



BANK OF ALBANIA

13TH SOUTH-EASTERN EUROPEAN ECONOMIC RESEARCH WORKSHOP

Remittances and their impact on poverty in Albania

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The views expressed in the paper are those of the authors and do not necessarily represent the views of the BoA.

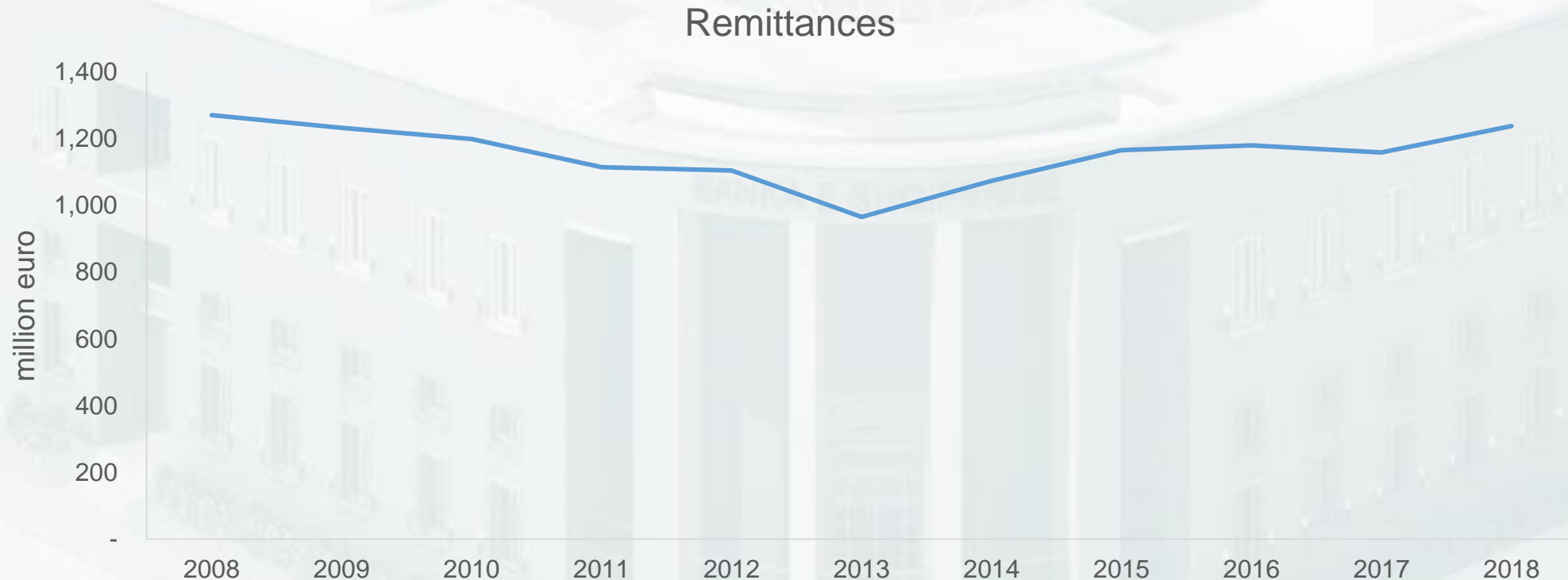
Outline



- I. Introduction
- II. Review of literature
- III. Data
- IV. Methodology
- V. Results

I. Motivation

- 1.21 million people or 42.7 % of total Albanian population live outside Albania (UN, 2019).
- Albanian has received 1.21 million remittances in 2018, or 9.6 % of Albania GDP (BoA, 2019).



The aim of the paper is to examine the impact of international remittances on household poverty in Albania based on a novel household survey data.

II. Review of literature on Remittances and Poverty

- Cross countries studies- Adams & Page (2005), Acosta et al. (2008)
 - Remittances lead to 3-5 % decline of the share of people living in poverty.
- Country level studies - Taylor et al. (2005) in Mexico, Adams (2006) in Ghana, Lokshin et al. (2010) in Nepal, Adams (2006) in Ghana,
 - International migration and remittances reduce poverty.

