



BANKA QENDRORE E REPUBLIKËS SË KOSOVËS
CENTRALNA BANKA REPUBLIKE KOSOVA
CENTRAL BANK OF THE REPUBLIC OF KOSOVO



Schweizerische Eidgenossenschaft
Confédération suisse
Confederazione Svizzera
Confederaziun svizra

2021

REMITTANCES AND THEIR SIGNIFICANCE FOR THE INDIVIDUAL AND THE ECONOMY

The Central Bank of the Republic of Kosovo
and The World Bank Group
with the support of the
Government of Switzerland



THE WORLD BANK
IBRD • IDA | WORLD BANK GROUP

This brochure is a product of The Central Bank of the Republic of Kosovo and the Payment Systems Development Group (*PSDG*) in The World Bank Group's Finance, Competitiveness and Innovation Global Practice.

The State Secretariat of Economic Affairs (*SECO*) of Switzerland provided funding for the material in the context of the Remittances and Payments Program.

www.remittanceprices.worldbank.org



The Central Bank of the Republic of Kosovo

Address: Rr. Garibaldi nr. 33,
Prishtinë, Kosovë

www.bqk-kos.org

E-mail: info@bqk-kos.org
Telephone: +383 38 222 055
Fax: +383 38 243 763



The World Bank Group

1818 H Street NW
Washington, DC 20433 USA

www.worldbank.org

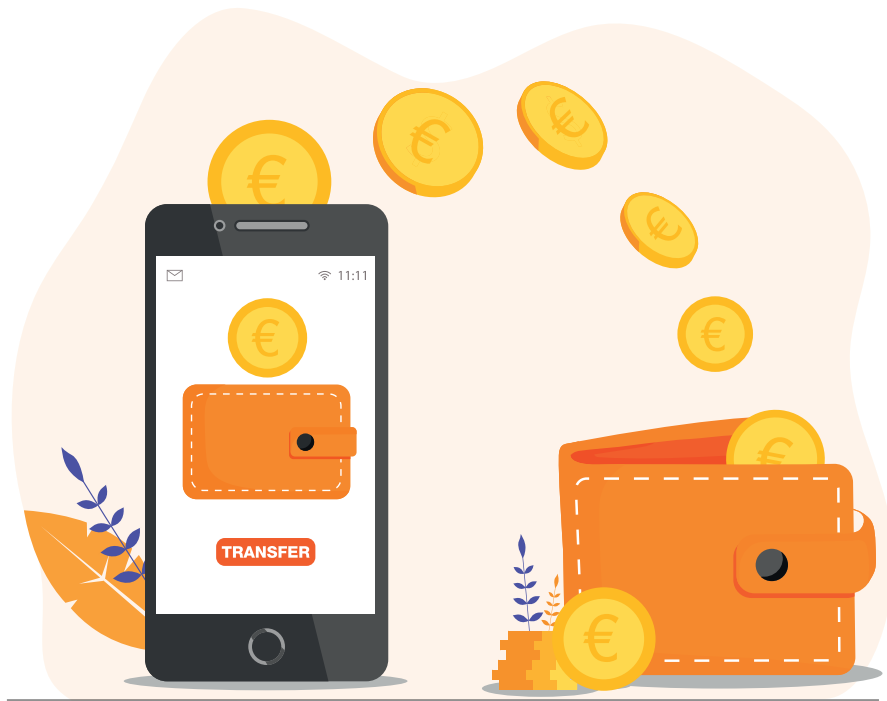
paymentsystems@worldbank.org
Telephone: +1 202 473-1000

Cover photo by Spencer Montero

© The World Bank Group, 2021

WHAT ARE REMITTANCES?

Remittances are funds transferred from migrants to their home country. They are the private savings of workers and families that are spent in the home country for food, clothing and other expenditures, and which drive the home economy. These payments are typically cross-border.



WHY ARE REMITTANCES IMPORTANT?

Remittances are one of the most common sources of income in countries with high rates of emigration. According to the World Bank¹, in 2019, about \$529 billion was sent to underdeveloped and middle-income countries. This number is expected to rise in the future.

Remittances can also have significant effects on the receiving country's economy. Given that remittances are practically a part of one's income, their economic impact and importance is often twofold – affecting the financial status of one's personal budget and the financial status of the recipient and their household, and the economic currents in the recipient country through investments, economic activity, and consumption.



¹World Bank's 2019 Migration and Development Brief.

WHY ARE REMITTANCES IMPORTANT?

Financial support for one's household budget usually enables greater financial capability, therefore leading to greater consumption and reduction of poverty by boosting the population's income.

At the same time, remittances affect economic currents in the recipient country: as they are practically used for investments and procurements (e.g. raw materials for workshops, buying or renovating real estate, other investments) they also affect the overall growth of manufacture, trade, labour market, real estate, and other segments of the local economy.



