



# STUDY ON REMITTANCES IN KOSOVO

## *Characteristics and its Potential for Investments*

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## EXECUTIVE SUMMARY

This study on remittances in Kosovo sheds light on the revenues, exploitation and impact of migration and remittances on the economy of Kosovo and its population. The study is based on a household survey on remittances conducted during the summer of 2021, a period when most remittance recipients visit Kosovo to meet with their families. Moreover, considering the fact that most of them have not had the chance to visit last year due to the border closures and stricter movement measures instructed by National Public Health Institution and other governmental institutions involved in COVID-19 protection measures, the number of diaspora members' visitor have significantly increased. This survey was designed in close cooperation with GIZ which had the crucial advisory role.

The main reason for migration from Kosovo is for work or labor migration. Following the high unemployment rates in the country, along with a relatively low formal labor force participation rate, as well as quality of life factors, are the main drivers for migration. Tendencies to migrate are still strong and very much present. Based on this study there are very significant data supporting this claim, where 45.90% of the total respondents have expressed personal or family members' view or an actual plan to migrate abroad.

The moral obligation to support family members, including extended family is still present among the members of the diaspora. This study confirms that beyond close family members, support to other extended members through remittances is evident. Majority of the remittances continues to be used for consumption (food, utility costs, health, education, etc.), 75.20% respectively. This has not changed over the years of post-conflict.

Data confirms that the most common transfer channel used for remittances is through money transfer agencies, where 45.45% almost half of the total respondents have selected as the same. However, the number of members of diaspora whom still send money personally is still significant, where around 32.17% have claimed that they send money during their visit in Kosovo. The transfer fees remain expensive, and vary based on operators, means of payment (in store or via bank, etc.). The perception towards means of money transfer services, is mixed, where 36.0% of the respondents are moderately satisfied with current means of money transfer services, and 31.0% are satisfied.

Quarter of the sending remittances households have claimed to have invested in Kosovo, while the rest of the sending households with 82.22% have stated that they did not have the opportunity to invest. This is due to their lack of interest and lack of information for investment opportunities, where only a very small percentage of respondents have claimed to have received relevant information and/or information sessions regarding investment opportunities.

This study aims to strengthen the development-relevant contributions and investments by expanding knowledge and access to financial services; creating mechanisms to help savings and emigrant investments in Kosovo; as well as improving the capacity of Kosovo institutions to develop policies based on empirical data on emigration and development. Such findings provide important information for policy making and are particularly useful for the decision makers.

## 1. INTRODUCTION

Given Kosovo's continuing low economic growth, it is no surprise that remittances have continued to serve as a vital infusion for many Kosovar households. The data show that they are a major source of revenue in Kosovo, ranking second only in terms of income from permanent employment, statistics which have not changed yet even after over two decades from the end of the war.

In the post-war years, Kosovo has made economic progress which has been mainly driven by foreign aid, in the form of official development assistance, humanitarian aid and foreign direct investment. While international donor assistance has gradually declined, remittances have been a more stable source of external funding, fluctuating between 11% and 16% of its GDP<sup>1</sup>.

While Kosovo's GDP and GDP per capita have increased steadily during the post-war period, Kosovo still remains the country with the lowest GDP in the region, as well as the highest poverty and unemployment rates<sup>2</sup>. Labor market statistics in Kosovo show a high unemployment rate, which according to KAS, remained almost unchanged compared to the previous year (2019). The average unemployment rate until September 2020 was 25.60 percent, a level almost similar to the same period of 2019 (25.57 percent), despite the pandemic and contraction of economic activity<sup>3</sup>.

The amount of remittance revenues in Kosovo has continued to increase on yearly basis, strikingly even during the pandemic, except during the month of March and April 2020, which shows a significant increase by 15.1 percent in 2020 compared to the previous year. The number of immigrants who report that their remittances turn into income or employment-generating activities is very small, while an increasing number of them, report that they have invested their income in the purchase of real estate.

This study on remittances in Kosovo sheds light on the revenues, exploitation and impact of migration and remittances on the economy of Kosovo and its population. The study is based on a household survey on remittances conducted during the summer of 2021, a period when most remittance senders visit Kosovo to meet with their families – remittances recipients. Moreover, considering the fact that most of them have not had the chance to visit last year due to the border closures and stricter movement measures, the number of diaspora members' visitor has significantly increased. This survey was designed in close cooperation with GIZ which had the crucial advisory role.

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<sup>1</sup> Kosovo Agency of Statistics

<sup>2</sup> World Bank, Kosovo report, 2020.

<sup>3</sup> Annual report 2020, Central Bank of the Republic of Kosovo (CBK), June, 2021.

## **2. METHODOLOGY**

As per terms of reference (ToR), the analysis strategy for this project has been applied the quantitative method, which promotes a wide range of reach and representation of the targeted community. The research was based on a representative sample of Kosovo Albanians and other ethnicities. The sample generated included 1,000 respondents represented by recipients of remittances and those that send remittances. The stratification of the sample of participants is based on ethnicity (Albanians, and other communities), and place of residence (urban / rural area). Spread of this study was across all regions of Kosovo, including residential areas (urban and rural), city centers, while selecting every third house in the residential zones, and every third individual in the city centers.

### **2.1 Survey**

For the purposes of this analysis, data collection was performed through the CAPI (Computer Assisted Personal Interview) method. While implementing the adequate method, the field research team have employed filtering questions which aimed interviewing respondents older than 18 years of age, across all municipalities of Kosovo.

The questionnaire was designed in accordance with the requirements of the research objectives; measuring the current situation relating migration (including emigration and return migration) and its characteristics, remittances and their characteristics (from both the perspective of recipient and sending household), remittances transfer channels and their characteristic, and the use of remittances.

### **Data collection**

#### **2.2. Sampling distribution**

Random sampling method has been used for this study which allowed to have an effective representation of the targeted community. The strategy employed within the method selected was that a family representative, preferably the household, was interviewed regarding all components of the questionnaire, where information pertaining all family members (including demographics such as age, gender structure, living area, employment, income situation as well as business ownership of migrant return-migrant and non-migrant households; the structure of the family, nuclear family vs. extended family) have been answered accordingly (whenever relevant), from both the perspective of recipient and sending household.


### 3. THE IMPACT OF REMITTANCES, GLOBAL OVERVIEW

In recent years, remittances have surpassed other financial inflows that have traditionally played a large role in the developing nations, such as official development assistance and foreign direct investment. According to (KNOMAD), remittances totaled \$689 billion worldwide in 2018, and \$529 billion remittances in developing countries. Remittances to low- and middle-income countries rose by 9.6% in comparison to 2017. Remittances remain the most common type of small-denomination financial transaction, where a report in 2019 by United Nations, highlights those remittances will be the largest source of external financing in low- and middle-income countries in 2019 (projected to reach \$550 billion)<sup>4</sup>.

Remittances are usually understood as financial or in-kind transfers made by migrants to friends and relatives back in communities of origin. However, the statistical definition of international remittances only partially reflects this common understanding. The extent of remittances' economic impact on receiving nations is largely determined by how the money is spent by recipient households. If these flows enhance consumption in sectors which have direct and/or indirect effect on other sectors, the beneficial effect of remittances may spread across larger socio-economic activities, amplifying the aggregate effect on the overall economy. The usage of remittances varies based on countries and respective needs. Some of the most common utilizations of remittances have been recorded for food, household construction, education, and health among others.

However, remittances, on the other hand, may have a negative impact on economic growth by reducing the labor supply and participation. Remittances increase the wellbeing of the recipients, therefore undermine the desire and initiative to work, hence impacting the economic growth.

Table.3.1. Top Remittance Recipients in 2019 (USD)

Rank	Country	Remittance Inflows	% of Nominal GDP
1	 India	\$82.2B	2.8%
2	 China	\$70.3B	0.5%
3	 Mexico	\$38.7B	3.1%
4	 Philippines	\$35.1B	9.8%
5	 Egypt	\$26.4B	8.8%
6	 Nigeria	\$25.4B	5.7%
7	 Pakistan	\$21.9B	7.9%
8	 Bangladesh	\$17.5B	5.5%
9	 Vietnam	\$16.7B	6.4%
10	 Ukraine	\$15.9B	11.8%

Despite the multibillion-dollar figures, remittances only make up a small part of these particular economies. When remittances are measured as a proportion of nominal GDP, it is obvious that they

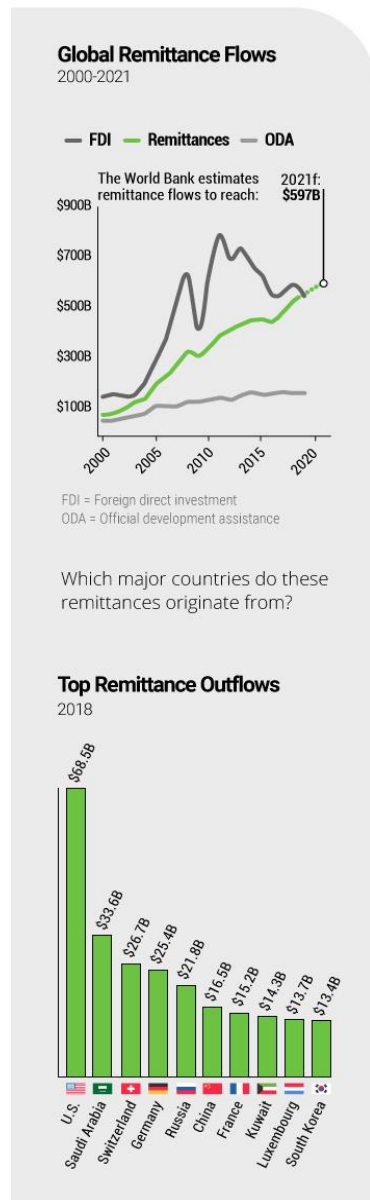
<sup>4</sup> The sustainable development goals report, 2019, United Nations.

may have a significant influence on countries, even though the aggregate value of the flows is considerably lower.

Fig.3.1. Flow of remittances by amount and percentage of GDP in 2019 Worldwide

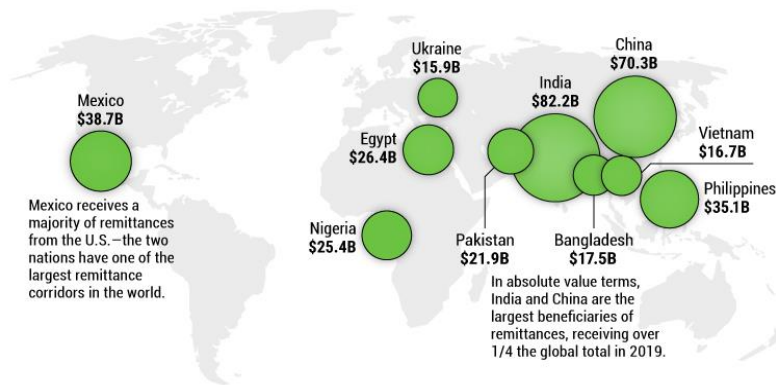
## Which Countries Receive the Most Remittances?

Remittances—money sent by migrant workers back to their home countries—are overtaking flows of foreign direct investment in low and middle-income countries.



### Top Remittance Recipients, by Amount

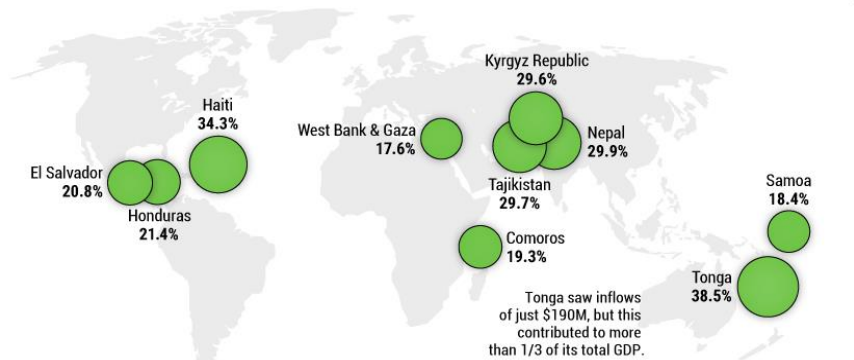
USD, 2019e



Where do these billions of dollars go? Depending on what you measure, the countries most reliant on remittances change significantly.

