

REMITTANCES AND FINANCIAL INCLUSION: CASES OF BULGARIA AND UKRAINE

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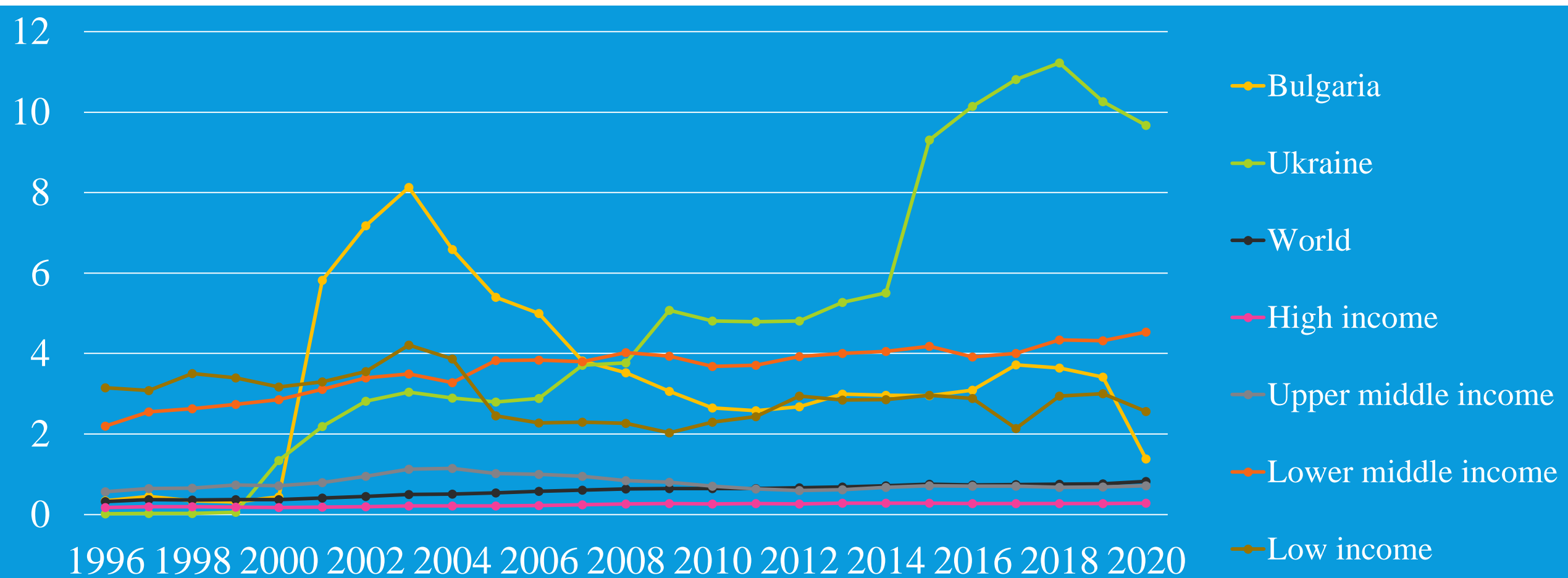
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