II. Methodology of data collection

- Household Finance and Consumption Survey (HFCS) in Albania

Main features of the HFCS survey in Albania

Country	Albania
Responsible institution	Bank of Albania
Adaptation of an existing national survey	No-Blueprint questionnaire
Organisation responsible for fieldwork	Instat
Fieldwork period	March 2019-April 2019
Data collection	PAPI
Median length of interview (minutes)	30 -55
Number of interviewers conducting the survey	70 (+25)
Language version of the questionnaire	Albanian
Length of fieldwork period (months)	2 months
Data editing and imputation	Instat

II. Methodology of data collection

Sample design

Two-stage stratified sample (random selection)

Sampling frame

National population register

Stratification criteria

Region, population size

Primary sampling unit

312 (8+4 household)

Region

12

Panel component

No/in future

Excluded groups

Population in institutions, homeless

Oversampling of wealthy

No

the unit's probability of selection; coverage issues; unit non-response

Weighting procedure

II. Methodology of data collection

- Loops
 - We have used 7 simplified loops of up to **two items** with a mop-up question for items three and above are used.
- Collection of monetary values questions

II. Methodology of data collection

- Structure of the HFCS questionnaire

Introduction

Pre-interview.: selection of respondent/Household listing

Section 1: Demographics

Section 2: Real assets and their financing

Section 3: Other liabilities/Credit constraints

Section 4: Private businesses/Financial assets

Section 5: Employment

8

Section 6: A. Individual Income

B. Household Income

Section 7: Intergenerational transfers/gift

Section 8: Consumptions

Interview closure

II. Methodology of data collection

Summary of Household Finance and Consumption Survey (HFCS) in Albania

- 2261 households (net sample)
- 7600 individuals
- 12 region

Main questions:

- Did (you/your household) receive any remittances during 2018?
- What was the total gross amount over (the last 12 months / the last calendar year)?

II. Sample results

Total number of private households				773,128	
Average household size				3.70	
Population in 2019				2,862,427	
Households characteristics					
Age of reference person			Education of reference person		
	16-34	8.2%		Primary education	50.7%
	35-44	14.4%		Secondary education	36.4%
	45-54	22.3%		Higher education	11.0%
	55-64	25.8%		Postgraduate education	1.9%
	65-74	17.2%			
	75+	12.2%			
Work status of reference person			Households size		
Employee		26.1%		1 member	7.5 %
Self-employed		20.2%		2 members	21.0 %
Retired		31.8%		3 members	17.1 %
Other not working		21.9%		4 members	24.8 %
				5 and more	29.5 %

