REMITTANCE INCOMES AND ECONOMIC DEVELOPMENT IN KOSOVO

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Abstract

In globalism period, when the migration of the population is informal, migration and remittances have played an extraordinary important role on the socio-economy development of the country. As in many places that are in transition phase and in Kosovo remittance have played a positive role on the development of the country, considering the great number of the diaspora living in foreign countries.

Even in the world's greatest crises, remittance has been the main pillar of a country, mainly for those countries under development. They are considered as primary incomes for many families of the countries under development and those in transitions, too.

According to the researches performed during last years, it is argued that the remittance increase effect on the economic development of the country. During this paperwork will be explained the theory and practice aspects on the role of remittances on the development of such countries that receive them.

Key Words: *Remittance, Migration, Economic Development, Importance, Kosovo*

1.Introduction

The number of international migrations, including also refugees, increased in 258 million in 2017, by 172 million as was in 2010. Part of international immigrants in the world wide population increased by 3, 4%, as per 2, 8%, as it was in the same time period. ¾ of the increased migration in period of 2000-2017 was for the countries with the maximum incomes, where the part of international migrants, increased the number of population by 9, 6% in 14% (World Bank, KNOMAD, 2018)

According to the World Bank report, official registered remittances in countries with lower and medium rate of incomes achieved in 466 milliard dollar during 2017, an increase of 8.5% compared to 2016, since in 2016 there were 429 milliard dollar (World Bank, 2018).

In macroeconomic level they bring a foreign needed commutation and contribute on the improvement of balance of the current account in the places of origin. In many countries, deliveries of the emigrants represent a high percentage of GDP (Rahmije Topxhiu, Albulena Mustafa, 2013).

Today, we also live in a modern economic period; unfortunately Kosovo still faces difficult economic situations. Such difficult situation can be explained by the high level of unemployment and low export compared to other region countries. For these reasons remittances have positive effect in Kosovo, since this country is one of the poorest countries in the region. Mainly, their destination has been for consume, but there were many cases when remittances in Kosovo are used also for the opening of new businesses, which have positively effect in the economy of the country.

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Merely, during 2017 their value has been 759.2 million euro; such value represents 9.9% of the annual increase. Remittances were and are one of the main factors that contributed on the economic development of our country. Germany and Switzerland are the greatest contributors of the remittance deliveries by 22.5% of the total received remittances in Kosovo, whereas USA by 7% of the total received remittances in Kosovo. Moreover, Foreign Direct Investments (FDI), have had an increase of 30.8%, where the value has reached the value of 287.8 million euro (Central Bank, 2018).

During this research, a specific importance was dedicated to the theory and practice aspects of the role of remittances on the development of such countries that received them. A special analyze was dedicated to the country of Kosovo, since the remittances for this country have specific importance. Their role in economic development of the country will be presented through the data of different published statistics by specific institutions, as well as the use of foreign and local literature.

2. Literature review on the role of remittances in economic development

Positive impact by population migration have developed countries, since they usually have higher ability to transfer their practice knowledge and abilities to migrants that came back in their origin, or the delivery of remittances for the opening of new private businesses and the opening of new job vacancies. (Kristina Matuzeviciute, Mindaugas Butkus, 2016).

One of the many empirical studies that are done especially for the influence of remittances in economic development of the country, support the evidence by migration literature, where is implicated that remittances have a greater net effect on the economic development expressed as annual increase of GDP in developed countries (Robert Stojanov, Wadim Strielkowski, 2013).

In order to testify the opinion of the above mentioned authors, related to the positive opinion of remittances of the country of origin, below will be presented the table with the fluxes of remittances from regions with low and medium incomes, report presented by Central Bank.