### Top Remittance Recipients, as a % of GDP

USD, 2019e



Source: World Bank, Migration and Remittances Annual Data (Oct 2019)

Source: Visual Capitalist/Global-Remittance-flow, referred to World Bank<sup>5</sup>

Due to the ongoing Covid-19 pandemic, there are still various uncertainties and along many estimates on the extend of the impact on the socio-economic aspects. Regarding remittances, among other

<sup>5</sup> [Visual Capitalist](https://www.visualcapitalist.com/global-remittance-flow/)



reports, World Bank 2020<sup>6</sup> predicted the sharpest decline in recent history. Understandably, with the introduction of lock-downs and fall in wages and employment in general, especially the migrant workers, should have led to such decline. However, despite the negative predictions, remittances remain strong during the Covid-19 pandemic. Officially recorded remittance flows to low- and middle-income countries reached \$540 billion in 2020, just 1.6 percent below the 2019 total of \$548 billion, according to the latest Migration and Development Brief. Fiscal measures that resulted in better-than-expected economic circumstances in host countries, a shift in flows from cash to digital and from informal to official channels, were the major drivers of the continuous influx of remittances. Although the amount of COVID-19's influence on informal flows is unknown, the real magnitude of remittances, which includes both formal and informal flows, is considered to be bigger than officially recorded figures.

In the fourth quarter of 2020, the worldwide average cost of sending \$200 remained high at 6.5 percent, more than double the Sustainable Development Goal objective of 3 percent<sup>7</sup>. South Asia had the lowest average remittance rates (4.9 percent), whereas Sub-Saharan Africa had the highest average cost (8.2 percent).

The International Day of Family Remittances which was adopted by the United Nations General Assembly and is observed on 16 June. The IDFR recognizes more than 200 million migrant workers, women and men, who send money home to over 800 million family members. UN department of Economic and Social Affairs, has listed eight interesting facts regarding remittances, which this study has brought forward (*article published in UN News and New York Times, June 2019*)<sup>8</sup>.

- 1 •About one in nine people globally are supported by funds sent home by migrant workers
- 2 •What migrants send back home represents only 15 per cent of what they (receiver a sender) earn
- 3 •Remittances remain expensive to send/transfer
- 4 •The money received is key in helping millions out of poverty
- 5 •Specifically, remittances can help achieve at least seven of the 17 SDGs
- 6 •Half of the money sent goes straight to rural areas, where the world's poorest live
- 7 •They are three times more important than international aid, and counting
- 8 •The UN is working to facilitate remittances worldwide

<sup>6</sup> [World Bank, 2020](#)

<sup>7</sup> The sustainable development goals report, 2019, United Nations.

<sup>8</sup> [Article published in UN News, 2019](#)

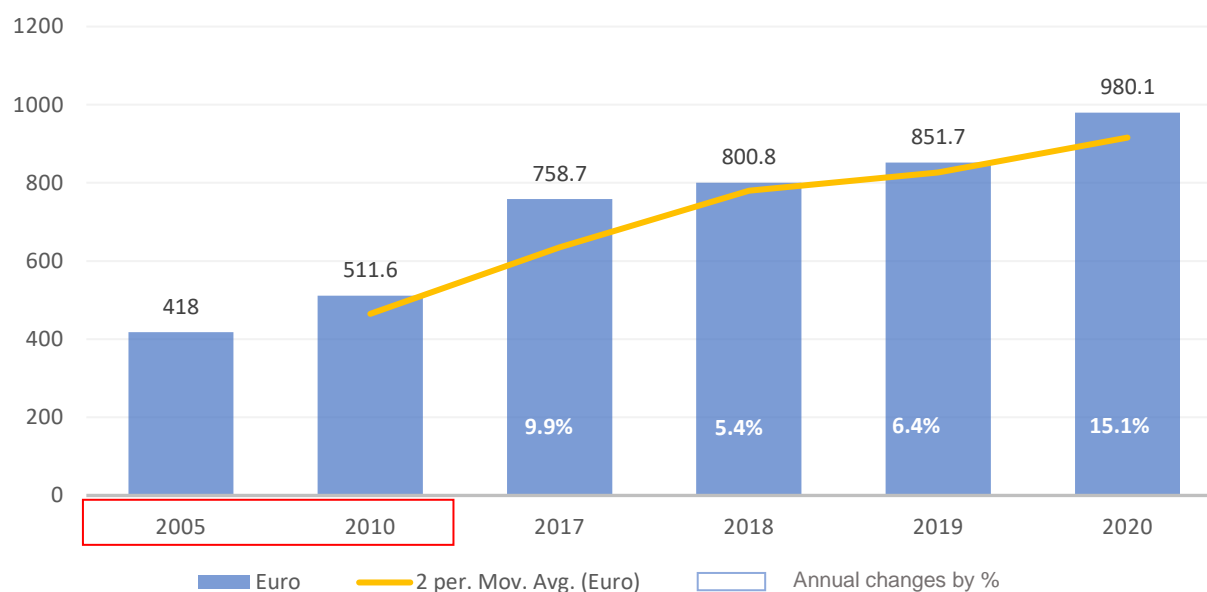
#### 4. REMITTANCES IN KOSOVO, THE IMPACT ON SOCIO-ECONOMIC DEVELOPMENT

Although it is believed that one third of Kosovo's citizens live outside its territory, Kosovo still does not have an official register for the number of its diaspora. So far there are some tentative data, according to which about 800 thousand Kosovars live in different parts of the world, most of them in Western Europe and the US<sup>9</sup>.

The grouping of migration waves throughout time shows that the largest percentage (53.6%) of the heads of emigrant families emigrated during and after the end of the war in 1999. The second highest percentage, 25%, emigrated between 1989 and 1997. Germany and Switzerland have been and continue to be the most popular destinations of Kosovars, being the hosts of 31.3% and 27.9% of emigrants respectively<sup>10</sup>. Data also highlight the differences in the composition of the emigrant base in terms of level of education and residence among the waves of emigration. More than 90% of the emigrant heads of households who emigrated before 1989 have completed primary or secondary education, while 6.4% have not even completed primary education. These figures have declined in following waves: the percentage of emigrant heads of households who have not completed primary education has dropped to almost zero, while the percentage of those with primary education has dropped to approximately 17%<sup>11</sup>.

Migration and remittances have made a huge contribution to Kosovo's economy since the 1960s. Remittances received in Kosovo, which also represent the largest category from secondary income, amounted to 980.1 million euros in 2020, which represents an annual increase of 15.1 percent<sup>12</sup>.

Graph. 4.1 Flow of remittances in Kosovo (in millions €)



Data source: Central Bank of the Republic of Kosovo (CBK), annual reports.

<sup>9</sup> Strategy for Diaspora, 2013-2018, Ministry of Diaspora, July, 2013.

<sup>10</sup> Remittance study in Kosovo, UNDP, 2012.

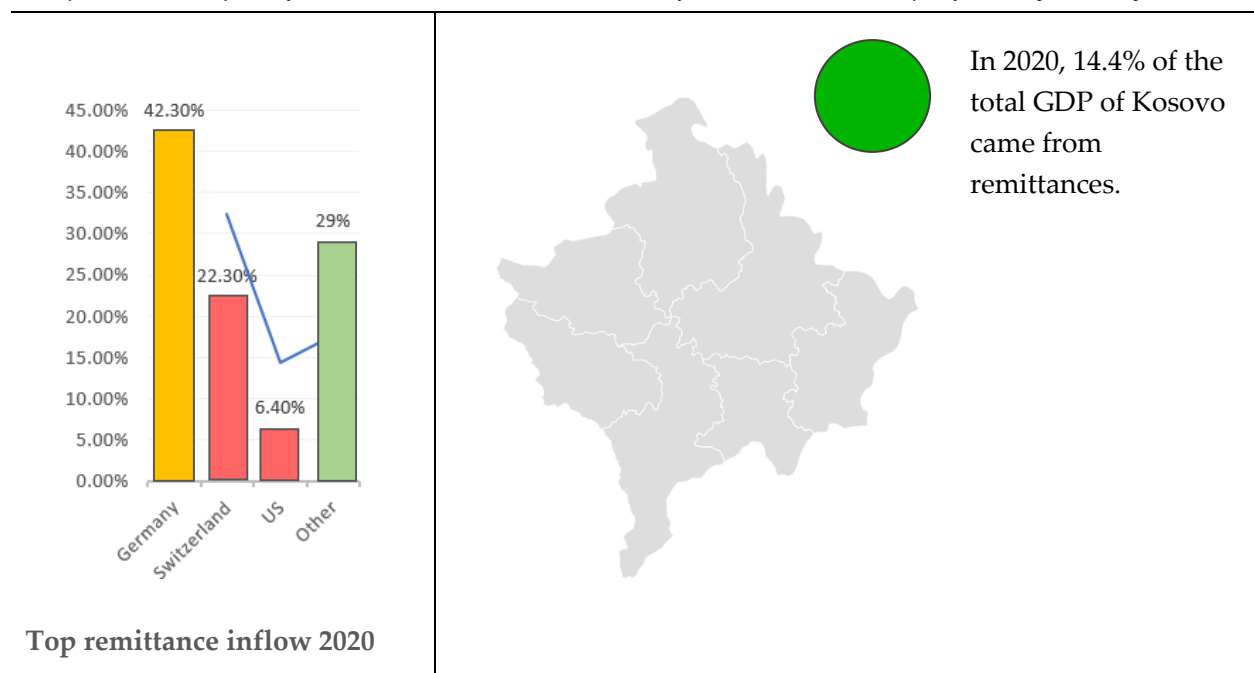
<sup>11</sup> Ibid.

<sup>12</sup> Yearly report 2020, Central Bank of the Republic of Kosovo (CBK), June, 2021.

The acceleration in growth of remittances has come despite the fact that even the countries where the Kosovar diaspora is concentrated have been hit hard by the pandemic crisis. The increase in remittances has been in double digits throughout the period, except for March and April 2020 when there has been a decline. In terms of remittance transfer channels, the vast majority of remittances (68.6 percent) came through remittance agencies, which increased by 60%. Remittances through banks increased by 14.9%, while as a result of lock down and border closures, as well as other restrictions, remittances through the 'informal channel' decreased by 46%<sup>13</sup>.

Remittances to Kosovo come mainly from Germany and Switzerland, with 42.3% and 22.3 percent respectively of total remittances. A significant part of remittances is also accepted by the US (6.4 percent of total remittances)<sup>14</sup>, as shown in the below graph.

Graph.4.2 The impact of remittances on the overall GDP of Kosovo (%), and top inflows by country;



The high growth rate of remittances in 2020, despite the difficult situation created by the Covid-19 pandemic, continued in Q1 2021 where the level of remittances reached 242.9 million euros or 29.7% more compared to Q1 2020<sup>15</sup>.

<sup>13</sup> Yearly report 2020, Central Bank of the Republic of Kosovo (CBK), June, 2021.

<sup>14</sup> Ibid.

<sup>15</sup> Quarterly Assessment of Macroeconomic Developments, Nr. 34, Quarter I / 2021, CBK.

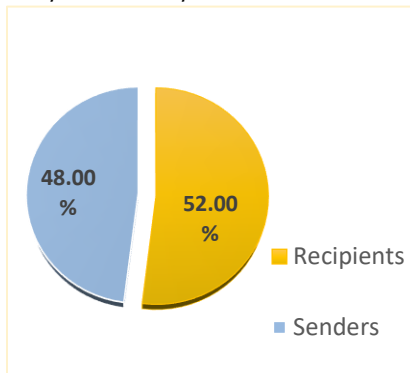
## 5. DEMOGRAPHY

Findings reflected in this report include field research, desk research, individual and group discussions with relevant stakeholders. Analysis, comparisons, and data validation, has helped in providing relevant commentary and tailored-made recommendations derived from this study, which aim to promote savings growth and investments, expanding knowledge and access to financial services; creating mechanisms to support savings and emigrant investments in Kosovo; as well as improving the capacity of Kosovo institutions to develop policies based on empirical data of this study.

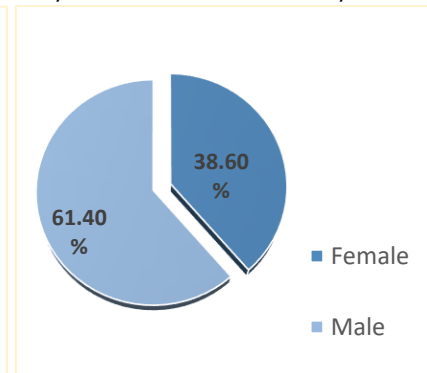
The findings are generated through a questionnaire used in face-to-face interviews with the sample of a total of 1,000 respondents. With regard to gender representation, this study has attempted to balance the respondents, however, considering the strategy employed within the method selected where the family representative(s), preferably household, it was not always possible. The interviews are representation of all family members, hence, the situation is captured and presented based on the opinion(s) of the family as a whole as well as respondents.