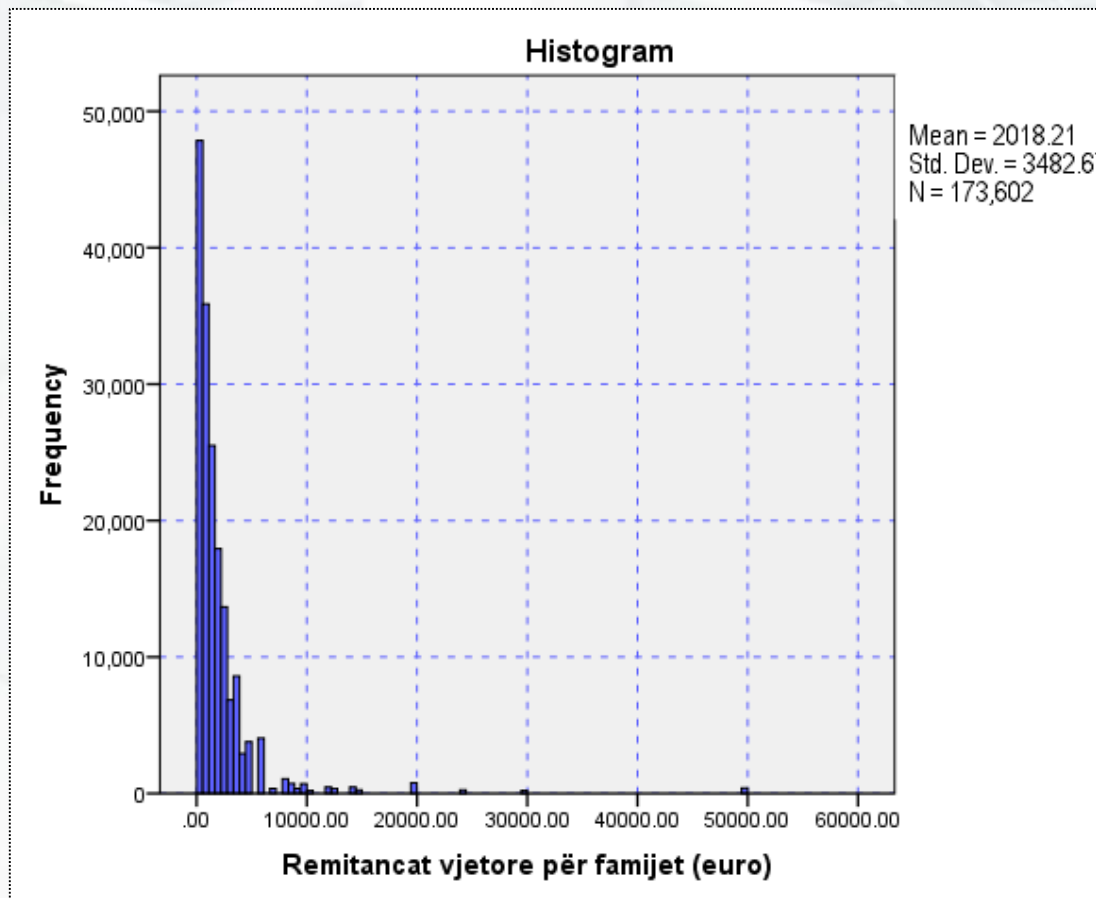
II. Sample results

▪ 23 % of total households receiving remittances in 2018

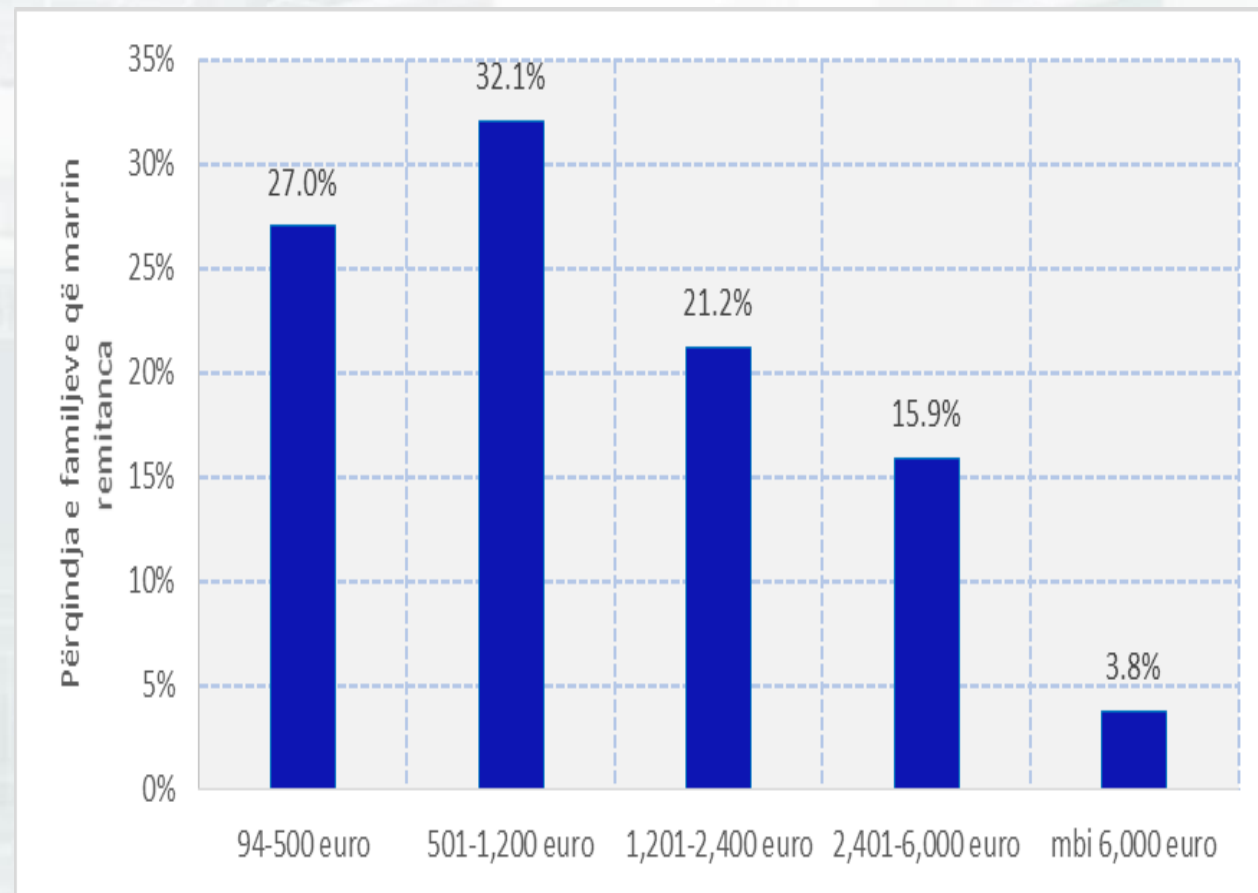
Region	Population	City	No. of households, receiving remittances	Flow of annual remittances in (euro)	Remittances receiving households as ratio of total households receiving remittances
Berat	127,431	Berat, Kuçovë, Skrapar	5,070	8,017,801	2.90%
Dibër	120,978	Bulqizë, Dibër, Mat	6,895	15,068,094	3.95%
Durrës	289,628	Durrës, Krujë	14,790	48,665,059	8.47%
Elbasan	278,547	Elbasan, Gramsh, Librazhd, Peqin	31,667	75,616,145	18.14%
Fier	298,144	Fier, Lushnjë, Mallakastër	15,268	20,521,919	8.74%
Gjirokastër	62,952	Gjirokastër, Përmet, Tepelenë	4,513	3,933,388	2.58%
Korçë	210,178	Korçë, Kolonjë, Devoll, Pogradec	14,806	26,755,338	8.48%
Kukës	77,394	Has, Kukës, Tropojë	3,552	5,197,840	2.03%
Lezhë	126,800	Kurbin, Lezhë, Mirditë	6,375	9,898,925	3.65%
Shkodër	204,994	Shkodër, Malësie e Madhe, Pukë	15,745	40,460,659	9.02%
Tiranë	883,996	Tiranë, Kavajë	38,746	72,764,817	22.19%
Vlorë	189,282	Delvinë, Vlorë	17,187	23,464,869	9.84%
Total	2,870,324		174,614	350,364,853	100.00 %

