained in the destination countries.

The study points out that a significant proportion of households receive remittances and they significantly affect the level of income, the way of spending money, households' will to work low with wages but also their opportunities of have

access to education and health care. According to the data, obtaining remittances also affects the household's perspectives to emigrate.

In general, remittances can contribute in the development of the country (accept of increasing consumption) or direct in production investments, or by increasing bank liquidity.

Remittances or incomes coming to Kosovo by emigrants, in the last 12 years have been crucial for the economy of Kosovo. Although most of them went for consumption and not for capital investments, this has also contributed to the Kosovar economy, especially to the Domestic Product Growth.

Households spend almost half of remittances on consumption. Remittances contribute to 194 Euros or about 40 percent of monthly income for the households receiving remittances. Those categories spend more on health and education and find it less difficult to access these services. Therefore, in this context, the role of remittances in the economy of Kosovo has been essential throughout its history, but their importance increased significantly during the last decade, when together with donor assistance, remittances significantly contributed to improving economic development.

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