However, for elaboration purposes, below are given more insights regarding the gender ratio of the main respondents (interviewees).

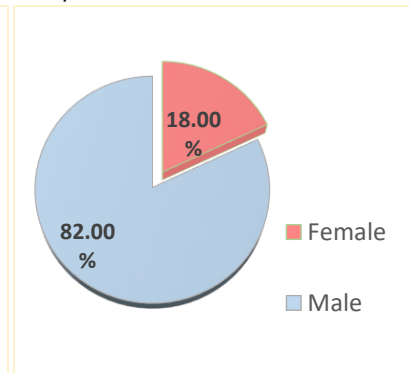
Graph 5.1. Respondents' ratio



Graph 5.2. Gender ratio (recipients)

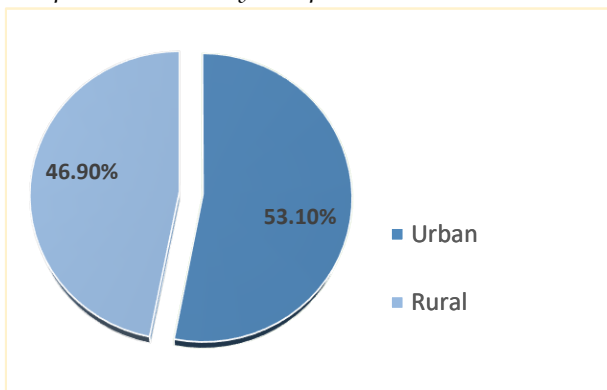


Graph 5.3. Gender ratio (senders)



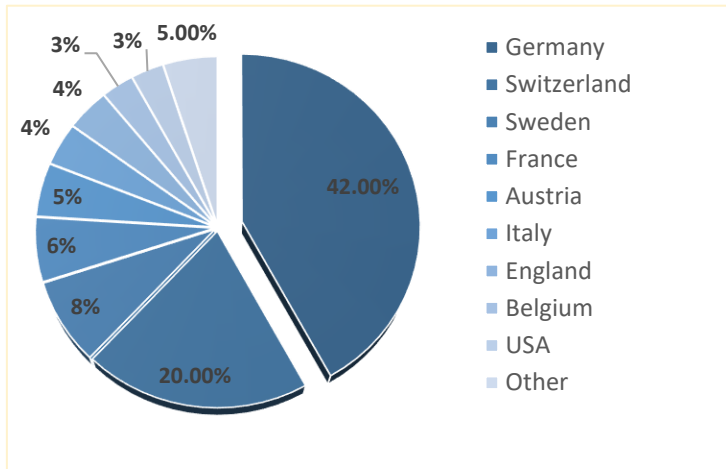
Based on the obtained data, majority of the respondents for both ends are male households, with significant larger male household representation from the sending households. Where, 61.40% and 82% respectively, of the total respondents, whereas 38.60% female and 18% respectively.

Graph 5.4. Residency (recipient)



Somewhat balanced inclusiveness of the remittance recipient respondents from rural and urban areas have been included, where 53.10% of the total respondents came from urban areas and 46.90% rural areas across all municipalities of the Republic of Kosovo. This has been strictly maintained in order to observe changes (if any) in the context of residential zones.

Graph.5.5. Residency (sending household)

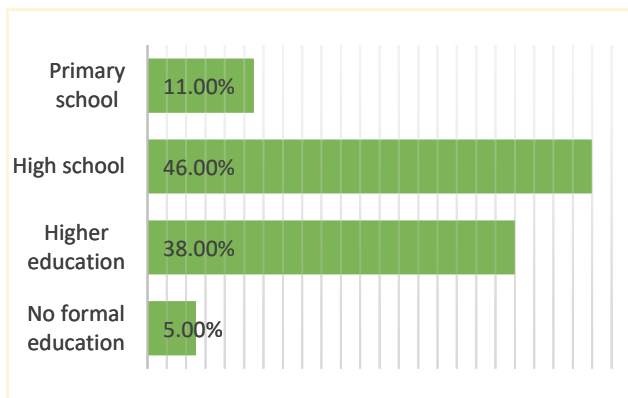


Majority of the respondents (sending households) were registered to be residing in Germany, with over 40% of the total respondents. The second largest group is Switzerland with 20% which both marks the largest groups, with 62% of the total respondents coming from these two countries. The rest have smaller representation such as Sweden with 8%, followed by France with 6%, Austria with 5%, Italy and England share the same spot with each

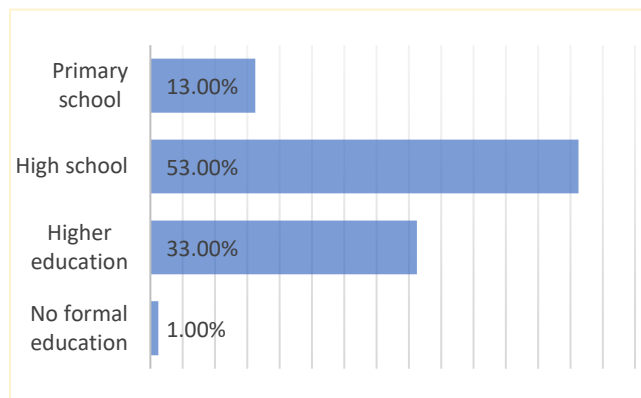
4% of the total respondents and so on.

Regarding education on the recipient end, just 11% have listed primary school as their level of education, which is a significant increase in higher levels of education in comparison to other studies in 2011, where primary education among the respondents captured among both genders was an average 24%<sup>16</sup>. Up to date, the largest group still remains in mid-range education (high school), where 46% of the total respondents belong to this group, though slightly lower than a decade ago. This may be as a result of an increase in level of education from primary to secondary (as elaborated earlier), as well as due to the increase of the general population in perusing higher education, where the current results from this study shows 38% of the total respondents have either completed or are still perusing university and/or post university education. This is the largest jump from other studies a decade ago, where the average number of the population completed or pursuing high education stood at 7.15% of the total sample. However, there is still a considerable number with no formal education.

Graph.5.6. Level of education (recipient)



Graph. 5.7. Level of education (sending household)



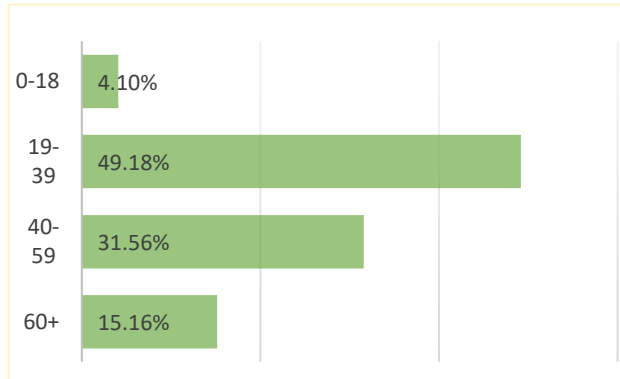
Sending households, level of education when in comparison to the recipients there is a significant difference in particular to formal education, where only 1% of them have reported to have no formal education, however, there is slightly less university graduates or respondents pursuing higher

<sup>16</sup> Remittance study in Kosovo, UNDP, 2012.

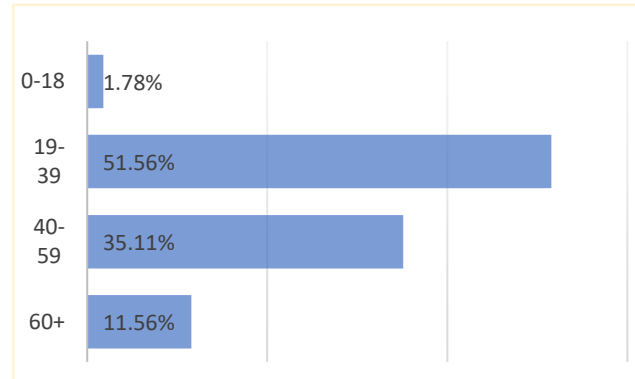
education among the sending households (diaspora) 33%. Members of the sending households with primary and high school level of education are higher in comparison to recipients.

In terms of the respondents' age group, higher family members in the category 0-18 years of age are registered in the recipient families, which means Kosovo families have more kids than those of members of diaspora. Hence, the age group between 19-39 is higher in the sending household.

Graph.5.8. Respondent's age-group (recipients)

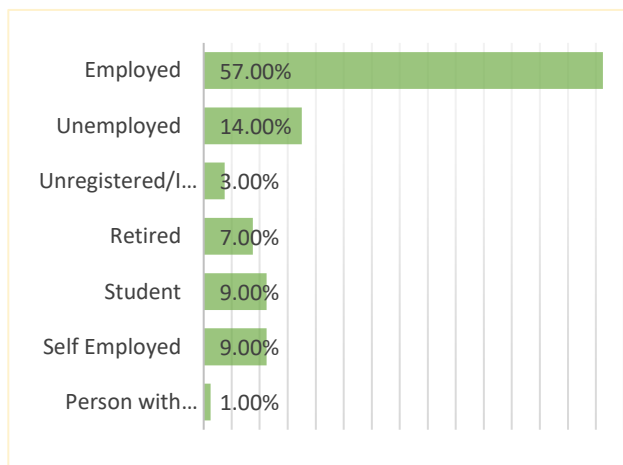


Graph.5.9 Respondent's age-group (send.. household)

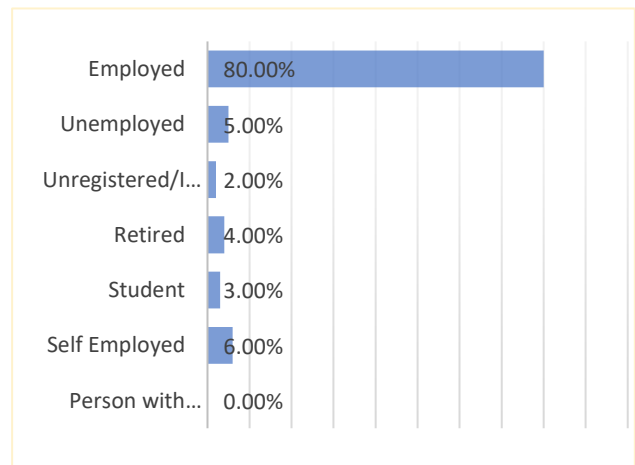


Labor market statistics in Kosovo show a high unemployment rate, the average unemployment rate by September 2020 was 25.60%<sup>17</sup>, a persisting issue even before the period of Covid-19 pandemic. Based on the data from this study, 57% of the respondents are employed at least one member of the family. Whereas, 80% of the total respondents from the sending household have stated to be employed, only 5% unemployment and sometimes as a choice rather an inability to be engaged in the labor market. Percentage of self-employment is rather encouraging especially among recipients' family members where 9% of the total respondents have claimed to be engaged on individual-business activities, and 6% of those among the sending households.

Graph.5.10. Employment status (recipients)



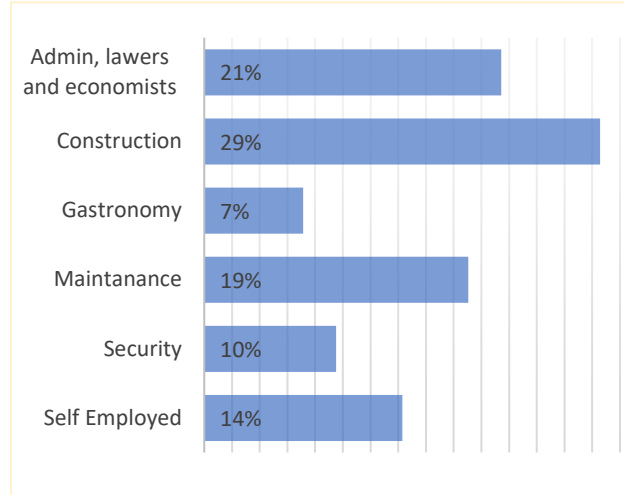
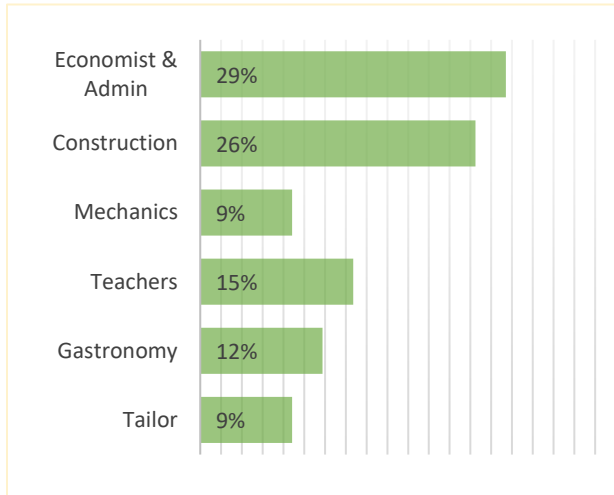
Graph.5.11. Employment status (sending household)



<sup>17</sup> Annual report, Statistics Agency of Kosovo, 2021.