II. Sample results

Histogram of annual flow of remittances (euro)

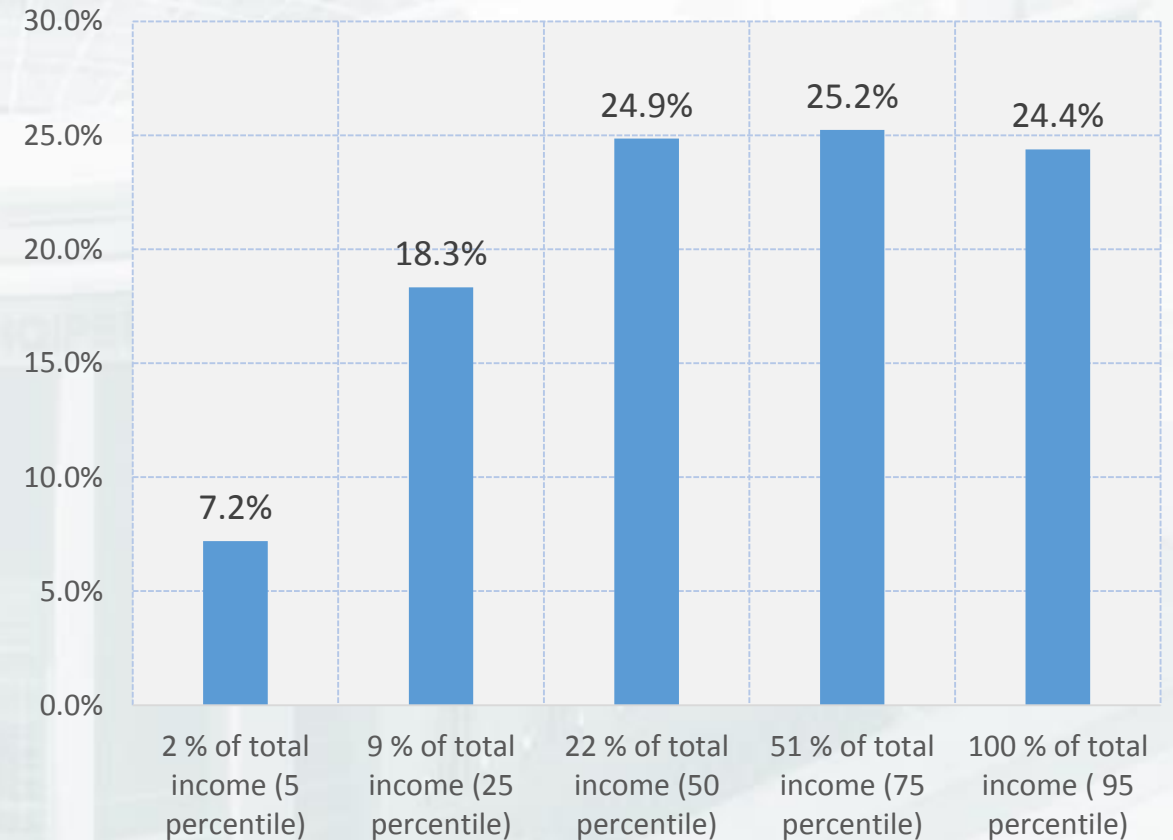
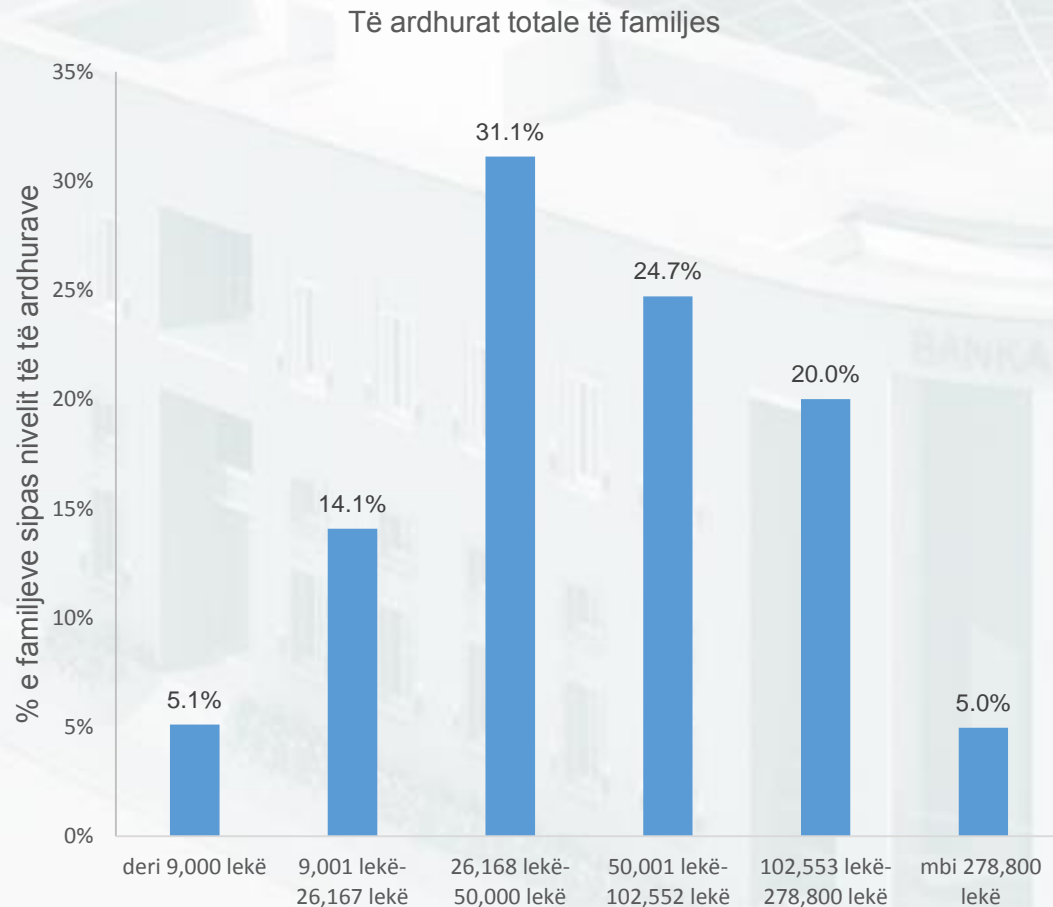


