



PRIME

Platform for Remittances, Investments and
Migrants' Entrepreneurship

CENTRAL ASIA



Overview of the Remittances market of Tajikistan



Tajikistan



- **Emigration**

- On average 1 million or more Tajik migrants live and work in the Russian Federation; mostly young men, and for a short-period; an estimated 350,000 Tajiks live more permanently in Russia
- Tajik migrant communities are also present in Central Asia, notably Uzbekistan, Kazakhstan and the Kyrgyz Republic
- Tajik migrants work or study in Ukraine, Afghanistan, and in smaller numbers in Türkiye, Europe, and the U.S.

- **Immigration**

- Tajikistan hosts 250,000 migrants, mainly from Russia, as well as smaller groups from Afghanistan, Kazakhstan, Kyrgyzstan, Uzbekistan and India

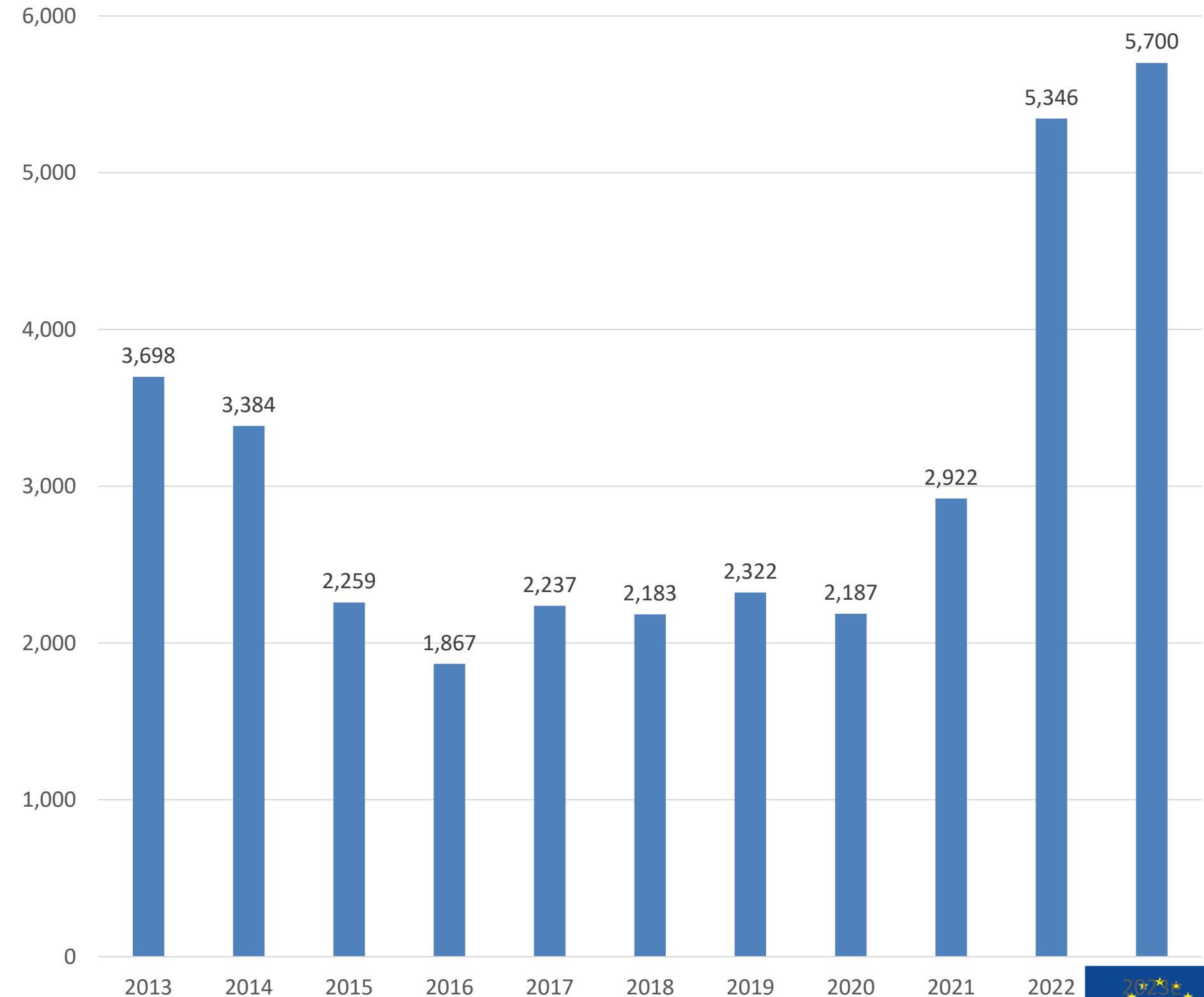




Remittance Flows to Tajikistan : fast growth

- World Bank estimates indicate increasing flows of remittances to Tajikistan.
- Remittances to the country represent 48.2 percent of GDP in 2023 - a lifeline for many households.
- Nearly 80% is sent from the Russian Federation, other smaller corridors include Kazakhstan, Türkiye, Uzbekistan, United Arab Emirates, Ukraine, and EU.
- An estimated > US\$ 200 million is sent from Tajikistan, especially to Russia, and less than 10% to mainly Kyrgyzstan, Uzbekistan and Kazakhstan. In many cases this concerns funding of students , or temporary family support

Remittances Inflow to Tajikistan
In US\$ millions





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Financial sector environment



Improved stability and diversity in the financial sector

- **Commercial banks dominate the financial sector:**

- 14 commercial banks
- 1 Islamic bank
- 1 non-bank credit institution
- 19 microcredit deposit organizations