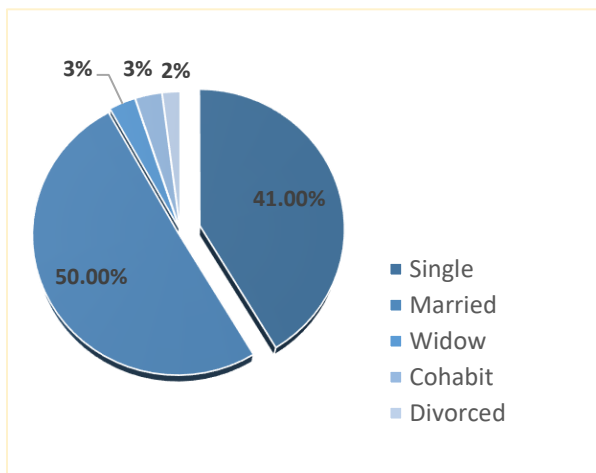
Among both recipients and sending households respondents, there are all kinds of professional qualifications obtained, and/or self-gained crafts/professions. Some of the most common among the recipient side are economists and admin staff, followed closely by construction. Whereas, the highest practicing profession among the sending households' respondents is construction, other common professions are admin lawyers and economists, maintenance and so on.

Graph.5.12. Most common resp. profession (recipients) Graph. 5.13. Most common resp. profession (snd. hld)

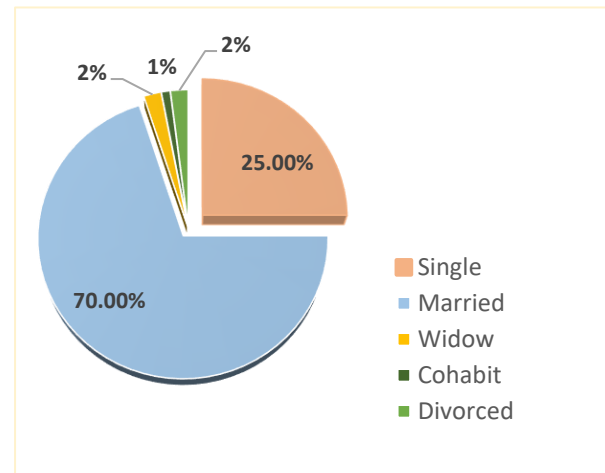


Comparing civic status of both recipients and sending household is to understand better the family composition, and family oriented vs. individual and/or career oriented. Based on the data of this study, majority of the recipient family members are single, with 50%, followed with 41% married. Whereas, on the sending household large majority of them are married, 70% respectively, followed with 25% of them single. Cohabitation is relatively insignificant in both situations with 3.0 percent on the recipient's side and even less common among sending households, with 1.0 percent.

Graph.5.14. Civic status (recipients)



Graph.5.15. Civic status (sending household)





# **CURRENT MIGRATION SITUATION AND MIGRATION TENDENCIES**



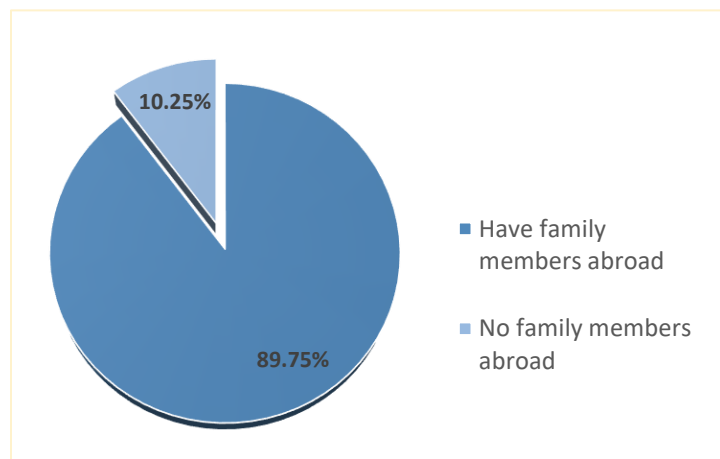
## 6. CURRENT MIGRATION SITUATION

The grouping of migration waves throughout time shows that the largest percentage (53.6%) of the heads of emigrant families emigrated after the end of the conflict in 1999. The second highest percentage, 25%, emigrated between 1989 and 1997. Other major migration waves have been registered during 2014 and 2015, where up to 100,000 people may have illegally crossed the EU borders, followed by a significant forced return, mainly due to stricter repatriation EU rules<sup>18</sup>. Germany and Switzerland have been and continue to be the most popular destinations of Kosovars, being the hosts of 31.3% and 27.9% of emigrants respectively<sup>19</sup>.

The main reason for the most recent migration wave from Kosovo is for work or labor migration. Following the high unemployment rates in the country of origin, along with a relatively low formal labor force participation rate, as well as quality of life factors, are the main drivers for migration. Similar situation is recorded in other Eastern European nations as well.

The accumulation of numerous migration waves since the 60's, best explains the below graph, and the impact of migration, where 89.75% of the total respondents have claimed that they have family member(s) living abroad. By family member here is meant not only close family members (nuclear family) such as parents, brother and/or sister but extended family members such as uncles/aunts. This is also impacted by the family composition in Kosovo, since there are extended family members living together, especially more focused in rural areas. Only 10.25% of the respondents do not have family member(s) as part of the Kosovo's diaspora.

*Graph.6.1. Family members abroad*



This is yet another important indicator regarding the impact of the diaspora that have and will continue to have on the local community in Kosovo. Providing those appropriate measures will be taken to channel the assistance that would bring about long-term benefits for the overall wellbeing of their families and the nation in general. All this considering that sending households members have supported not only the nuclear family, but it has been proved during this study

as well that their support goes beyond that, to extended family members, such uncles/aunts, nieces/nephew and so on.

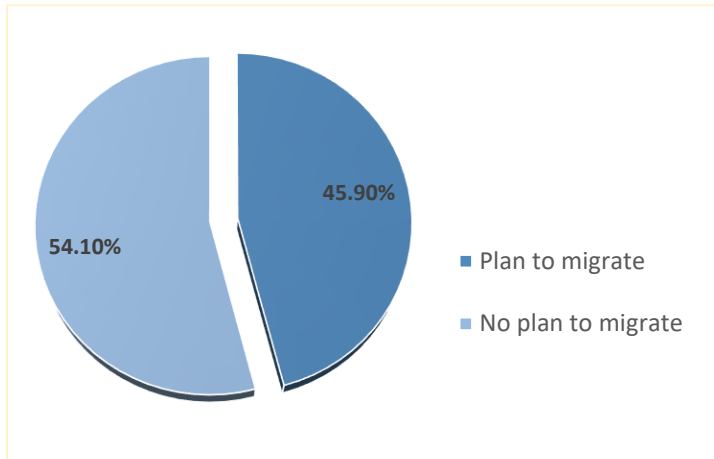
Tendencies to migrate are still strong and very much present. Based on this study there are very significant data supporting this claim, where 45.90% of the total respondents have expressed personal or family members' view or an actual plan to migrate abroad. The data have been elaborated in the

<sup>18</sup> Study on rural migration and return migration in Kosovo, IAMO, 2017.

<sup>19</sup> Remittance study in Kosovo, UNDP, 2012.

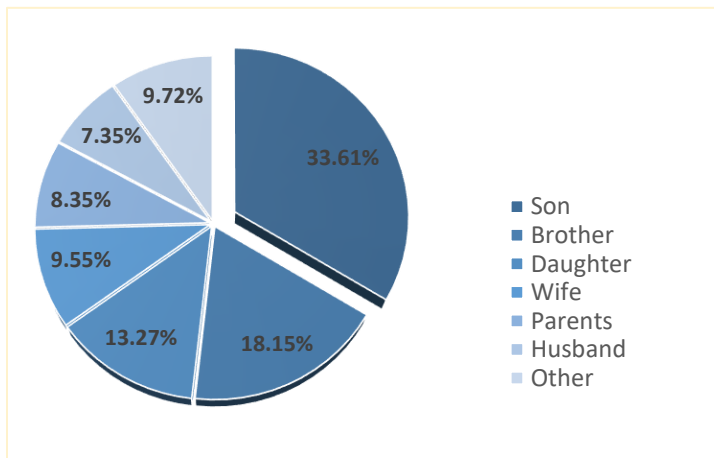
below graph, where intentions and/or plans to migrate among members of the Kosovar society are notably high. Even though the majority or 54.10% have no plans to migrate abroad, it is not a sufficient majority that it is expected and needed to stay, work and contribute in the nation building processes.

*Graph.6.2. Intentions and plans to migrate*



Among family members whom plan to migrate are across all age groups and composition, however the most significant percentage of those intending to migrate are young people. Based on the strategy of data gathering, most respondents were the households, therefore in the below answers it can be noticed that references were made to other family members as well. Hence, regarding migration plans and intentions are found among younger family members, leading by young males, where out of the total respondents, 33.61% have claimed that they plan to migrate given the opportunity, followed by second youngest male generation by 18.15%. The young female members of the family are listed third in migration intentions with 13.27%. Followed by other generations and family relationships. As observed, there is a direct correlation between age and intention to migrate, hence the younger the family members (here is meant members with legal status – 18 and above) the higher the intentions and plans to migrate.

*Graph.6.3. Members of the family intending to migrate*



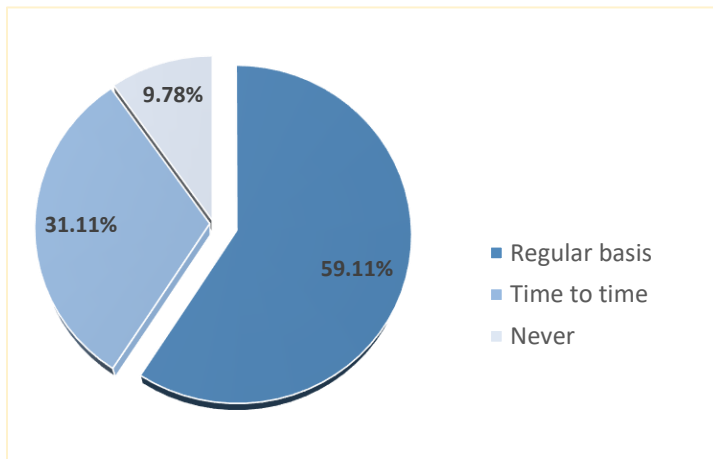
# **REMITTANCES AND THEIR CHARACTERISTICS**

## 7. REMITTANCES AND THEIR CHARACTERISTICS

Remittances make up almost 15 percent of the total GDP of Kosovo's economy<sup>20</sup>, and play an important role in the wellbeing of the recipients, as well as regarding socio-economic activities in the country. In 2020 marks the largest inflow of remittances to almost 1 billion Euros according to Central Bank of Kosovo.

Based on the data obtain from this study, the frequency of remittances is highly impacted on family structure as well as need basis. Members of diaspora whose parents are still alive, the likelihood that they will be sending money on regular basis increases significantly. Based on the data around 59.11% of the total respondents do send money on regular basis, this means every month or every other month. Whereas, 31.11% send money on time-to-time basis which means as frequent as two to three times a year. Additionally, there are also members of the diaspora whom do not send money, 9.78% respectively, however, they do spend a considerable amount when visiting their country of origin.

