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Is Microcredit an Effective Short-Term Tool in Curbing Migration? The Case of the Rural Areas of Shkodra, Albania

Armalda Reci[1], Mimoza Zeneli[2]

Abstract: Albania has recently faced the phenomenon of migration, which has become a major problem even for current politics. In the last 10 years, the population of Albania, and especially that of the mountainous areas, has been significantly reduced. Based on INSTAT data the net migration level is -32,823 which a significant figure in comparison with the population is. Net migration in 2021 is 2.2 times greater compared to 2017. During a study work carried out to measure the impact of microcredit on the social economic indicator of rural areas in Shkoder (northwest of Albania), we notice that in this area with significant natural resources people cannot use them due to a lack of liquidity. The unemployment rate is also too high in this region, so they see emigration as the only alternative to improve their livelihood. In this paper, we aim to analyze what is the effect of microcredit on curbing migration in the short term and to indicate measures needed in this case from the government or other actors. Two groups (borrowers, not borrowers) are interviewed, and using the z-test we are going to compare their opinion on their possible migration to reach a conclusion.

Keyword: Microcredit; migration; net migration; regional development; credit impact

1. Introduction

Moving abroad was perceived from Albanian as an investment for the future seeking for a better life. During the first decade of transition, a lack of state control over migration emerged. In the early 2000, approximately 25% of the total population, or over 35% of the workforce, had emigrated, Albanian Diaspora National strategy 2021-2025 (COM, 2020). With over 1 million Albanians living abroad, Albania has the highest emigration rate and the largest migrant stock in OECD countries of all the WB6 economies.

The OECD area hosts a large majority of the migrants from the WB6. Close to 3.8 million migrants born in the WB6 were living in OECD destination countries in 2015/16. Disaggregating the data by country of origin shows that the largest stocks of migrants originate from Albania and Bosnia and Herzegovina (Figure 1.3). In 2015/16, about 1.1 million migrants from Albania and 844 000 migrants from Bosnia and Herzegovina were residing in OECD countries. Between 2010/11 and 2015/16, the migrant population from the WB6 in the OECD grew by 172 700 migrants, or 5%, driven by an increase in the number of migrants from Albania, Kosovo, Montenegro and Serbia. At the same time, the share of migrants from Bosnia and Herzegovina and North Macedonia decreased by 4%. Emigration from the Western Balkans is also significant when comparing the number of emigrants from the WB6 to the total population born in the respective origin economies. Albania has the highest emigration rate at 28%, followed by Kosovo (22%), Bosnia and Herzegovina (20%), and North Macedonia (18%). The emigration rates from Serbia and Montenegro are slightly lower but still significant, at 10% and 9% respectively, Labour Migration in the Western Balkans (OECD, 2020) p26.

[1] PhD, Director of Individual Credit Risk, Credins Bank Albania, Albania, Address: Tirana, Albania, Corresponding author: armalda.reci@bankacredins.com.

[2] PhD, Tirana Business University, Albania, Address: Rruga e Kavajës Tirana 1023 Tirana Albania, E-mail: mzeneli2017@gmail.com.

Te dhenat e instat per migracionin tregojne se ne vitin 2021 jashte territorit Te shqiperise Jane 1,684,135 Shqiptare, Diaspora e Shqiperise ne Shifra (INSTAT, 2020). Po cfare ndodh me popullsine e qarkut Shkoder? Ne tabelen e meposhtme jepen te dhenat mbi popullsine mesatare vjetore ne Shqiperi dhe ne qarkun e Shkodres per periudhen 2001-2021.

Table 1. Average Annual Population, Shkoder & Total Albana

|	Average annual population:										
Year	**2001**	**2002**	**2003**	**2004**	**2005**	**2006**	**2007**	**2008**	**2009**	**2010**	**2011**
Shkodër	254,299	251,189	248,797	246,858	244,524	241,498	237,709	233,841	230,577	227,345	224,081
Total Albania	3,060,178	3,051,013	3,039,622	3,026,941	3,011,490	2,992,550	2,970,020	2,947,319	2,927,522	2,913,028	2,905,195
Year	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	
Shkodër	221,080	218,013	214,813	211,658	209,047	206,460	203,945	201,451	198,593	195,092	
Total Albania	2,900,401	2,895,092	2,889,104	2,880,703	2,876,101	2,873,457	2,866,376	2,854,191	2,837,849	2,811,666	
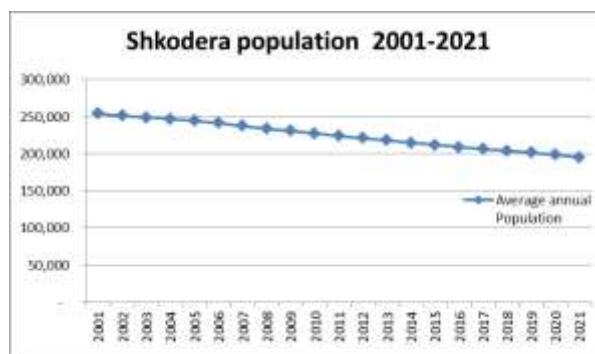
Figure 1. Shkodra Population 2001-2021

Sic verehet qarte edhe nga grafiku popullsia e qarkut Shkoder ka tendence te vazhdueshme ne zvogelim. Shtesa mesatare vjetore e popullsise eshte – 2,960 banore[1] *(Osmani, 2011).*

2. Problem Statement

As stated above, the departure of the population or rapid depopulation is a phenomenon of recent years in Albania and especially in rural areas. This phenomenon from a social problem has now turned into a problem with a negative impact on the economic development of the district.