- 3 microcredit organizations
- 25 microcredit funds
- 16 insurance organizations

(NB insurance is 0.2% of total assets of fin sector)

- **Access infrastructure continues to expand:**

- Bank branches 330
- With Islamic banking windows: 2
- Centers of banking services (CBS) : 1,229
- Mobile banking units: 3
- Bank payment agents: 656
- Centers of microfinance services (CMFS) : 335
- Insurance branches: 66

Status as of 31 December 2023, Source of Data: National Bank of Tajikistan



Regulatory environment

- National Bank of Tajikistan works in various aspects of the remittances market, infrastructure, pricing and settlement through the establishment of the National Money Transfer Processing Center.
- Remittance operations are licensed and distributed by Commercial Banks as representatives of licensed MTOs/RSPs and Card Payment Systems
- Compliance with AML/CTF improved significantly in the past years, while further steps are likely to achieve full compliance with international standards.



KYC and eKYC

- ✓ Significant progress in access to digital public services and registration documents, which can be obtained at special centres and paid via banks and post offices. Biometric IDs and passports are available for all.
- ✓ Issues remain as not everyone has the new documentation, and there is a legacy of accounts opened with old data from users.
- ✓ The main enablers for these new services include electronic know your customer (eKYC) and the payment card regulation, which granted permission to bank and non-bank financial institutions to onboard clients remotely and provide digital services.
- ✓ Limitations in rural areas



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Payment systems and infrastructure