*Graph.7.1. Frequency of remittances (senders' perspective)*



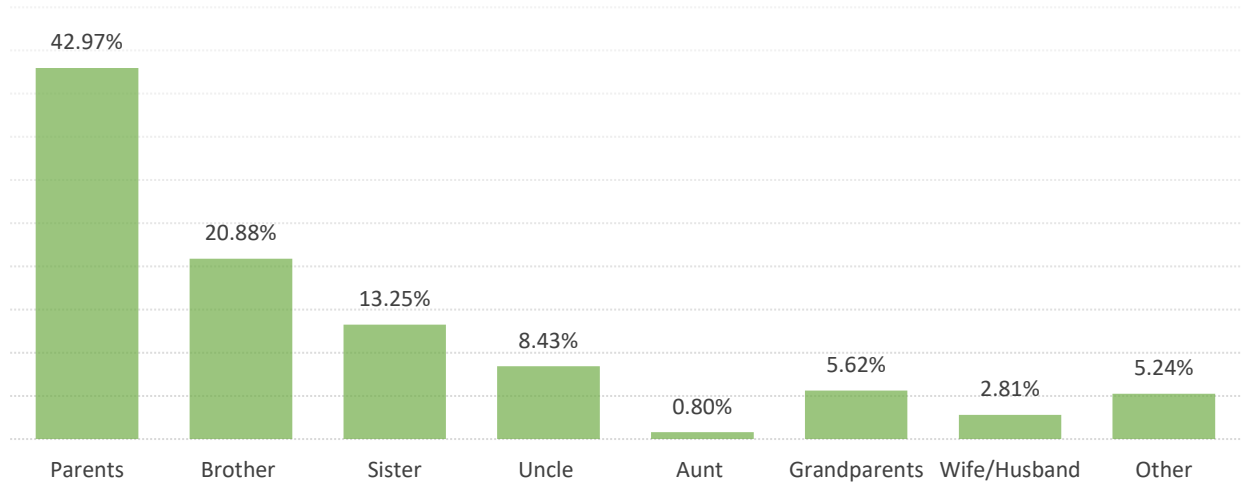
Due to the complex family composition in Kosovo, which is traced back to pre-occupation means of living and surviving, still is common to find non-nuclear families living together, particularly in rural areas. Even though in recent times, much less common, large families are still common across rural Kosovo, where the average family size is around 6 members.

The support of family members, including extended family is still present, despite the destructuralization and fading of the typical patriarchal form of household decision making. This study also confirms that beyond close family members, support to other extended members through remittances is evident. As recipient of remittances, uncles make 8.43% of the total sent remittances, aunts' 0.80%, grandparents' 5.62% and under others are included nephews/nieces other extended family members and friends, which make 5.24%, based on the remittance sending respondents.

Largest remittance recipients are close family members, where parents make 42.9% of the total remittances sent according to sender respondents, brother 20.88%, followed by sister with 13.25%.

<sup>20</sup> Annual report 2020, Central Bank of the Republic of Kosovo (CBK), June, 2021.

Graph.7.2. Remittance recipient (sending household perspective)



Remittances that are sent by members of the diaspora have a high impact on the socio-economic activities of recipients and the local economy at large. In order to guide future use of remittances and investments, firstly, it is of paramount importance to understand the current utilization of remittances, and investment situation.

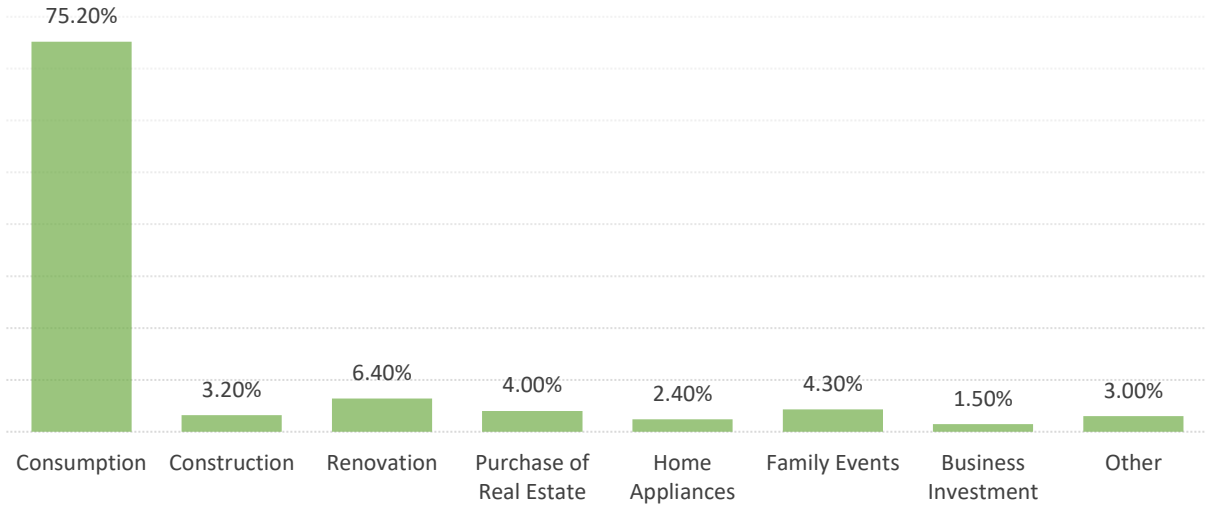
Based on this study, majority of the remittances continues to be used for consumption (food, utility costs, health, education, etc.), 75.20% respectively. This has increased over the years of post-war, where in comparison to previous studies, consumption was observed as the main use of remittances as well, with 60.20%, according to 2011 report.

Construction and renovation stand at 9.60%, home appliances at 2.40% and family events at 4.30% (which includes, weddings and similar family gatherings).

Investment in real estate based on the data obtained from this study 4% of the sending household respondents claim to have invested in real estate, for personal use and/or family members. In comparison with previous studies, there is a significant increase in this type of investment. It is also worth noting, that in real estate sector investments are not only for own use but for profit as well, where mostly apartments are purchased and leased on contract basis.

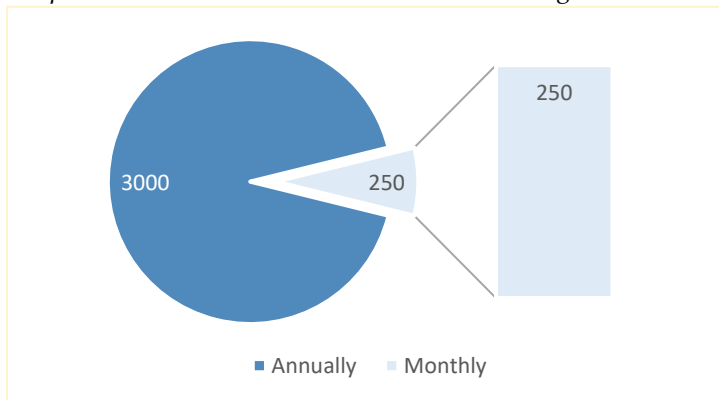
However, business investments still remain low, at 1.50% of the total remittances by the members of the diaspora. Although, the ongoing pandemic situation may have also impacted such business investments due to the uncertainties and closures, considering that among the largest sectors invested by members of diaspora in Kosovo so far is gastronomy. And gastronomy and hotelier are the first to be affected by any anti-Covid measures. More details are given in the below graph (8.4)

Graph 7.3. Remittance utilization



An important part of the questionnaire was the amount which is sent by the remittance sender on an annual basis and from the answers received the amount which is sent on average is 3000 euros, which means in monthly periods 250 euros.

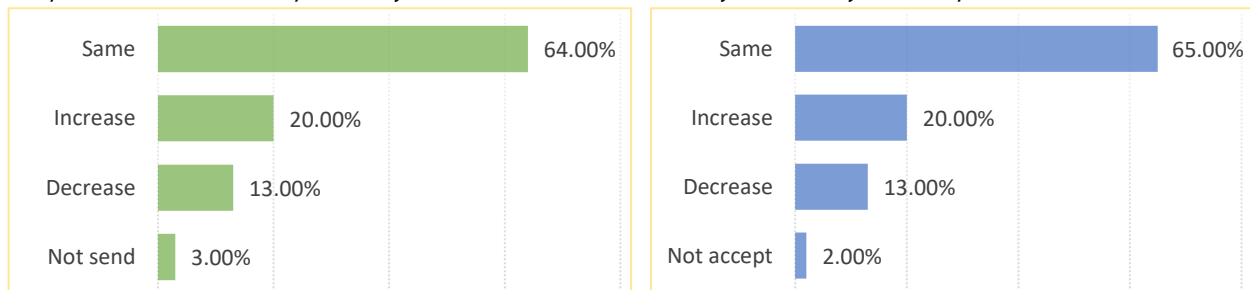
Graph 7.4. Amount sent on annual basis (sending household)



Based on the data gathered during this study, when comparing the perceived amount sent during 2020 pandemic and the previous year, 20% of the total respondents have claimed that they have sent more during 2020. Whereas majority of them have responded to have sent the same amount, 64% respectively, however, as stipulated in the report of the Central Bank due to various

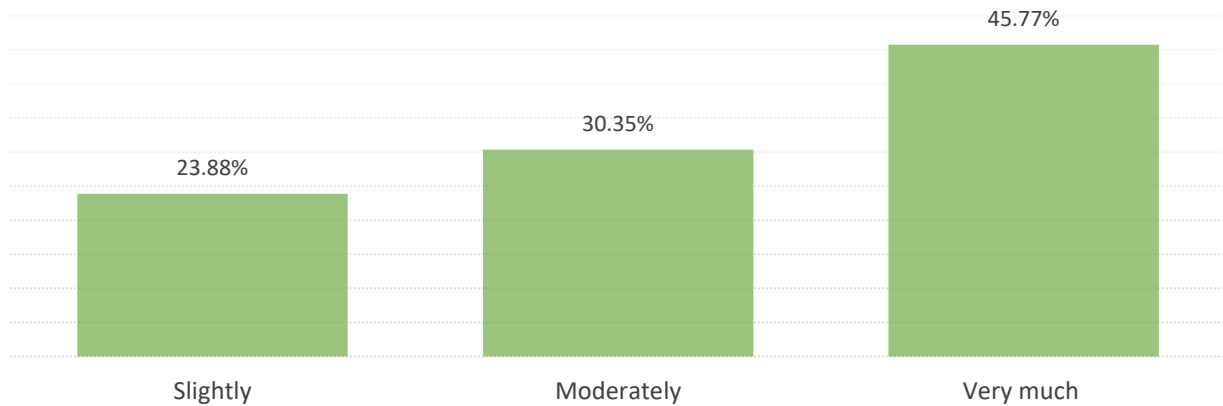
measures including movement and travelling controls, the increase of formal transfer channels have increased significantly, hence this may translate into an inorganic increase of remittances as well not necessarily the amount sent. Among respondents have also been recorded a decrease of the amount sent in 2020, compared with 2019, due to a direct impact on their overall income as well. Almost the same perception is registered among the remittance recipients as well.

Graph.7.5. Perceived comparison of 2019 – 2020 remittance outflow and inflow (recipient – sender)



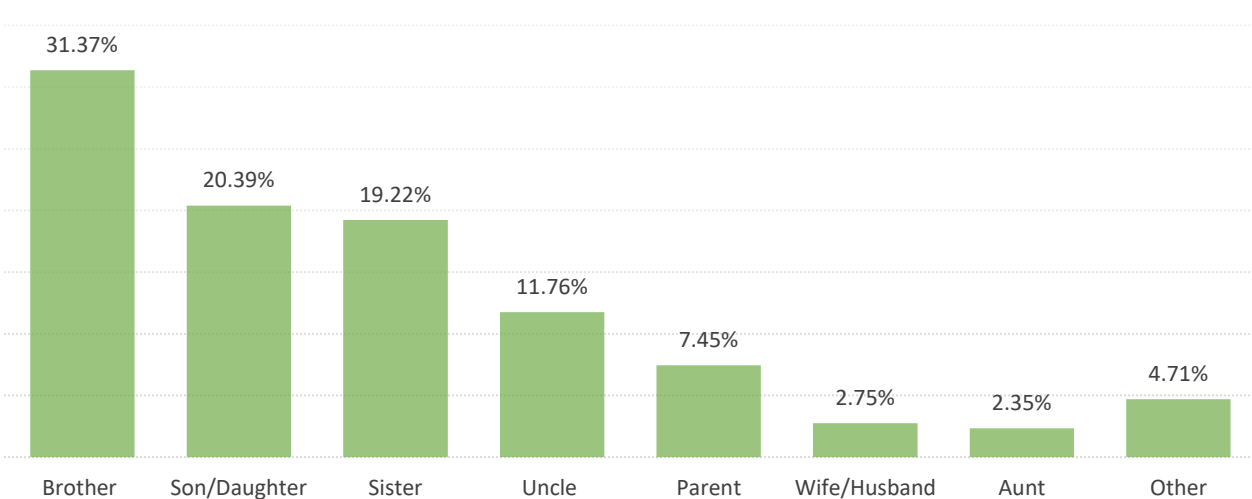
Recipients' perspective on the impact of remittances in their overall socio-economic wellbeing is significant. Almost half of the respondents have claimed direct impact of remittances on their wellbeing, whereas 30.35% have stated that they are moderately impacted, and 23.88% have responded to be affected only slightly.