Distribution of households based on annual flow of remittances (euro)



II. Sample Results

Distribution of households receiving remittances based on the share of remittances in total income



II. Sample results

		Average	Median	25 Percentile	75 percentile
Food expenditure at home as ratio of total expenditures	Total households	68.61%	69.44%	60.61%	77.32%
	Remittance receiving households	68.69%	68.97%	61.22%	76.92%
	Non-Remittance receiving households	68.59%	69.69%	60.61%	77.37%
Food expenditure outside home as ratio of total expenditures	Total households	10%	7.41%	0.00%	14.81%
	Remittance receiving households	8.76%	7.35%	0.00%	12.77%
	Non-Remittance receiving households	9.96%	7.41%	0.00%	15.38%
Electricity expenditure as ratio of total expenditures	Total households	11.74%	10.53%	7.77%	14.29%
	Remittance receiving households	12.05%	11.11%	7.87%	14.71%
	Non-Remittance receiving households	11.65%	10.34%	7.75%	14.21%
Utilities expenditure as ratio of total expenditures	Total households	9.89%	8.97%	6.25%	12.31%
	Remittance receiving households	10.42%	9.26%	6.25%	12.86%
	Non-Remittance receiving households	9.74%	8.71%	3.08%	12.12%

III. Empirical strategy framework

$$Poverty_i = F(X_i)$$

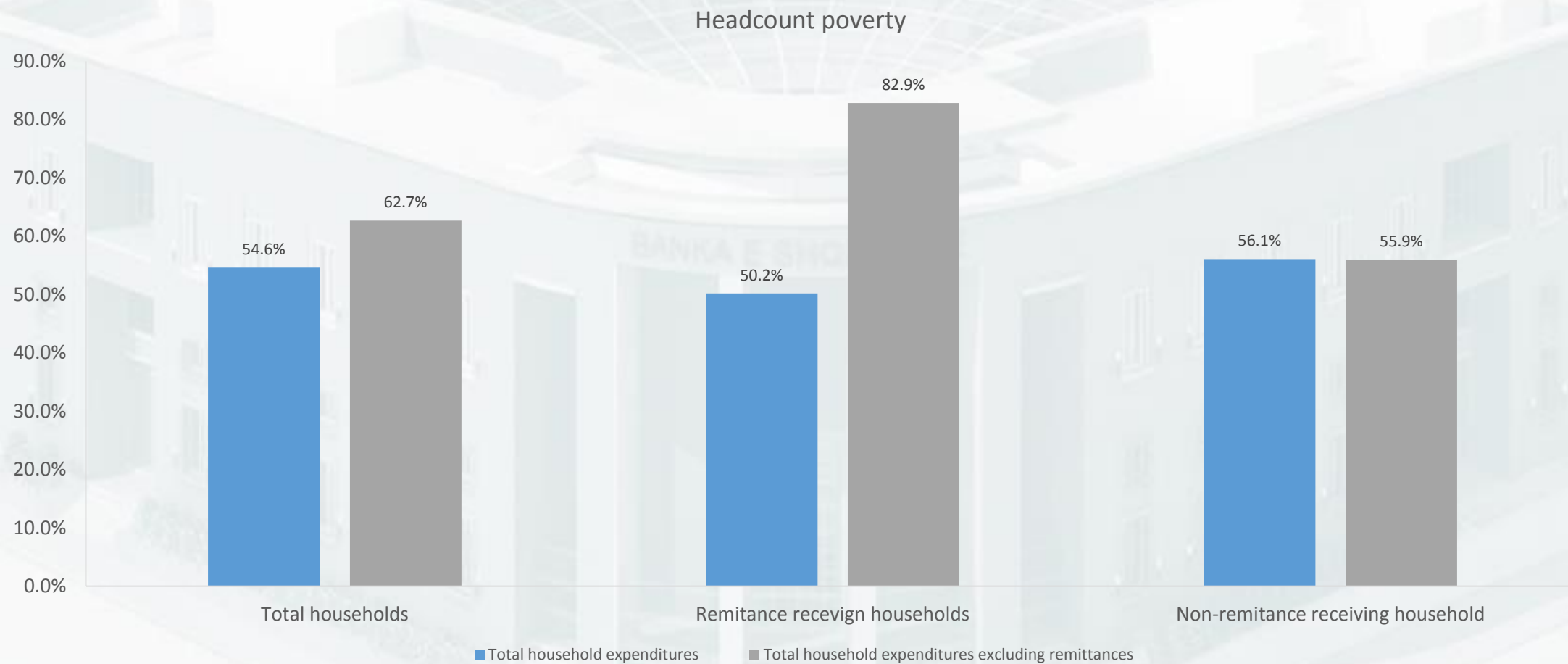
Variables	Type	Measurement	Expected sign
Poverty	Dummy	Poverty line, WB	
Age	Continuous	Age of household head	neg
Sex	Dummy	Household heads sex (1 for male, otherwise 0)	neg
Education	Continuous	Household heads education (years of schooling)	neg
Household size	Continuous	Total number of family members	poz
Work status	Dummy	Work status of household head (1 for unemployment, otherwise 0)	poz
Total expenditure per capita	Continuous	Household per capita expenditure	neg
Remittances	Dummy	Remittance (1 for recipient household, otherwise, 0)	neg

III. Data

- Features of remittance receiving and non-receiving households

Variables	Non-Remittances Receiving households Mean value	Remittances- Receiving Households Mean value
Age	57.26	61.62
Sex	0.80	0.75
Education	9.86	9.31
Household size	3.42	2.75
Work status	0.14	0.18
Total expenditure per capita	11289.31	12075.01
Total income per capita	32525.94	52704.05
Poverty	50.2%	56.1%