Main payment systems in Tajikistan

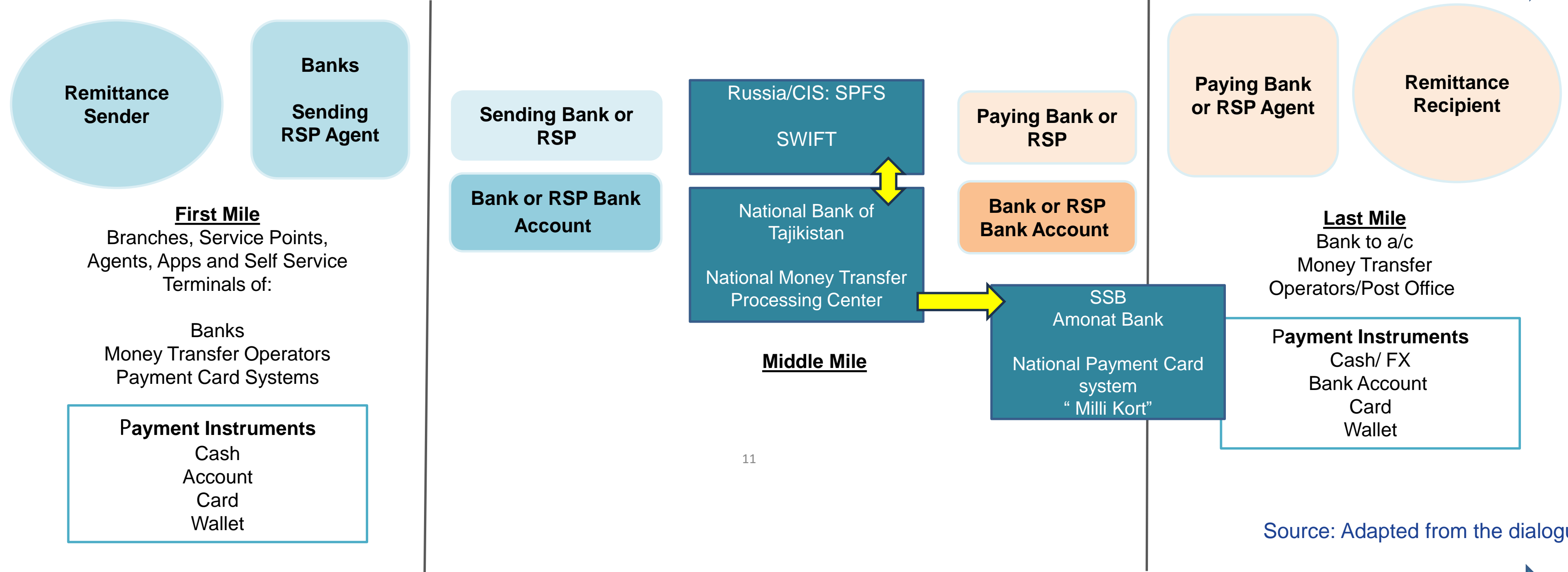
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Automated system for interbank transfers (ASIBT) of NBTj

With modules for :

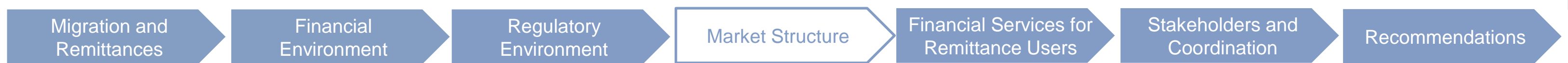
- RTGS
 - ACH
 - IPS
-
- National Processing Center for Money Transfers (NPCMT) of NBTj
 - For processing remittances or money transfers without account opening
 - Connected with Korti Milli (National Payment Card System)