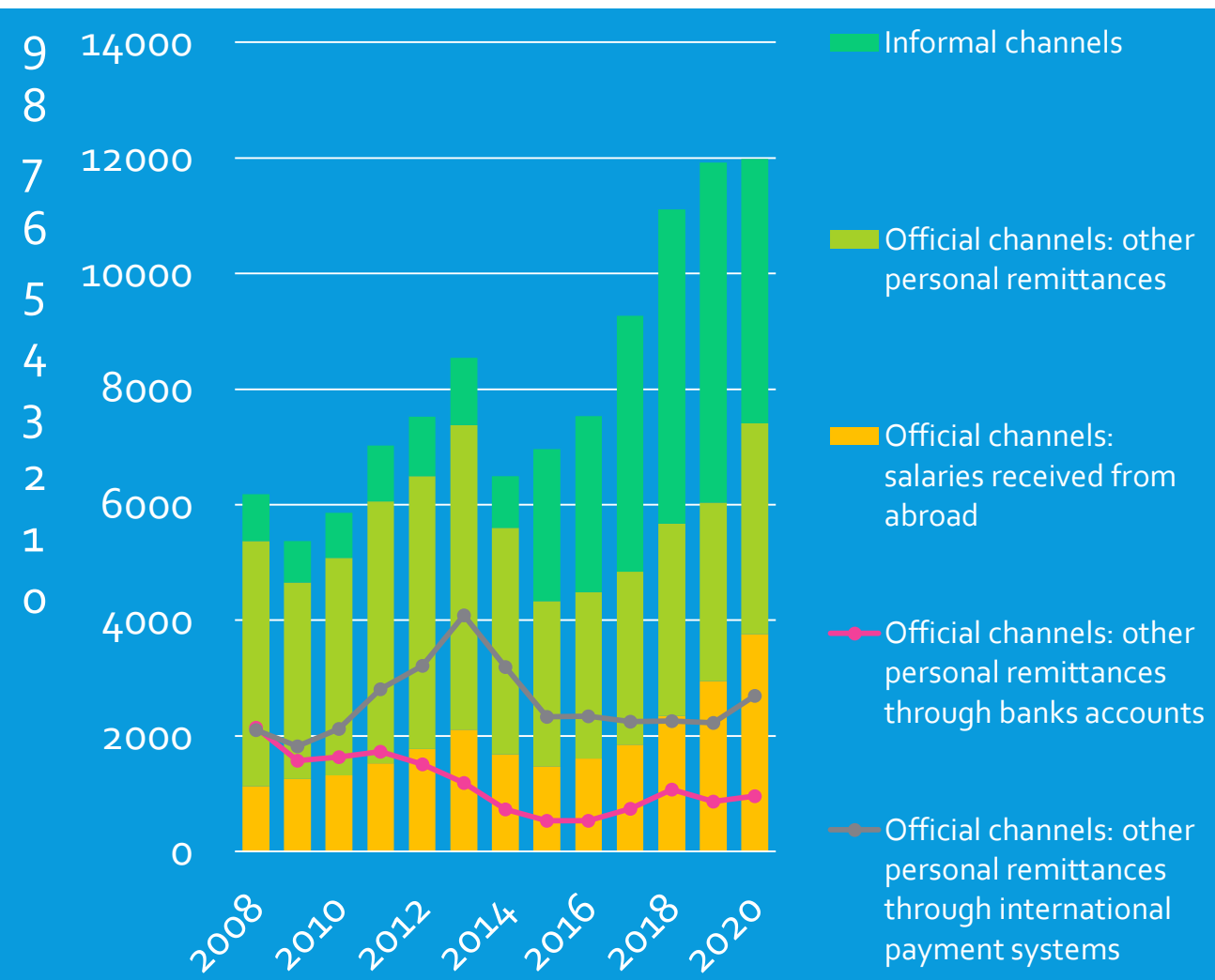
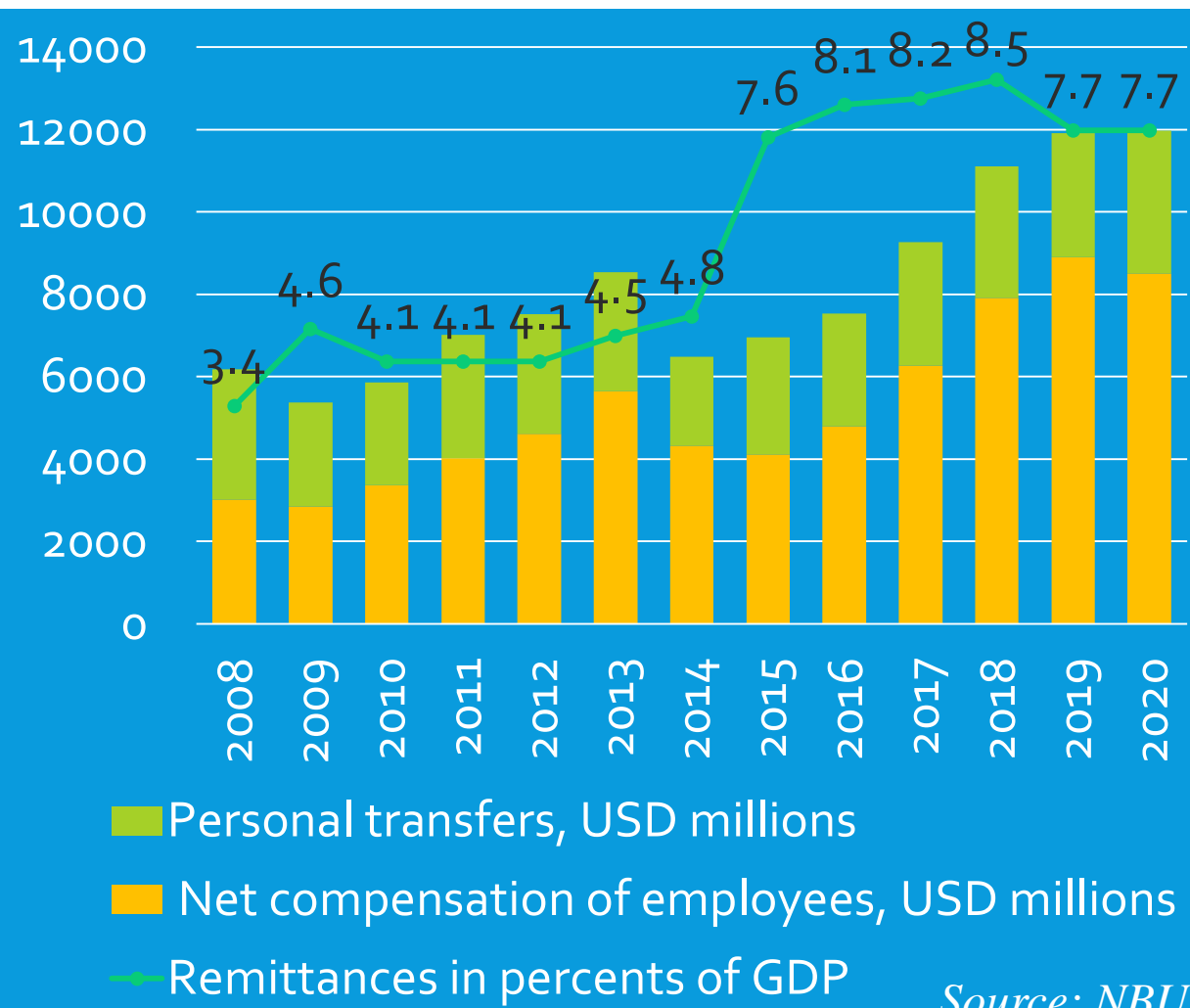
REMITTANCES TOOK A DIP IN 2020 ... DRIVEN BY A DECLINE IN THE COMPENSATION OF EMPLOYEES