	2010	2014	2015	2016	2017	2018f	2019f
	$ billion						
Low and middle income	341	444	440	429	466	485	503
East Asia and Pacific	96	121	126	123	130	135	140
Europe and Central Asia	38	52	41	40	48	51	53
Latin America and Caribbean	57	65	68	74	80	83	87
Middle-East and North Africa	39	54	51	49	53	56	57
South Asia	82	116	118	110	117	120	123
Sub-Saharan Africa	30	37	36	34	38	41	43

Table 1. Estimates and projections of remittance flows to low- and middle-income regions (World Bank, 2018)

In macroeconomic level, the influence of remittances occurs within the multiplier effect through the consume of goods and services, human capital investments, that improve the employment productivity, as well as the investment in the formation of gross capital (Kristina Matuzeviciute, Mindaugas Butkus, 2016).

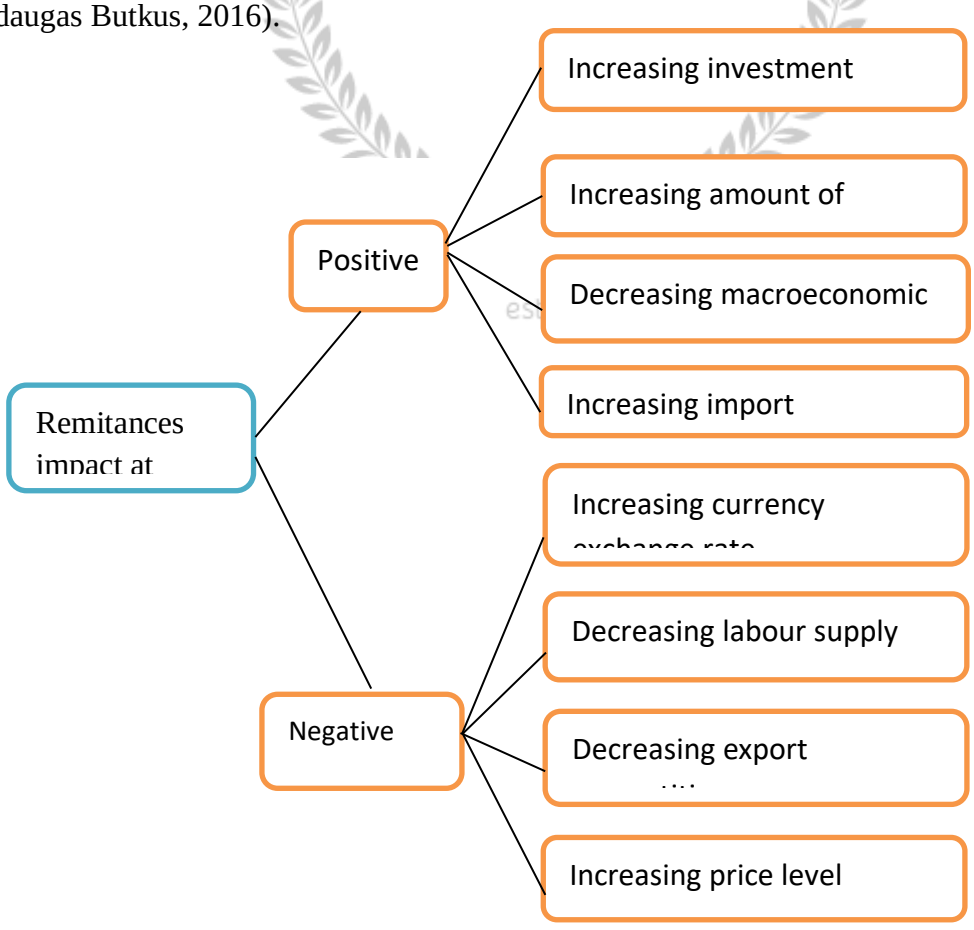

Figure 1. The macroeconomic impact on economic development

Many literatures emphasize that the positive impact on migration and remittance in the countries of origin brings many arguments based on which diaspora contributes sensitively in the decrease of poverty, increase and development of the country of origin. They can support such as: the trade also the investment since they are better informed on the different economic possibilities and its benefits (Rahmije Topxhiu, Albulena Mustafa, 2013). According to some authors, the impact of remittances depends on the structural characteristics, such as consume and investments, models and abilities to manage great financial revenues of the hosting country (N.Aziz, S.Sen, P.Sun, L.Wu, 2015).