Graph 7.6. Effect of remittances on the overall wellbeing



Largest portion of remittances sent, based on the recipient's perspective come from close members of their family living abroad. Recipients' brothers with 31.37%, followed by son/daughter with 20.39% and closely followed by sisters with 19.22%. From the perspective of the recipients, extended family members also contribute a good portion of the remittances received. For more details, please refer to the below graph.

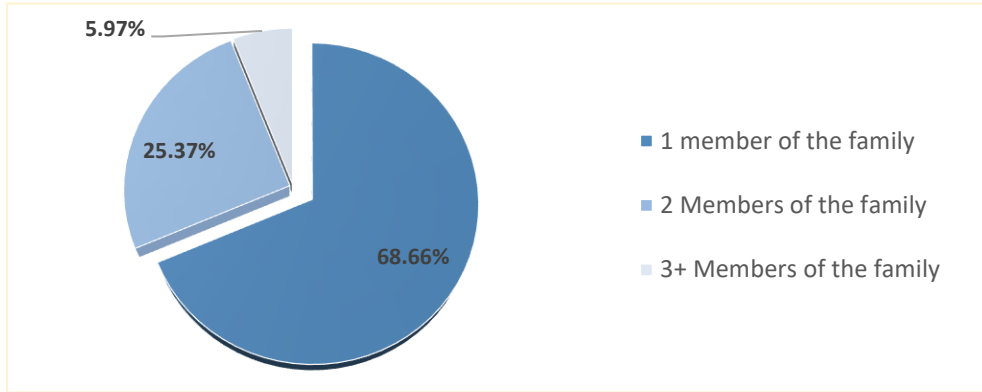
Graph. 7.7. Remittance senders (recipients' perspective)



Majority of the recipients receive from one member of the family living in diaspora, 68.88% respectively. Nonetheless, there are families whom receive from more than one source, or more than one member of the family.

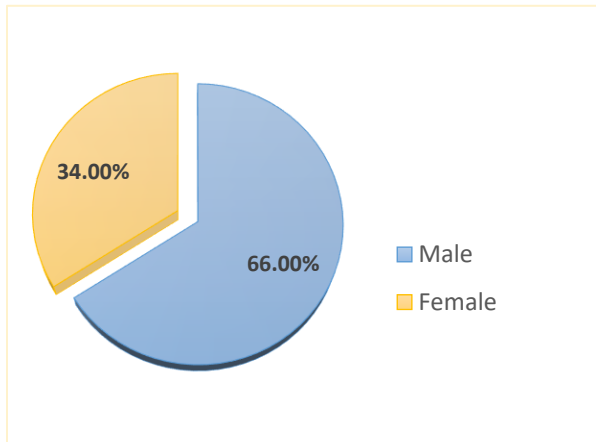
Recipients who receive from more than one member of the family, nuclear or extended family members is 25.37% from 2 members, whereas 3 plus members is only 5.97%. The graph below provides more details pertaining number of receiving sources of remittances.

Graph. 7.8. How many people do you receive remittances from? (recipients' perspective)

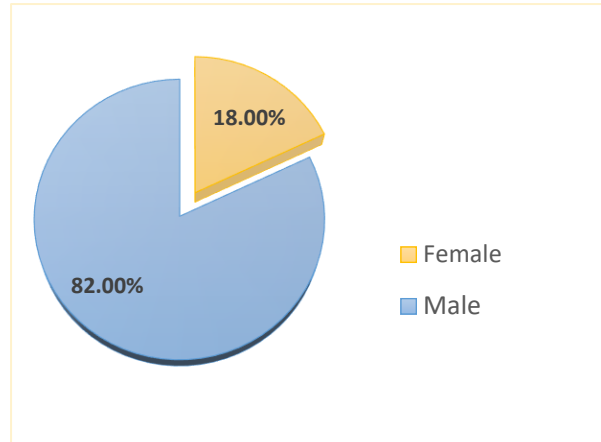


In context of gender, there is a disbalance among both remittance senders and recipients. Majority of remittance recipients are male households with 66% of the total sample or 298 respondents, whereas 34% are female or 153 respondents. However, among senders there are significantly fewer female members of the diaspora whom sent remittances, respectively 18% or 80 respondents. Most remittances are sent by male households, 82% respectively or 363. The reason for this gender gap may be due to the lack of engagement of women in the labor market and/or among those whom do not prefer to work, rather taking care of their family is a priority, particularly among members of the diaspora where opportunities for engagement in the labor market are significantly better. For more details, please see the graph below.

Graph. 7.9. Gender ratio (recipients)



Graph. 7.10. Gender ratio (senders)





# **TRASNFER CHANNELS**

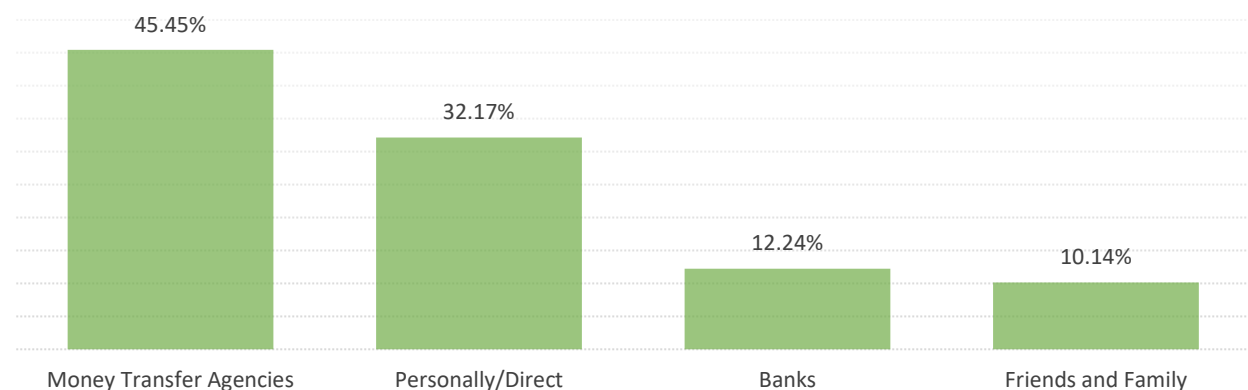
## 8. REMITTANCE TRANSFER CHANNELS

Historically, since the early immigration waves, a large portion of remittances have been sent using traditional means of transfers, or non-formal channels. This means carrying cash when immigrants return to Kosovo or send money through their family and/or acquaintances. Based on other recent studies as well cash transfer continues to show significant decrease using informal channels, however, due to inability to measure it, is still considered a common form used by Kosovar emigrants for money transfers. This is once both the oldest and not very secure form of money transfer. It is believed that cash transfers involve a fairly large volume of remittances sent by emigrants to Kosovo. It is impossible to accurately determine the number and volume of these transactions as everything is done privately.

Selection of certain form of transfer channels are based on various reasons, including cost, speed, reliability and other reasons. Due to the ongoing pandemic situation, movement control orders and regulations, have made more difficult the flow of cash through informal channels. Based on the latest report from the Central Bank of Kosovo, the vast majority of remittances (68.6%) came through transfer agencies, which marked an increase of 60% in 2020. Remittances through banks increased by 14.9%, while as a result of border closures, as well as other restrictions, remittances through the 'informal channel' decreased by 46.0%<sup>21</sup>.

In this study, data of remittance senders also confirms that the most common transfer channel used for remittances is through money transfer agencies, where 45.45% almost half of the total respondents have selected as the same. However, the number of members of diaspora whom still send money personally is still significant, around 32.17% have claimed that they send money during their visit in Kosovo. Adding up both informal channels (personally and through friends and family) they make up 42.31% which is yet substantial amount of money sent through informal channels.

*Graph. 8.1. Remittance transfer channels (sender's perspective)*



There are interesting data when looking back into other reports, and they vary depending on the time given. In 2006 about 29% of remittances were sent through banks, and 39% through agencies. During 2007, about 27% of remittances were sent through banking channels, 38% through operators. Whereas, in 2012, remittances through banks had a significant decline where only 21% of remittances in Kosovo

<sup>21</sup> Yearly report 2020, Central Bank of the Republic of Kosovo (CBK), June, 2021.

were sent through banks, 36% through money transfer agencies and the remaining 43% through other means of transfer<sup>22</sup>. It is also worth noting that during these times, the amount of money sent is different in each year and most certainly for 2020.

Similarly, based on the perspective of recipients, most remittances are received through money transfer agencies, with 38%, whereas personally 33%. The perception of recipients receiving money through banking channels is significantly higher in comparison to the responses of senders, this may be due to an understanding of money transfer agencies as part of banking institutions or cannot make the difference. Also, 7% have listed friends and other family members as form of receiving remittances.

Graph. 8.2. Remittance transfer channels (recipient's perspective)



Large remittances (for the purposes of trade, investment, or aid) are rarely affected by transaction costs because they are small as a percentage of the principal amount, and major international banks are willing to compete for large-value remittances. Fees for lesser remittances, under 200 Euro, for example, which is common for poor migrants are normally 7%, but can be as high as 15%–20% in smaller migration corridors.

Based on this study the amount varies largely from 7% to 12% depending the country of origin and the amount sent, however, for calculative purposes we have taken the average of the total given percentage.

Table 8.1. Transfer Costs (General estimation)

Countries (From – To)	Percentage given	Average
Western Europe	7-12%	9.5%

Source: World Bank Remittance Prices Worldwide database.

If looked deeper into transfer agencies operating in Kosovo, there are relatively small differences in terms of fees charged among them. However, there are changes in terms of access point, either via agent or internet. This information is based on the database from remittance prices worldwide by World Bank.

<sup>22</sup> Analysis on Transfer Channels of Remittances in Kosovo, Central Bank of Kosovo, April, 2013.

Table 8.2. Transfer Costs

345.0 Euro (Germany to Kosovo)				
Firm	Access Point	Fee	Total Cost (%)	Total Cost Euro
Western Union	Internet	3.9	1.13	3.90
MoneyGram	Internet	3.99	1.16	4.00
Small World	Internet	8.00	2.32	8.00
Postbank	Bank branch, Call Center	8.5	2.46	8.49
Ria	Agent	15.0	4.35	15.01
Western Union	Agent	15.5	4.49	15.49
MoneyGram	Agent	16.0	4.64	16.01
Total Average		<b>10.13</b>	<b>2.94</b>	<b>10.13</b>

Source: World Bank – The International Bank for Reconstruction and Development (IBRD) and The International Development Association (IDA)

400.0 CHF (Switzerland to Kosovo)				
Firm	Access Point	Fee	Total Cost (%)	Total Cost CHF
Swiss Post	Internet	9.8	2.45	9.8
Western Union	Internet	24.04	6.01	24.04
Swiss Post	Bank branch, Call Center	54.8	13.70	54.8
Ria	Agent	22.52	5.63	22.52
Western Union	Agent	21.56	5.39	21.56
MoneyGram	Agent	37.96	9.49	37.96
Total Average		<b>28.44</b>	<b>7.11</b>	<b>28.44</b>

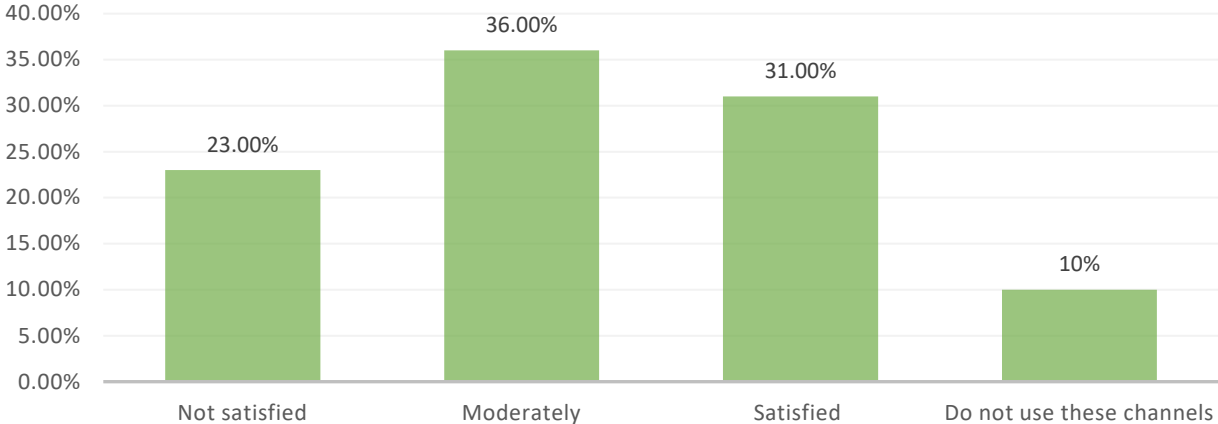
Source: World Bank – The International Bank for Reconstruction and Development (IBRD) and The International Development Association (IDA)

The transfer fees remain still complex and they vary based on operators, means of payment (in store or via bank, additionally, if you pay through debit or credit card there are different charges and so on). Hence, based on the data gathered from the operators, desk research and based on the findings of this study, the average fee is 10% of the amount, however this is subject to the amount sent, the higher the amount the fee may fluctuate in favor of the sender. Considering that money transfer agencies remain the most common formal channel of money transfer, one of the main reasons respondents chose this channel is due to the fast transfer, especially when sending money for emergency cases and other family assistance.