Personal remittances, received (% of GDP), 1996 – 2020

Source: World Bank

REMITTANCES ARE LARGE-SCALE INFUSIONS INTO THE UKRAINIAN ECONOMY



Source: NBU

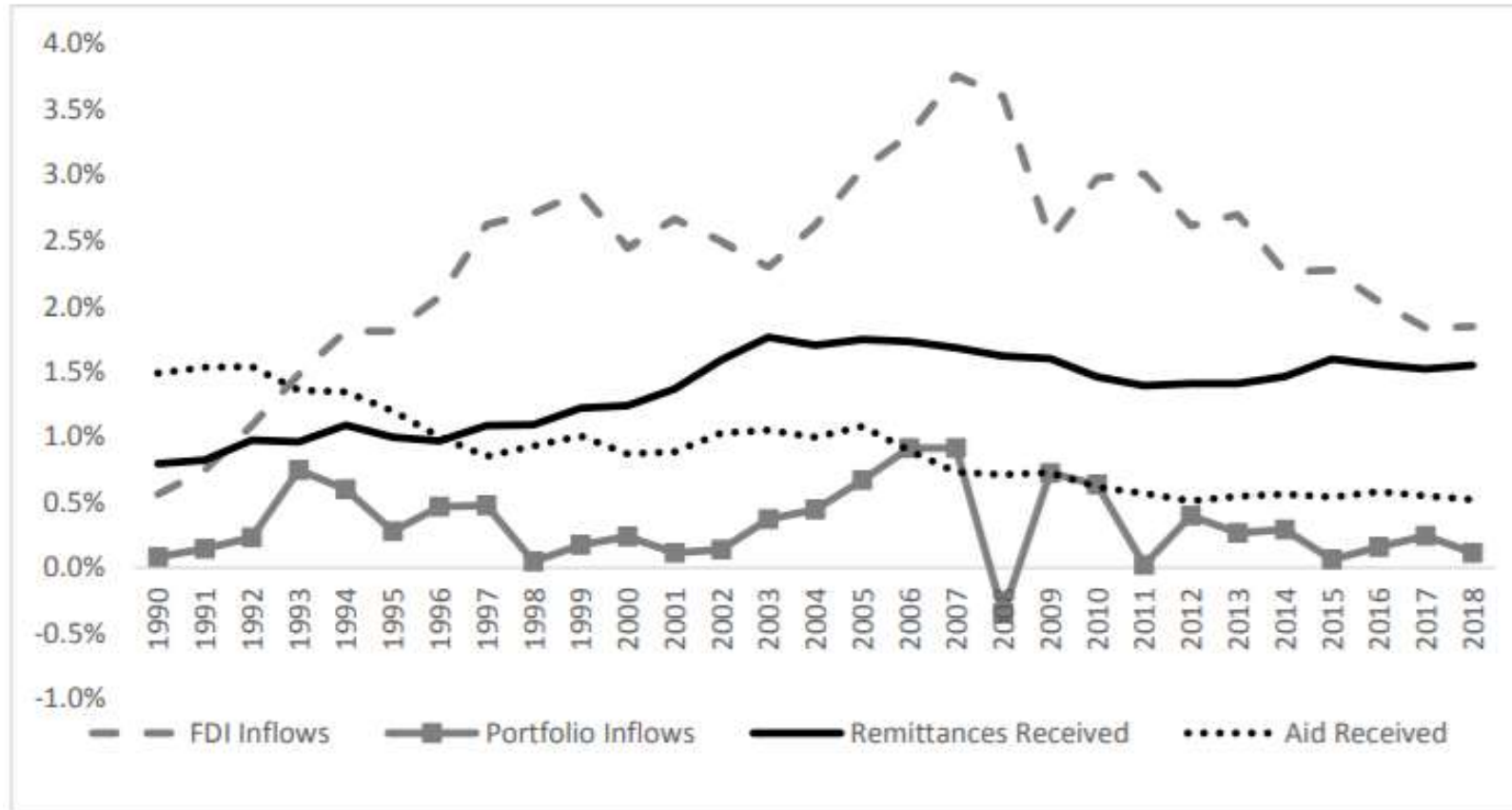
REMITTANCES IN UKRAINE ARE ON RISING TREND