IV. Results

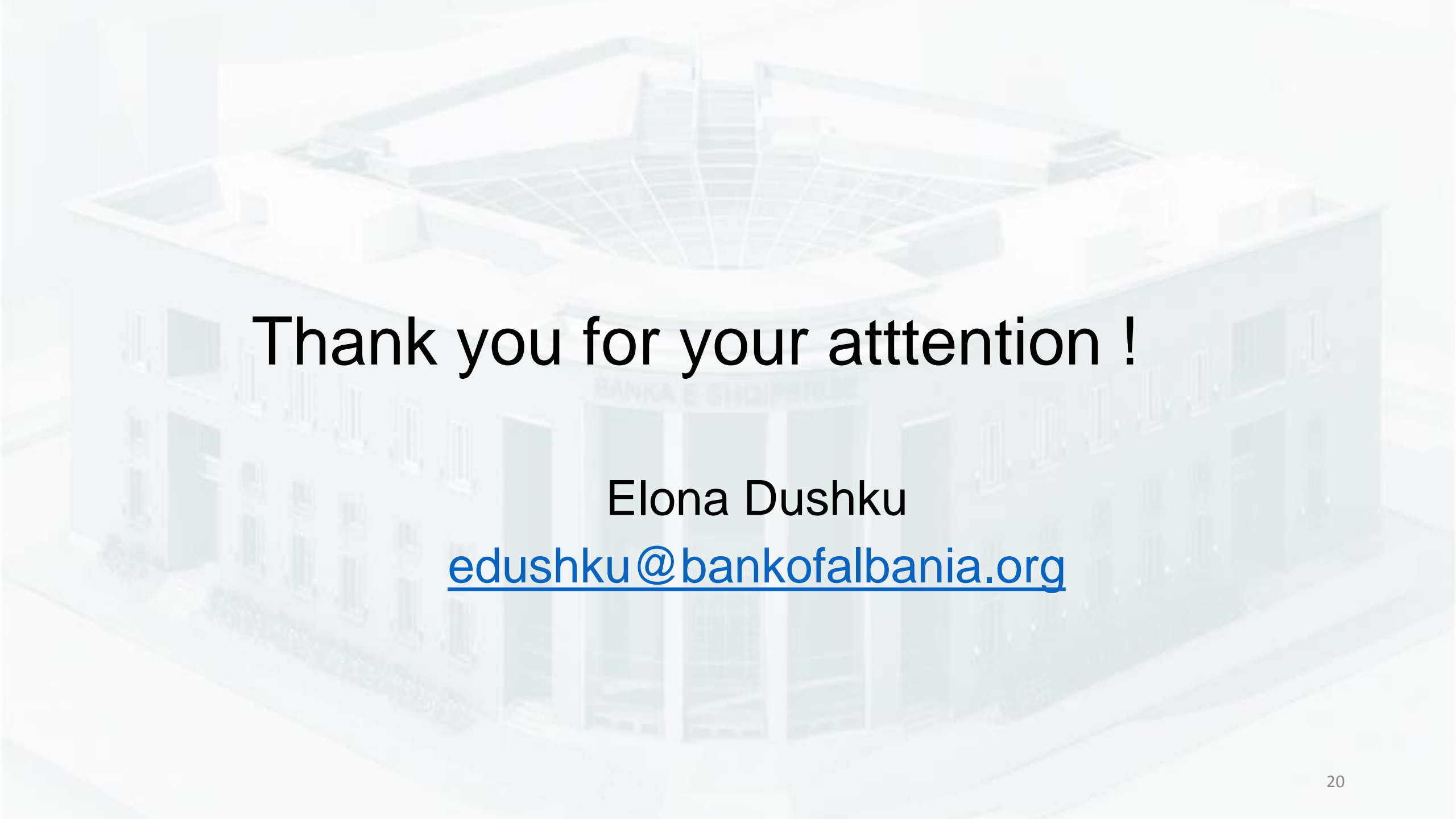


IV. Results

Variable	Coefficient	Odds ratio	Std. Error	z-Statistic	Prob.	Marginal effect
Age	-0.00763	0.9924	0.005282	-1.44445	0.1486	-0.0029605
Sex	0.551815	1.736402	0.148975	3.704086	0.0002	0.2141267
Education	-0.12196	0.885187	0.018556	-6.57236	0	-0.047324
Household size	0.466901	1.595043	0.050018	9.334637	0	0.1811763
Work status	0.262608	1.300317	0.179317	1.464491	0.1431	0.1019024
Remittances	-1.97399	0.138901	0.1703	-11.5913	0	-0.7659887
Total expenditure per capita	-0.00032	0.999678	1.70E-05	-18.9633	0	-0.0001248
McFadden R-squared	0.420361					
Obs.	2198					
LR statistic	1273.364					
Prob(LR statistic)	0					

Conclusions & Future research

- International remittances reduces the level of poverty in Albania
- Main methodological issues: endogeneity, reverse causality, selection bias and omitted variables bias (Adams, 2010)