The perception towards means of money transfer services, is mixed, where 36% of the respondents are moderately satisfied with current means of money transfer services, and 31% are satisfied. This question comprises the overall measure of their satisfaction including, speed of transfer, cost and

access for both senders and recipients. 23% of the total respondents have claimed that they are not satisfied with transfer services and 10% do not use any money transfer services.

Graph 8.3. Perceived transfer costs



# INVESTMENTS

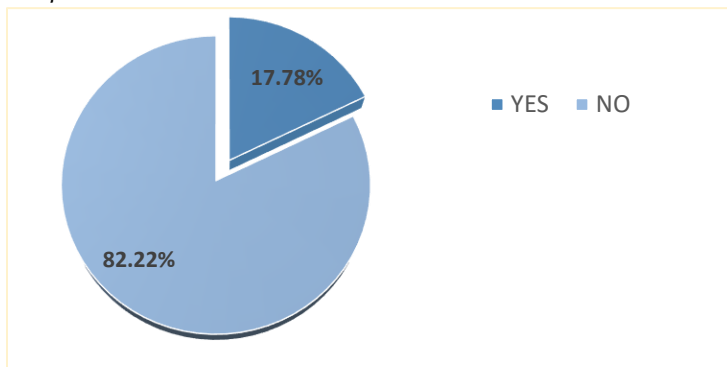
## 9. INVESTMENTS

### 9.1. Remittance Senders

Based on this study, the data shows that the new average value of annual remittances is 3,000 Euros per household, while the average monthly value is 250 Euros. This indicated not only the impact they carry but also the potential for investments in Kosovo. However, up to now, a very small portion of it is utilized for investment purposes.

From the research data we can see that only 17.78% of the sending households have claimed to have invested in Kosovo, while the rest of the sending households (members of the diaspora) with 82.22% have stated that they did not have the opportunity to invest.

Graph 9.1.1 Current investments

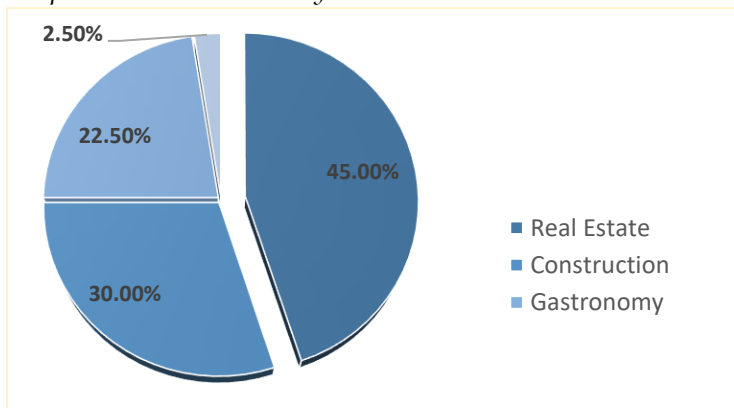


It is worth noting that most of the investments of sending households, 45% respectively, are oriented in the real estate sector, such as purchase of apartments, houses and/or land. This is seen as a lucrative business opportunity considering its value rarely diminishes. Moreover, the opportunities to pay on installments are wider as the

competition is increasingly high among the construction companies in Kosovo. Besides, for own use, often these investments are for profit, through leasing or sell at higher price once the construction of the building is completed.

As the second highest invested sector is construction among the members of the diaspora, with 30% of the total respondents whom have claimed to invest in Kosovo. As one of the large and booming sectors, construction offers wide opportunities in providing various services such as construction, renovation of various buildings such as houses, apartments and more. This may also be affected by the fact that many diaspora members are focused on construction and have established their own construction companies in their country of residence, hence opening up branches or sister companies in Kosovo is easier and a welcoming transfer of knowledge and know-how.

Graph 9.1.2. Investments by sector



The third largest sector pulling investments from members of the diaspora is gastronomy, a sector which is known and popular in Kosovo. Where 22.5% among those whom have invested have selected this sector to invest in, mainly operating as fast food, pastry, bars and coffee shops. For more details see the graph 9.1.2.

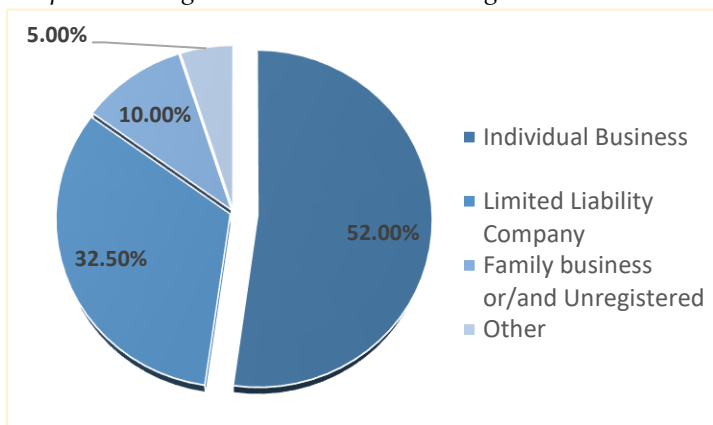
Information regarding potential investments in Kosovo are mainly based on individual basis through market research. Other sources of information are family members and friends. However, very insignificant number of diaspora respondents have claimed to have attended investment information sessions and/or training by relevant stakeholders, government or otherwise.

Table 9.1. Sources of information regarding investments

Means of obtaining investment information and opportunities	Market research	Family and friends	Training	Other
Total	66.5%	27.5%	1%	5%

Majority of business investments thus far are registered as Individual Businesses (B.I.) which by definition are represented by the owner themselves and as such are responsible for all business activities. The second most common registered businesses are limited liability companies which is a company established by individuals or legal persons, who are not liable for the obligations of the company and personally cover the losses of the company up to the outstanding part of the signed contributions. The partners' contributions constitute the registered capital of the limited liability company.

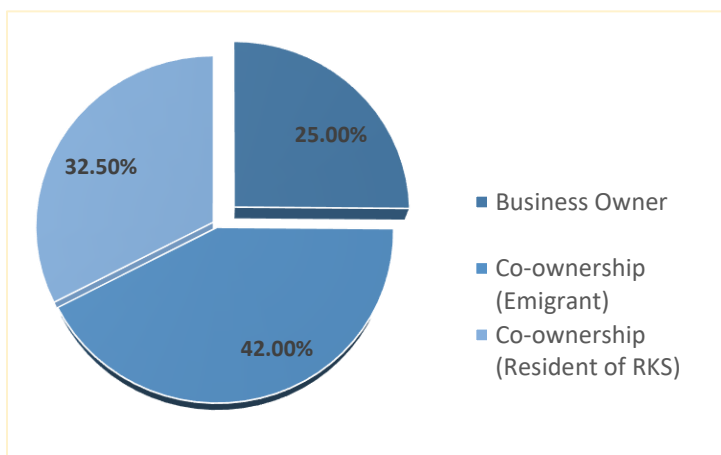
Graph 9.1.3. Legal business status (sending household)



Moreover, there are other promising sectors that are gaining more interest among investors, such is the IT sector, and cosmetics to name a few.

10% of the investments from diaspora/senders have categorized their business activity as family business, where no formal managing structures are established, and it runs on small business scale.

Graph.9.1.4 Business ownership (sending household)

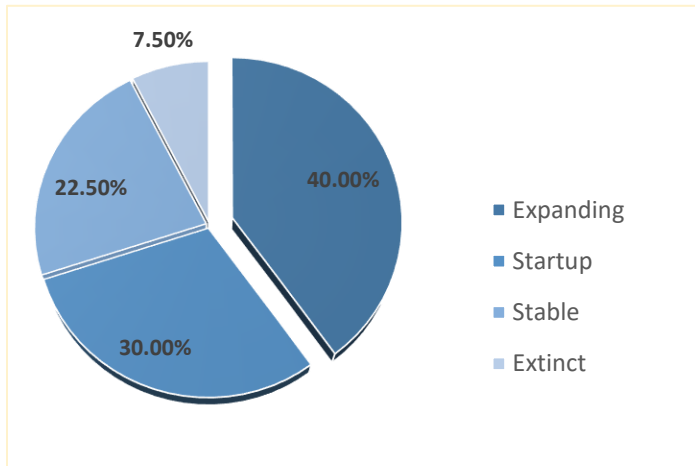


Investment does not necessarily translate managing the business activities, during the interview sessions this study has noted, often there are investments by the member of Kosovo diaspora, however the managing is done fully or in partnership with his/her partner in Kosovo. Data from this study show that only 25% of the total business activities invested by the diaspora, they possess full ownership. Whereas, the



largest type of business ownership arrangement is co-ownership which is divided in two categories. Co-ownership with another member of the diaspora, and Co-ownership with a resident of the Republic of Kosovo (non-member of the diaspora). The percentage towards co-ownership with local resident stand at 42.5% which marks the highest form of ownership and 32.5% with another member of the diaspora.

Graph.9.1.5. Current business state

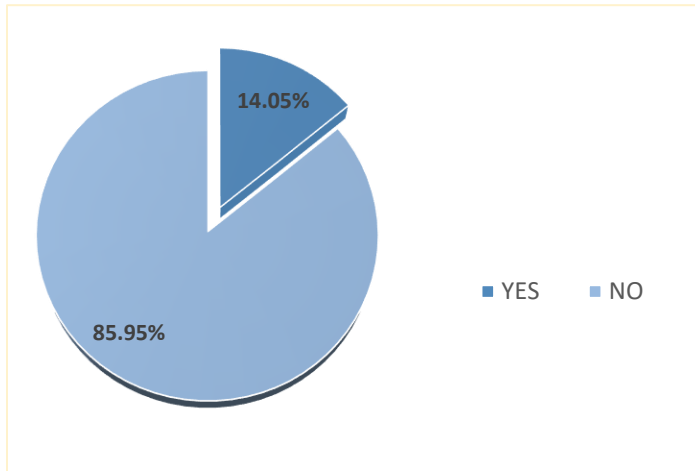


Welcoming data from this study suggests that, majority of these businesses are in the phases of expanding with 40.0 percent of the total businesses recorded, either in the production line and/or services. Followed with significant number of startups with 30.0 percent, with less than three years of establishment. Businesses that have penetrated the market and have positioned themselves well are 22.5 percent out of those whom have invested

in Kosovo, and consider their current state of business as stable.

However, there is 7.5 percent among those whom have already closed or are in the process of closing their business. Among other reasons is also the impact of Covid-19.

Graph 9.1.6. Plans to invest



Unwillingness and not readiness to invest is still large among the members of Kosovo diaspora. Out of the total number of respondents in this research, when asked how many of them are interested in investing in Kosovo, only 14.05% stated that they have plans to invest in the future. Among those claiming to have plans to invest, the most common sector is construction with 23% (graph 8.5), while the rest, which includes 85.95% of the respondents, stated that they have no

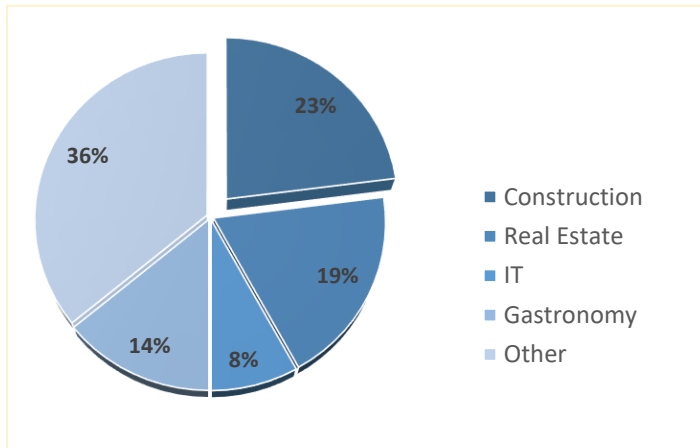
plans to invest in Kosovo in the near future.