- **The value of private remittances in 2020 remained nearly the same as in 2019** and amounted to USD 12.0 billion:
 - into Ukraine from abroad – USD 12,121 million in the equivalent (roughly one fifth of them were sent via the money transfer systems)
 - abroad from Ukraine – USD 842 million in the equivalent (almost two thirds of them were sent via the money transfer systems).
- **At the same time, the structure has changed: the value of remittances received through official channels increased by 22.7%.**
- **This was mainly due to the increase in wages received by Ukrainians from abroad by 27.4%.** This component showed high growth over the last three years, which led to the increase in its share in the total value of private remittances (31.4%, compared with 21.1% in 2018).
- Another factor in **the growth of remittances through banks and international payment systems** was the reorientation to the official channels in the context of the COVID-19 pandemic.
- At the same time, due to quarantine restrictions and temporary closure of borders, the value of transfers through informal channels decreased by 23.9%.

Source: NBU

RELATIONSHIP BETWEEN REMITTANCES AND FINANCIAL INCLUSION?

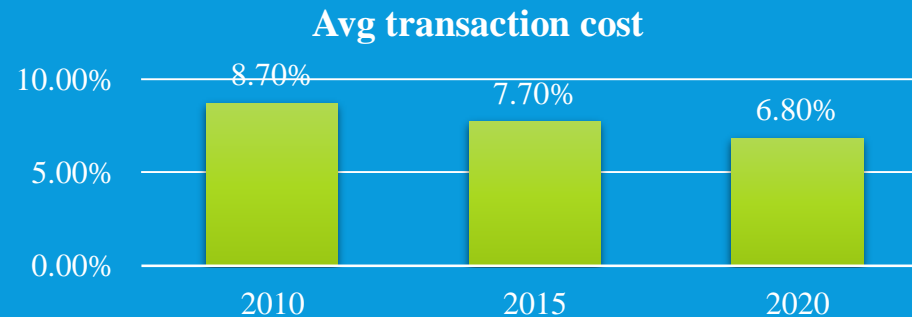
REMITTANCES ARE AN IMPORTANT SOURCE FOR LOW AND MIDDLE-INCOME COUNTRIES OF FOREIGN FINANCE, RANKING SECOND TO FDI INFLOWS AHEAD OF OFFICIAL AID AND PORTFOLIO INFLOWS.



Source: World Bank

RELATIONSHIP BETWEEN REMITTANCES AND FINANCIAL INCLUSION. DIGITALIZATION

- 64% of the responding RSPs said they will scale or pilot digital channels
- Digital-only services like Remitly and Azimo have reported month-over-month doubling in new-customer acquisitions
- Before COVID, Vodafone MPAiSA Fiji did 6,500 transactions – almost \$1 million dollars – per month. That's increased to 22,000 transactions per month and \$3.1 million in volume.
- Decreasing transaction cost



CONCLUSION

- The recent decade witnessed a substantial increase in remittance inflows to low (as of 2020 - 2.56% of GDP) and lower-income countries (as of 2020 - 4.54% of GDP), Ukraine (as of 2020 - 9.68% of GDP), Bulgaria (as of 2020 - 1.39% of GDP).
- Remittances stay an essential source of external financing for Ukraine, which remains a recipient country for cross-border remittances. Although since 2014, the geographical structure of the countries of destination of the Ukrainian workers changed significantly (the share of the Russian Federation decreased, and the number of EU countries increased), the volume of remittances of the Ukrainian migrants has increased substantially. This inflow was due to the explosive growth of migration itself and a significant expansion of the possibilities for carrying out such operations.
- Although remittances are positively and significantly correlated with access to financial services and products, the usage of financial services remain low. The remittances inflow due to digitalization does not necessarily mean that remittances improve financial inclusion, as the population's level of trust and financial literacy stays insufficient.



THANK YOU!