Cross-border Remittance Value Chain



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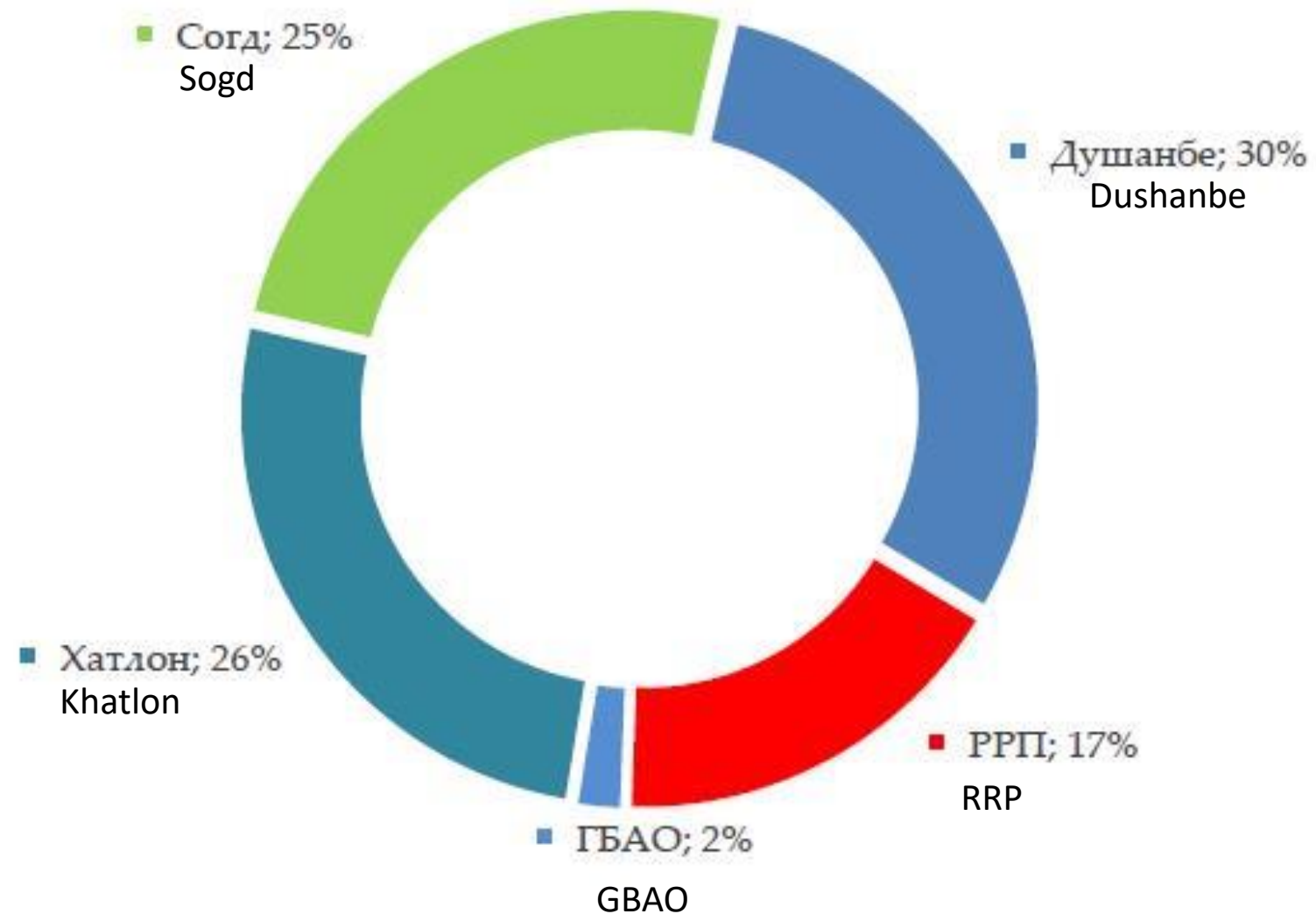
Source: Adapted from the dialogue.org