A study is made during 1987-2007 by Nsiah and Fayissa, in 64 different countries of Africa, Asia and Latin America regarding the relationships between remittances and economic development of those countries. After the completion of several year researches, they concluded that between remittances and economic development of the country exist positive relationship (Dietmar Meyer, Adela Shera, 2017).

Beside the positive impact that remittances have on economic development of the country, some authors say that they also might have negative influences. Therefore remittances can be harmful on the contribution of positive investment in human capital, therefore running the country toward a negative economic development (Natalia Catrinescu,Miguel Leon,Mtloob Piracha,Bryc, 2006)

Whereas, another negative impact to migration is also because of the “brain wash”, mainly for countries under development and further as well as to those in transition (Kristina Matuzeviciute, Mindaugas Butkus, 2016).

3. The role and impact of remittances in economic development of Kosovo

As in many countries that are in transition, also in Kosovo remittances play an important role in the economy of the country. As it is mentioned by the beginning of the paperwork, the remittance increased in 2017 compared with the year 2016 is 9.9%. According to the Kosovo Central Bank remittances until 2018 are expected to achieve an annual increase of around 8%, such increase will be welcomed for Kosovo, since it is one of the countries with the weakest economic development in the region, and based on this fact are depended by remittances.

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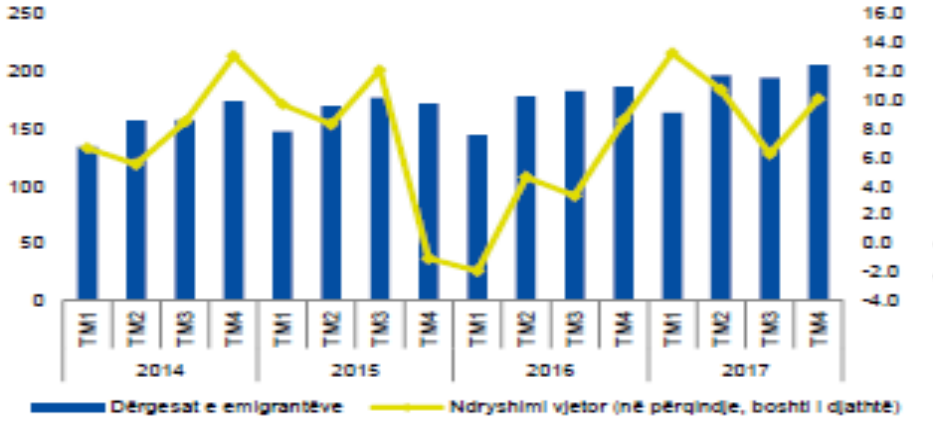

Table 2. Remittances in million euro - (Central Bank, 2018)

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According to the report of the World Bank, Kosovo is in the top ten position countries that receive the most remittances in the world, where their participation in GDP is by 16.7%.

Below is presented the table with the followed evidences:

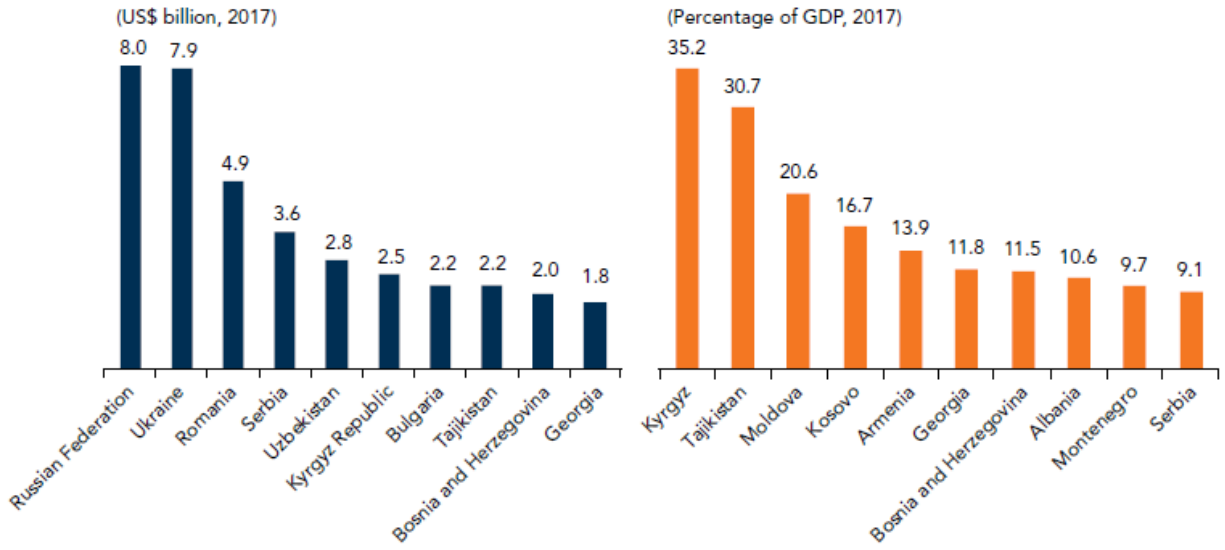

Table 3. 10 first receivers of the remittances in the world (World Bank, 2018)

Revenues by remittances have helped on the improvement of standard of living in Kosovo, mainly in rural countries, and in specific to benefiting families as well as on the decrease of the poverty. Moreover, they play an important role in macroeconomic stability of the country and assisting rapid development of construction and service sectors. Beside the remittances also FDI are indicators with a specific importance on the economic development of the country. In Kosovo remittances every year are increasing, excluding 2016, where decreased by 8% compared to 2015. Different from remittances, FDI have fluctuation by years, where during two last years have been notices a decrease. Positive trend has also had in 2011. Their data are presented on the table below:

Milion €								
Year	2010	2011	2012	2013	2014	2015	2016	2017
Remittances	584.33	584.81	605.63	620.83	693.68	752.40	691.00	759.20
FDI	314.60	414.00	229.06	258.90	123.90	324.40	215.90	287.80

Table 4. Remittances and FDI in Kosovo 2010-2017 – Central Bank

Remittances vs FDI %								
Year	2010	2011	2012	2013	2014	2015	2016	2017
Remittances vs FDI	186%	141%	264%	240%	560%	232%	320%	264%

Table 5. The percentage and the importance of remittances beside FDI

According to the report of UNDP, the greatest part of remittances is spent for consume 35.4% (UNDP, 2012).

Expenditure categories	Report average
Current consumption (food, clothing, services, utilities)	35.4%
Other consumption (mobile, household appliances, cars, marriages, funerals, etc.)	24.8%
Investment in housing (purchase / home / apartment building, home / apartment renovation)	19.6%
Investment in human capital (education (4.6%), health (6%))	10.6%
Investment in businesses (land acquisition (0.8%), business (0.9%), manufacturing assets (2.2%)	3.9%
Savings (bank, family loan / relatives, other savings)	3.7%
Debt payment (borroëed for migration or other reasons)	2.0%

Table 6. The use of remittances among the consume categories, average report (UNDP, 2012)

4. Conclusions and Recommendations

Remittances are and continue to be an important part of the economy of Kosovo. Remittances have helped beneficiary families to have a better living standard, where in many cases also the families in deep poverty reached to survive. Nowadays, almost every family has at least one family member who lives abroad. Regarding this Kosovo economy, consider remittances as an important part.

Kosovo institutions, in order to have an investing character in Kosovo market, should compile authentic strategies on how diaspora can contribute on Kosovo market. Therefore, taxes for such investments to be lower, in order to open a path to those who invest in Kosovo and their percentage to be higher.

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