REMITTANCES IN KOSOVO

Remittances are very important for Kosovo and its diaspora, both in monetary and cultural terms. In Kosovo, the amount of remittances received through regulated channels in 2019 was \$1.24 billion or 15.6% of GDP, according to the World Bank². The total amount is assumed to be even greater as much of the incoming remittances are transferred via unregulated channels (deliveries in person, via intermediaries like bus drivers, etc.).

From a cultural point of view, remittances are often considered a symbol of a migrant's love and dedication to his/her family, and in many cases even to his/her extended family. The migrant feels a moral obligation to send money back home, regardless of the need. Similarly, the recipients expect remittances from their immediate family members or relatives abroad.

As a result, the Kosovar diaspora members send money back home for as long as they live abroad, exceeding many times even 40 years or generations. Almost every Kosovar family has some relatives abroad given the sociopolitical history of the country and almost every family receives financial support from abroad.



²Migration and remittances data (Annual Remittances Data) – World Bank.

REMITTANCES IN KOSOVO

Furthermore, in many cases, migrants decide to keep and manage their own finances in Kosovo as a way to maintain links with their home country or to have an open option to return to Kosovo in the future. Sometimes, the family members back home will manage the finances of their relatives abroad along with their assets, like houses or businesses.

Regardless of the country of residence, the connection with the families back home remains strong across generations and the migrants visit at least once a year. While Switzerland, Germany and the United Kingdom account for the majority of remittance inflows to the country, a lot of Kosovar citizens have migrated to neighboring countries like Slovenia, Bosnia and Herzegovina and Serbia.



THE IMPORTANCE OF REMITTANCES FOR INDIVIDUALS AND HOUSEHOLDS

Remittances are an important source of income for individuals and households to meet their basic needs. In addition, remittances serve as a gateway to financial inclusion. With a formal proof of steady income from remittances, individuals become eligible to borrowing and are also more likely to use other financial services, such as transaction accounts, savings insurance, etc.

The World Bank Group researched the financial habits of senders and beneficiaries of remittances on a representative sample in Kosovo. Remittances to Kosovo are primarily used for consumption, bill payments, healthcare, home improvements, education and investment purposes.



WHICH ARE THE COMMON FACTORS THAT INFLUENCE THE CHOICE OF A MONEY TRANSFER CHANNEL?

The main criteria that typically influence a decision are:

- ✓ Speed;
- ✓ Security;
- ✓ Habits;
- ✓ Financial literacy level;
- ✓ Financial inclusion and accessibility of financial services;
- ✓ Administrative procedures;
- ✓ Cost.

“Remittance Prices Worldwide” is an online service launched by the World Bank Group aimed at increasing transparency and availability of information on remittances and the costs of cross-border money transfers. The page monitors a total of **367 “corridors”** between 48 sending countries and 105 receiving countries. More information is available at: <https://remittanceprices.worldbank.org/>.



REMITTANCES AND INVESTMENTS

Contrary to popular belief, remittances can sometimes be used as investment capital for starting an entrepreneurship or a business. If you are a remittance user, try not to view yourself as a mere beneficiary or a consumer. Actively analyze your options to “make money work for you” and make better use of remittances, and thus improve your financial status.

Some of the ways to achieve this are: being well-informed, pursuing financial education, being financially included, analyzing available financial products and services, and adopting entrepreneurial thinking and skills.



FINANCIAL INCLUSION OF REMITTANCE USERS

In short, financial inclusion represents the share of individuals who use financial products and services on the market (loans, savings, bank accounts, etc.).

Using a bank account or regulated money transfer channels to receive remittances gives you easier access to other financial products and services on the market.

Tip:

As a remittance user, you should inquire about different channels, security, and prices of money transfer services. Quit practices that are bad or just not good enough for you. Educate yourself about the basics of financial literacy and learn about available financial products and services on the market. Through education, you acquire information and knowledge that can significantly improve your financial status!



REMEMBER!

1. Remittances can be used in several ways – for investments, consumption, savings, starting a business, etc. Consider your options before deciding on the best route for you and your family.
2. Security, speed, and cost are the main criteria for deciding how to transfer remittances. The cheapest way is often not the safest or the fastest, and vice versa. Therefore, it is crucial to consider the needs, options, and risks when making the decision.



REMEMBER!

3. When you inquire about a financial product or a service, consider remittances as your source of solvency or a security instrument when negotiating with the financial institution.
4. Do not view yourself as a mere beneficiary or a consumer, and actively analyze your options to “make money work for you.”





BANKA QENDRORE E REPUBLIKËS SË KOSOVËS
CENTRALNA BANKA REPUBLIKE KOSOVA
CENTRAL BANK OF THE REPUBLIC OF KOSOVO

**The Central Bank of the
Republic of Kosovo**

Address: Rr. Garibaldi nr. 33,
Prishtinë, Kosovë

www.bqk-kos.org

E-mail: info@bqk-kos.org

Telephone: +383 38 222 055

Fax: +383 38 243 763



THE WORLD BANK

IBRD • IDA | WORLD BANK GROUP

The World Bank Group

1818 H Street NW
Washington, DC 20433 USA

www.worldbank.org

paymentsystems@worldbank.org

Telephone: +1 202 473-1000