As per data obtained in this study the highest interest to invest by the members of the Kosovo diaspora by sector is the construction sector, followed by real estate, IT and Gastronomy.

In countries where sending households reside, a considerable number of them are employed in the construction sector. Given the acquired profession and work experience, the interest to invest in Kosovo in the same sector is high. Based on the potential of this sector, out of the total number of sending households who have planned to invest in Kosovo, 23% of them have stated that construction

is a sector worth investing in. As a second-best category for investment by diaspora members is real estate, with 19% of remittance senders have stated as good opportunity for investment. Additionally, most of them left when young and had no property of their own, now they have families and during their visit they prefer to have their own house or apartment. Also, many property owners (especially apartment) have made the purchase options easier through monthly installments which facilitate the purchase. Besides for their own use during their stay in Kosovo, some have decided to invest in real-estate for income generation through renting out their properties, which is mostly managed through a local partner or family member in Kosovo.

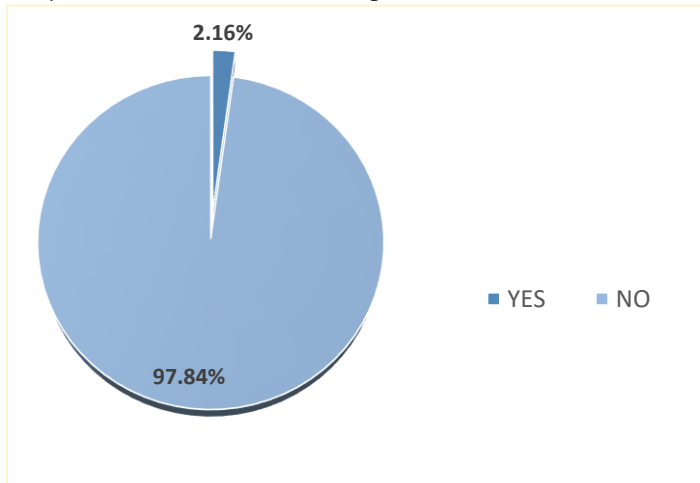
Graph.9.1.7. Best sectors to invest perceived by sending households



Welcoming insights have also been obtained during this study, where among those planning to invest, 36% have expressed interest in investing in various different sectors. Among those are: textile sector, wood processing industry, IT, metal processing industry and franchising of various branded companies.

Investments are complex and require a certain set of skills, regarding opportunities processes and more.

Graph 9.1.8. Investment training received



Based on the data from this study, 97.84% of respondents stated that they have not attended any training in terms of investment opportunities and/or best remittance transfer channels. A very small percentage of respondents have claimed to have received relevant information and/or information sessions regarding investment opportunities. Moreover, majority of the respondents, 61% or 545 have expressed interest in attending this type of training so they are more informed

about market demands but also about the opportunities of investment and best money transfer channels. In this response are not included respondents whom do not receive remittances.

In addition to remittances in goods and services, emigrants also contribute to the economy through spending during visits to Kosovo. More than half of diaspora (57.1%) visit Kosovo once a year, while 35.6% even more often. These diaspora members come to Kosovo with their cars (40.5%) or aircraft

(53.8%). More than 95% of them stay in Kosovo between two weeks and one month. Remittances are mainly used to finance the basic needs of the recipients. Despite the created pandemic situation with COVID-19, from 2020 continuing in 2021 the level of remittances has increased. Based on the general data regarding remittances, it is known that during 2020, the amount of 900 million euros was exceeded, thus increasing the circulation of money in the market, but at the same time consumption has been increased in all sectors, which has significant value in the country's economy. Meanwhile during 2021, for the nine months of 2021, according to the data of the Central Bank of Kosovo (CBK), remittances were much more than half a billion euros or exactly over 796.5 million euros, while only during the summer season, the value of 500 million euros has been reached, while taking an average of monthly expenses are around 500-600 euros<sup>23</sup>.

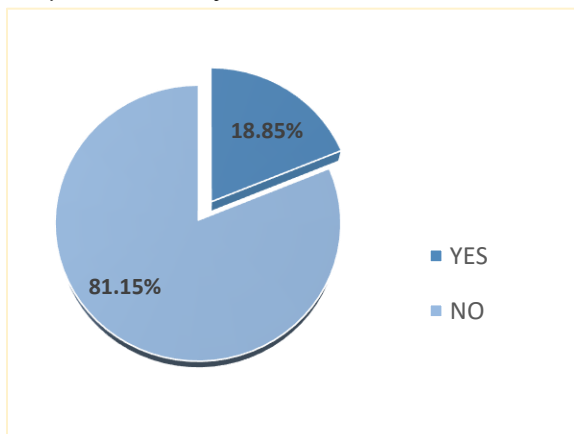
## 9.2. Remittance recipients

Data from this research highlights once more how much families in Kosovo are dependent on remittances. In addition to the basic needs of families receiving remittances, this research also identified the number of respondents who owns family businesses, type of ownership (share of ownership with members of diaspora), and the level of dependency of these businesses on remittances.

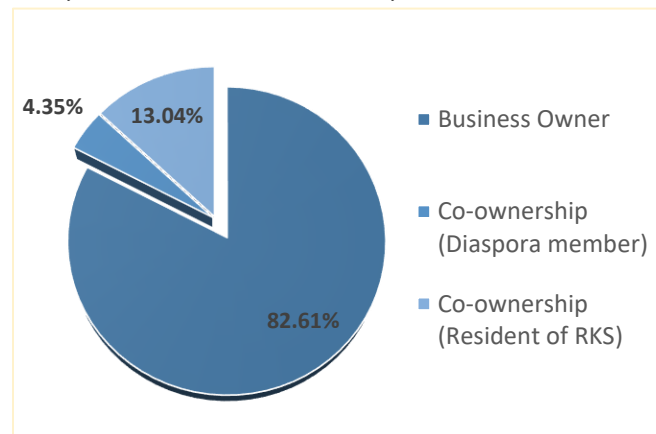
Family businesses have played a significant role in the development of the private sector, which are major contributors not only in employment but also in the country's economy in general.

Out of the total number of households that receive remittances, 81.15% of them have stated that they do not have family businesses while 18.85% of them own family business in various sectors. Only 4.35% of family-owned businesses have co-ownership with members of the diaspora, while 13.04% of them have co-ownership businesses with local citizens. The majority (82.61%) of households' recipients having a business, have full ownership of the family business.

Graph 9.2.1 Family business



Graph 9.2.2. Business Ownership

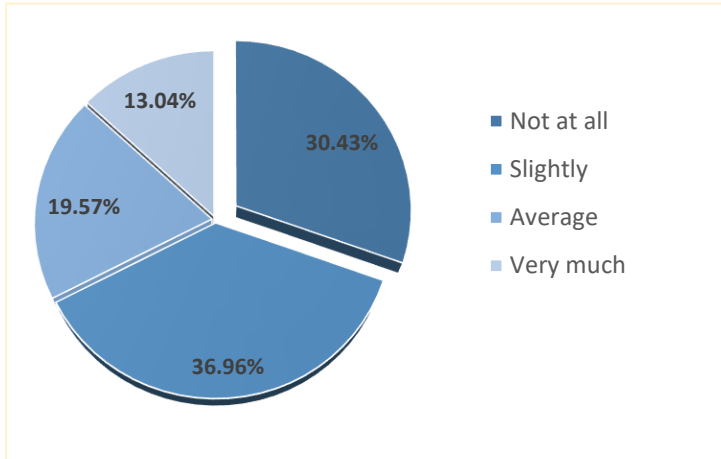


From the households that have family businesses, only 13.04% stated that the impact of remittances on their business is high, while 19.57% of them have expressed that their business depends on remittances on average basis. It is evident that the impact of remittances on businesses is high, where

<sup>23</sup> Ibid.

32.61% of these businesses confirmed that remittances have a “very high” and “average” impact, whereas 36.9% a slight impact. The impact increases manyfold during the summer seasons when the presence of diaspora is at its peak. Only 30.43% stated that remittances have no impact on their businesses.

Graph 9.2.3 Dependency of your business on remittances

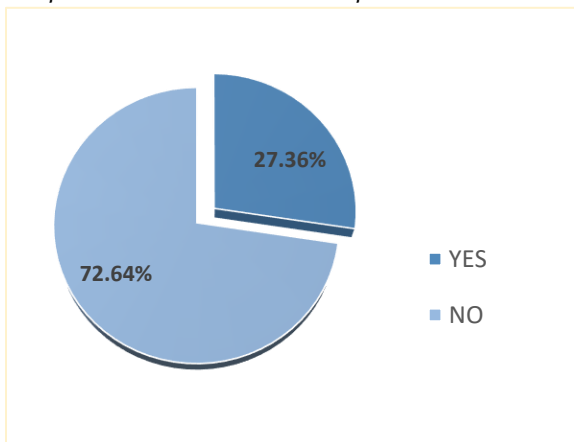


### 9.3. Non-receiving households

In order to have the chance to analyze and compare data among remittance recipients and non-receiving households, in this research data from non-receiving households have been included as well. Among key areas of focus is understanding the behavioral patterns, where information is captured regarding their investments, business ownership, savings and dependency from remittances on their businesses.

Out of the total number of non-receiving households, 72.64% of them have stated that they do not own a business, while 27.36% of them own a business in different sectors. Furthermore, all those engaged in business activities among non-receiving households have full ownership (27.36%) of the establishment.

Graph 9.2.1 Business ownership



Based on the data gathered, this study provides insights regarding the situation of business owners from non-receiving households, activities in terms of business development and the revenues they manage to provide. As this target group has expressed that they do not receive money from any family and/or associate from diaspora, consequently the impact of remittances comes indirectly from families receiving remittances, as the cash increases, therefore the purchasing power is directly affected. While, 33.33% of them stated that remittances have no impact on their business.

Out of the total business owners from the non-receiving households, 62.07% stated that they possess savings, which may be needed for further investments in business expansions. While the remaining 37.93% practice to reinvest their earnings, and/or use those for other fixed, operational and family needed expenses.

Employment among non-receiving households, has been reported to be 59.84% of the respondents. Based on the conversations during the interviews, almost all, work in the formal sector. Whereas, 12.8% have declared to be unemployed.

## 10. CONCLUSIONS AND RECOMMENDATIONS

Kosovo still remains among the countries with the lowest GDP in the region, as well as the highest poverty and unemployment rates. Labor market statistics in Kosovo show a high unemployment, while amount of remittance revenues in Kosovo has continued to increase on yearly basis. Strikingly the increase has been evident even during the pandemic, except during the month of March and April 2020, and shows a significant increase by 15.1 percent in 2020 compared to the previous year. The number of immigrants who report that their remittances turn into income or employment-generating activities is very small, while a modest, yet increasing number of them report to have (or plan to) venture into investment activities in Kosovo.

### Recommendations

- ❖ Promotion and creation of investment incentives - The findings of this research regarding potential investments in Kosovo show that 85.95% of emigrants do not have a tendency to invest due to lack of information, therefore our recommendation is to take steps to inform about the conditions and opportunities, which are suitable for investment, the creation of online systems by simplifying the opportunities of starting a business, various opportunities for donations as investors by financially supporting Kosovo businesses;
- ❖ Awareness campaign for the migrants to use formal transfer methods - this should be supported by the Central Bank of Kosova, relevant ministries and commercial banks. During this campaign informational brochures would be prepared for the diaspora members and disseminated during the summer season and be placed in all banks and shopping center as places highly frequented by migrants;
- ❖ Expansion of the money transfer agency branches into rural areas. It is well known that banks and money transfer agencies are mainly located in urban areas; hence, access for residents of rural areas is difficult due to infrastructure and other factors. Opening of branches throughout these areas would be welcome for the residents of these areas;
- ❖ ATM and POS terminals network in rural areas – Like the branches of financial institutions, ATMs and POS are difficult or rarely be found in rural areas. The cost of maintenance and other factors have contributed to the small number of ATMs and POS terminals in rural areas. Therefore, the expansion of the network of ATM and POS terminals in rural areas will facilitate access for residents of these areas;
- ❖ Reduction of remittance transfer fees, especially from larger host countries such as Germany and Switzerland – The costs of transferring money through formal channels are considered high by emigrants so reducing these costs would affect emigrants to formalize the money transfer;
- ❖ Enhancing competitiveness – licensing of new money transfer agencies, so the competition between new and current agencies increases. This will reduce transfer costs and the use of formal channels will increase even more.