The population reduction will also affect the reduction of local government investments for social, educational and health services. Based on the law on Local Government no. 8652, dated 31.07.2000 Amended, the unconditional transfer that each municipality and municipality receives from the State Budget is determined by means of a formula, which has three main factors:

i. Population,

ii. The area of municipalities (this only applies to municipalities) and

iii. Urban services.

Then, this amount is adjusted taking into account the fiscal power of each Local Government Unit, or in other words, the possibility to secure income from local taxes and fees. As seen above, the local government budgeting formula depends on the population. The larger the population of the district, the more funds the Local Government receives from the State Budget. The depopulation of rural areas is also accompanied by a lack of labor force, a lack of professionals and an aging population in these areas.

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[1] $\Delta = \frac{Y_n - Y_1}{n-1}$ Where Y_n is the population in last year, Y_1 population in the first year of time series, n is number of data collected. M.Osmani (2011) "Statistike"

MPFARE has identified the impact of depopulation in rural areas. Referring to the web article of 2021[1], the impact of population depopulation in rural areas consists of:

• Quality of life decreases

• Crop abandonment

• Environmental degradation

• Fire

Indeed, rural centers empty are exposed to a loss in the basic services offered, such as health, education, food, etc., job prospects vanish, also affect the local fauna, which can even disappear, decreased agricultural and livestock production, and the result of this loss of socio-economic dynamism leads to the impoverishment of these areas or the deepening of their poverty.

During the study conducted by A. Reci to assess the socio-economic impact of microcredit in the rural areas of Shkodra district, the characteristics listed above were observed as a result of depopulation and for this reason we judged that in the questionnaire prepared for the collection of the data on access to microcredit should include such questions as to gather the right information to enable the evaluation of the impact of microcredit in curbing depopulation. In fact, after the analysis of the data obtained by the interviewees, it was found that access to the micro-network inhibits the tendency to leave the residence and consequently the depopulation of rural areas.

3. Metodology

Sample

In this study, two sample were selected. A sample consists of 200 individuals, residents of the rural areas of the Shkodër district, who are beneficiaries of the microcredit. The selection criterion of the sample elements consists in the selection of individuals who are beneficiaries of microloans and who, at the time of selection, have been beneficiaries of microloans for more than six months. The purpose of the selection in this form is intended to enable the assessment of the socio-economic impact before and after the benefit of the loan. The list of individuals who were selected in this sample was randomly drawn from the list of borrowers in the microcredit offices operating in Shkodra region.

The second sample consists of 200 individuals from rural areas in the same areas that were selected as the individuals of the first sample, but who are not microcredit beneficiaries. This group will be called the control group. The collection of information was carried out by questionnaires. Questionnaires were completed by both samples, by the interviewees who were microcredit beneficiaries and at the same time by the interviewees, who are not microcredit beneficiaries. Through interviewing the beneficiaries of microloans, information is gathered with the possible changes after receiving the loan in all socio-economic aspects.

Meantime, the completion of questionnaires by individuals who are not beneficiaries of microcredits aims to study the possible changes that may have occurred without the influence of microcredits. Such can be the macroeconomic and socio-economic developments that usually occur in society over the years, as a result of policies undertaken by governments or social changes occurred during the years.

Group interviewing was used to carry out a quick and preliminary assessment to further enable the full preparation of the questionnaire. Rapid appraisals provide a platform where issues related to microcredit and socio-economic aspects of the credit beneficiary are openly discussed and interviewees can check each other's answers openly, avoiding exaggerated situations or misreporting.

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[1] MAPFRE (2021), "The depopulation of rural areas goes beyond small towns being abandoned, as it also affects the environment and people's quality of life".

One of the questions included in the questionnaire is "Do you see immigration as a possible option for improving living conditions?". The answer alternatives are 2 (yes/no). This question is the same for both borrower/non-borrower groups. By comparing the responses of both groups, we reach a conclusion on the perception of the residents of rural areas on migration.

Hipothese

As a basic hypothesis (Null hipothese), H0 is considered: Access to microcredit does not play a role to inhibit the demographic movement of residents in the rural areas of Shkodër district, and the alternative is H1: Access to microcredit plays a positive role in curbing or inhibiting the demographic movement of residents in the rural areas of Shkodër district. .