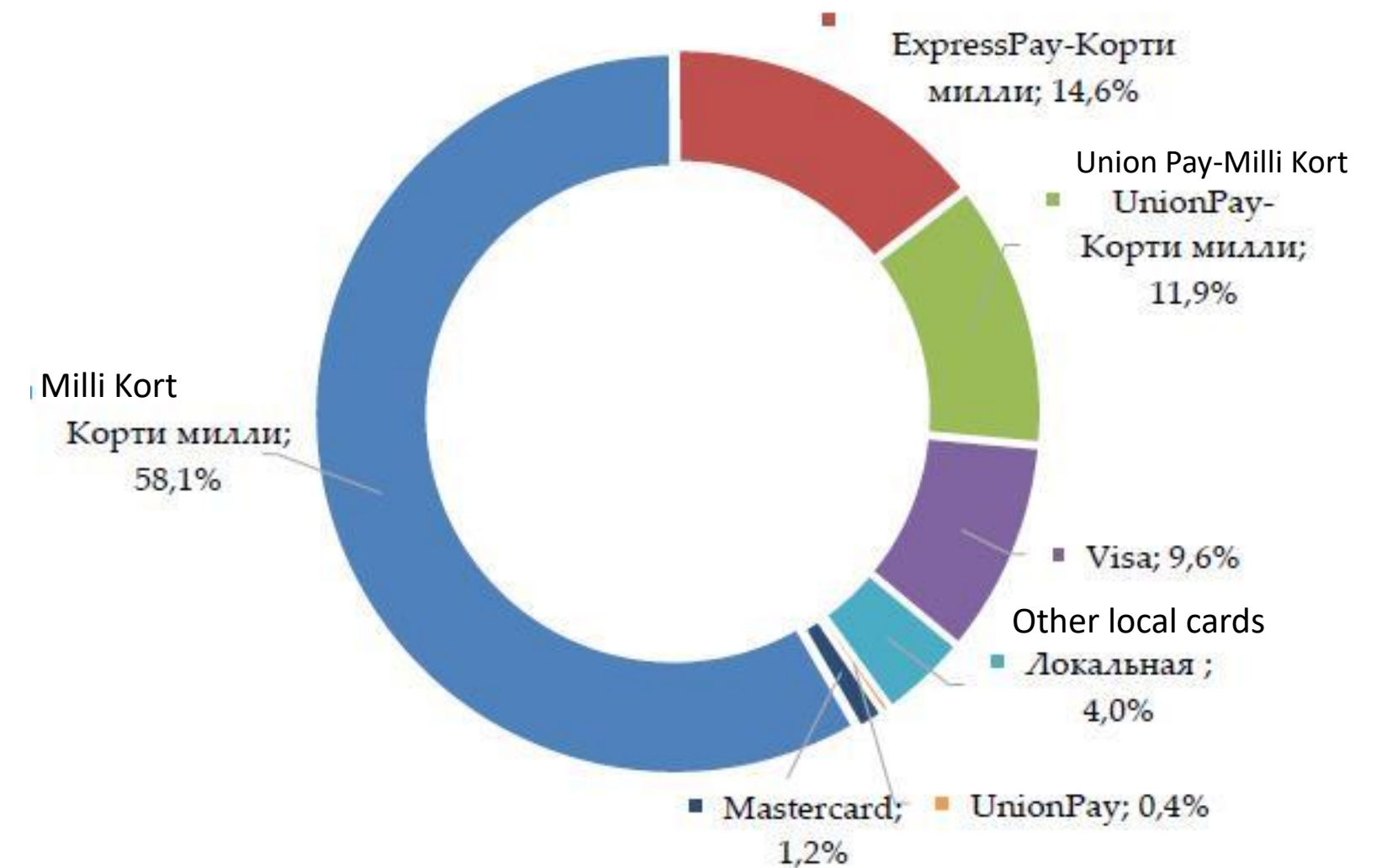


Bank payment cards by region/issuer Rural gaps

Regional distribution of bank payment cards :