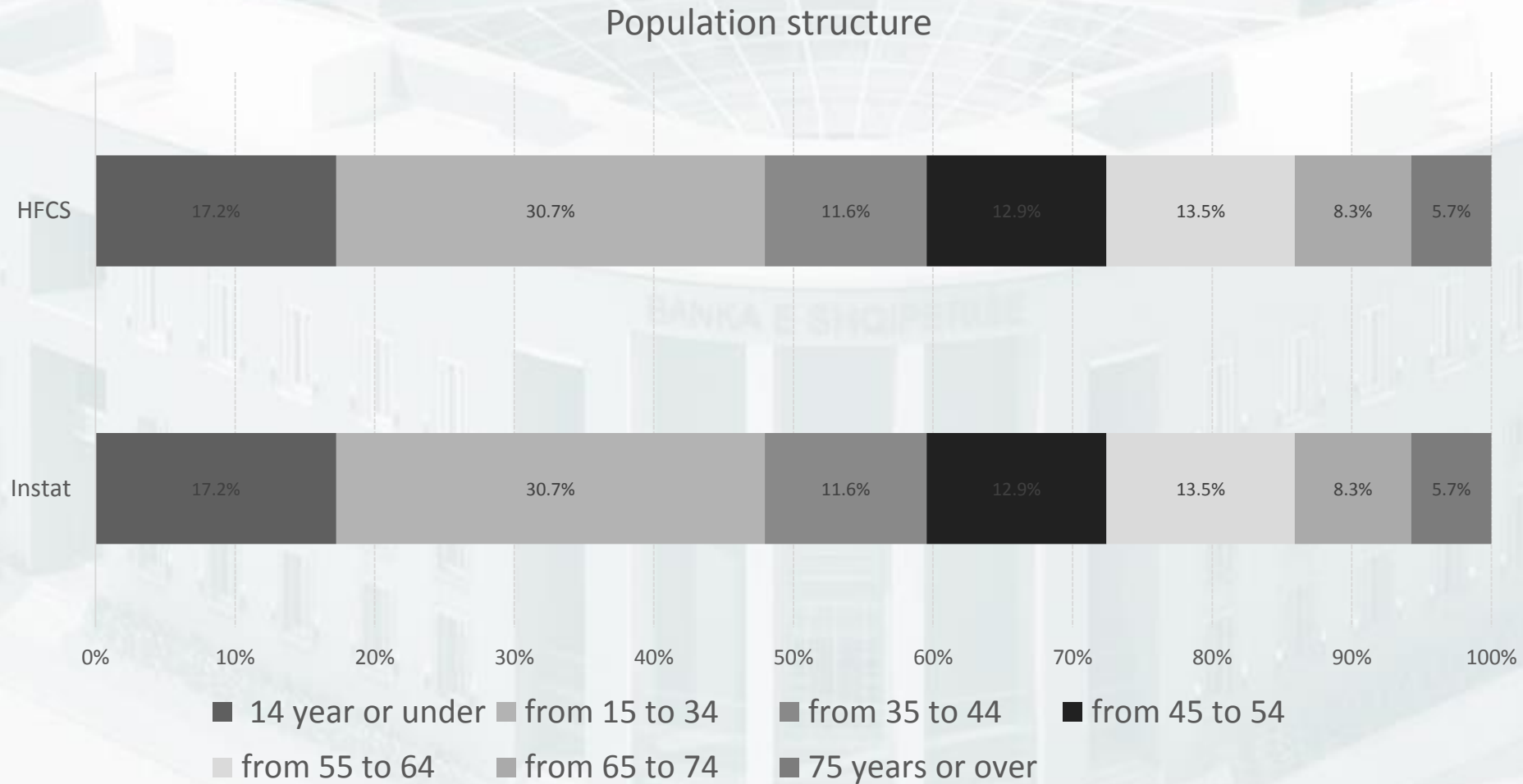


Thank you for your atttention !

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IV. Main results of HFCS in Albania



INTERVALS IN LEK (new)		INTERVALS IN EURO	
A...	1-6.999	AA...	1--55
B...	7.000-14.999	AB...	56-119
C...	15.000-19.999	AC...	120-159
D...	20.000-29.999	AD...	160-239
E...	30.000-39.999	AE...	240-319
F...	40.000-59.999	AF...	320-479
G...	60.000-79.999	AG...	480-639
H...	80.000-99.999	AH...	640-799
I...	100.000-149.999	AI...	800-1.199
J...	150.000-199.999	AJ...	1.200-1.599
K...	200.000-299.999	AK...	1.600-2.399
L...	300.000-399.999	AL...	2.400-3.199
M...	400.000-499.999	AM...	3200-3999
N...	500,000	AN...	4,000
O...	750,000	AO...	6,000
P...	1,000,000	AP...	8,000
Q...	5,000,000	AQ...	40,000
R...	1,000,000	AR...	8,000
S...	15,000,000	AS...	120,000
T...	25,000,000	AT...	200,000
U...	50,000,000	AU...	400,000
V...	100,000,000	AV...	800,000
W...	500,000,000	AW...	4,000,000
X...	1,000,000,000	AX...	8,000,000
Y...	over 1000,000,000	Y...	over 8,000,000

IV. Main results

Response behavior indicators of the first wave

Gross sample size	3,744
Net sample size	2261
Individuals	7,000
Eligible sample unit	2496
Sample unit refusing to participate	74
Response rate	90.6%
Refusal rate	3.0%
Cooperation rate	91.8%
Contact rate	98.7%

II. Data

Structure of the HFCS questionnaire

- Changes from the HFCS blueprint questionnaire
 - Exclusion of Pensions and insurance policies sections
- Additional questions on:
 - Legal status of the main dwelling
 - Financial investments of Albanian abroad (deposit, bond, real estate, other investment)
 - Income questions
 - Remittances
 - Net income
 - A separate question for electricity expenditures.