Method

The significance level is 5%.Vertetimi I hipotezes eshte realizuar nepemjet metodes 2 sampel Z-test of proportion[1]. Assumptions of the Two Sample Z Proportion Hypothesis Tests are completed , Shanshan Lv, K. Krishnamoorthy. (2022). The data are simple random values from both the populations borrower/non-borrower. Both populations follow a binomial distribution. Samples are independent of each other. And it is proved that $n_1 * p_1 > 5 ; n_1 * (1 - p_1) > 5; n_2 * p_2 > 5; n_2 * (1 - p_2) > 5$.

Significance level is 5%.

4. Analysis of Results

To controll the above hypothesis (section 3) Z-test was used for the proportion of two populations. If we denote as P_1 the proportion of responses against migration in the group receiving loans and as P_2 the proportion of responses against migration in the group not receiving loans, then the above hypothesis would be expressed as follows:

Ho: $P_1 - P_2 \leq 0$

Ha: $P_1 - P_2 > 0$

The following table provides descriptive data for both borrower and non-borrower groups regarding responses to migration.

Table 2. The Opinion of the Interviewees in the Borrower Group on Emigration.

Do you see immigration as a possible option for improving living conditions (Borrowing Group)?				
Results		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Po	50	25	25	25
	Jo	150	75	75	100
	Total	200	100	100	

[1]https://sixsigmastudyguide.com/twosampletestofproportions/#:~:text=Two%20sample%20Z%20test%20of%20proportions %20is%20the%20test%20to,that%20have%20some%20single%20characteristic.

Table 3. The Opinion of the Interviewees in the Nonborrower Group on Emigration.

Results		Frequency	Percent	Valid Percent	Cumulative Percent
Do you see immigration as a possible option for improving living conditions (Borrowing Group)?					
Valid	**Po**	120	60	60	60
	Jo	80	40	40	100
	Total	**200**	**100**	**100**	

From the above results, it can be seen that 25% of the borrower group consider migration as an alternative for improving living conditions and 75% of them do not see migration as an alternative for improving living conditions. While this ratio changes in the non-borrower group. About 60% of the interviewees in the non-borrower group answered „Yes", which means that they see migration as a possible alternative for improving living conditions, and 40% do not consider it as the right alternative.

To give a general answer, the Z test was evaluated,[1] through the „AusVet" calculator, the results of which are presented in the following tables:

Table 4. Inputs, Z- test calculation

Inputs	Sample 1, borrower group	Sample 2, Nonborrower group
Sample Proportion	0.75	0.4
Sample size	200	200
Significance level	0.05	
1- or 2-tailed test	1-tailed	

Table 5. Z-test results

Results	Sample 1	Sample 2	Difference
Sample proportion	0.75	0.4	0.35
95% CI (asymptotic)	0.6996 - 0.8004	0.343 - 0.457	0.2687 - 0.4313
z-value	7.1		
P-value	<0.0001		
Interpretation	Statistically significant, reject null hypothesis that sample proportions are equal		
n by pi	n * pi >5, test ok		

Referring to the above results, it is noted that the value of the Z-test statistic is 7.1. The hypothesis in this case is a right-sided hypothesis, since we are interested in knowing whether the proportion of interviewees who express against immigration, in the borrower group, is greater than that in the non-borrower group. Critical value for the right-sided hypothesis will be $Z_{kr} = +1.65$. The calculated value of the statistic $Z = 7.1$ is greater than the critical value $Z_{kr} = 1.65$, which means that there is not enough evidence to accept the Null hypothesis.

Under these conditions, with 95% certainty, we can state that the access to microcredit plays an important role in inhibiting the demographic movement of residents in the Shkodër region.

5. Discussion

There are many studies related to the socioeconomic impact of microcredit in the rural areas of different regions of Albania. Oltjana Muharremi studied in 2016 the impact of access to microfinance services in Vlore and Fier region of Albania. In 2016, Greta Marku studied the impact of microcredit in the

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1 http://epitools.ausvet.com.au/content.php?page=z-test-2.

agricultural sector in Lushnja and Fier and other important studies in which the impact of microcredit is analyzed. We cannot have an increase in economic indicators if the prevention of the phenomenon of depopulation of the districts is not ensured in advance. So, we think it is particularly important for the government to take immediate measures to prevent depopulation and to find the needed instruments for returning of those who left.

In this perspective, we recommend that the government should take all measures to stimulate microfinance institutions through extreme fiscal relief measures to extend the activity of microcredit in depopulated areas and with depopulation tendencies. In the short term, lending is the fastest and most appropriate instrument for curbing depopulation and improving the well-being of families. As long as the effect of the government's macro policies is felt in these areas, the only alternative is microcredit, which, in addition to improving the family economy, creates their confidence for a better perspective in their country.

We believe that now is the time for genuine horizontal studies simultaneously in all regions to better understand the impact of microcredit at this stage of the development of Cyprus, which economic indicator is more sensitive to microcredit, giving appropriate recommendations for policy making in the context of the necessary changes in the intersectoral programs and strategies of the Government.

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