30% in Dushanbe



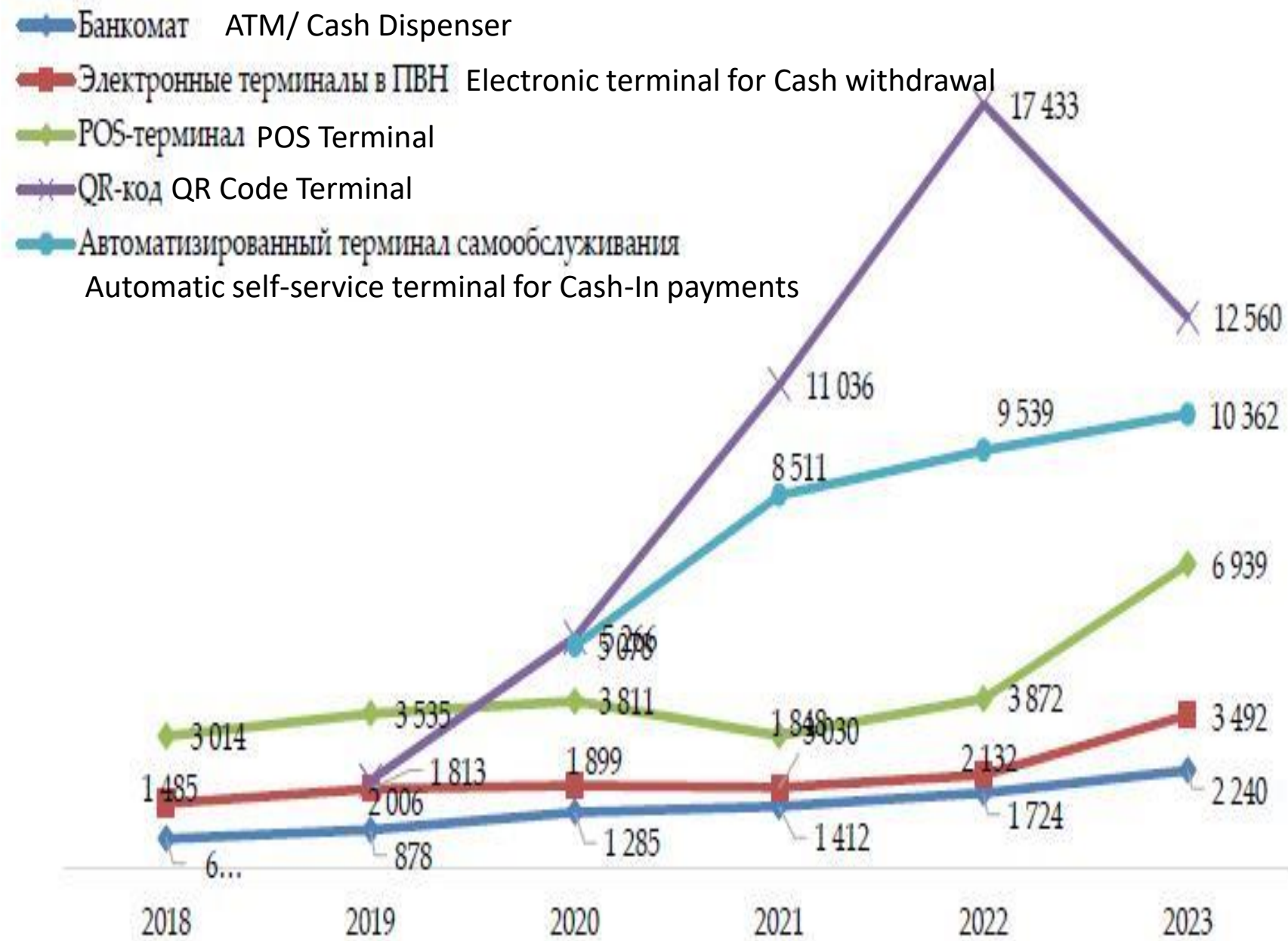
Share of bank payment cards per issuer/ system
Milli Kort: 70%





Access infrastructure grows rapidly

Usage of cards for retail payments started to increase



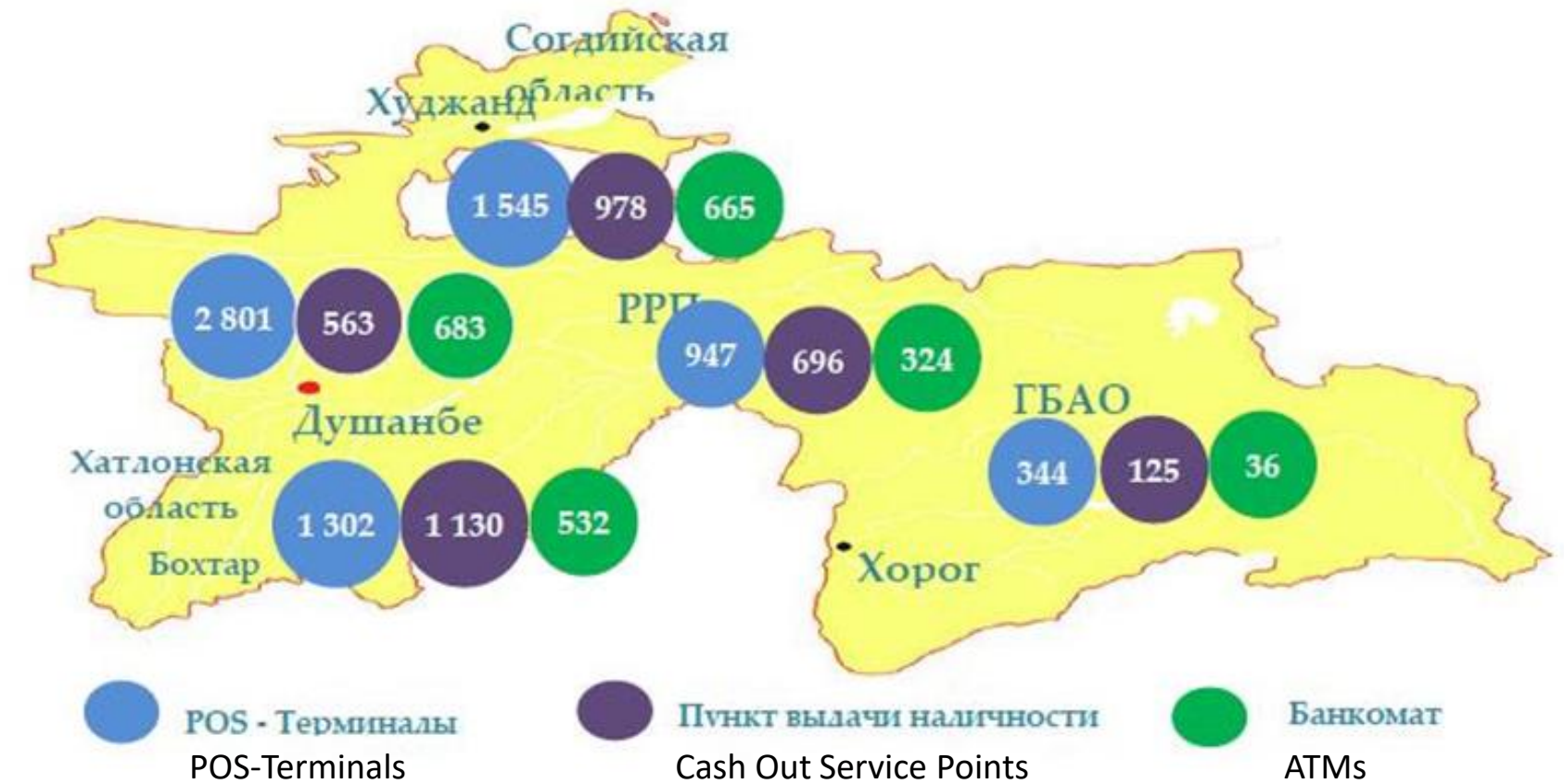
The access infrastructure for digital payments grows quickly, with already more than 35,000 terminals plus more than 2,500 physical service points.

Increased card issuance and adoption also results in an early trend to use cards for payments in shops, supermarkets or restaurants.



Access point infrastructure is dense in Dushanbe-city: contrast with rural access

Region/City	Adult population In 000s	Inhabitants per sq km	Access Points	Access Point per 100,000 adults
Dushanbe	540	12,018.00	4,047	749
Sughd	1,620	106.59	3,188	197
Khatlon	1,980	135.01	2,964	150
Gorno-Badakhshan Autonomous Region (GBAO)	135	3.57	505	374
Districts under Central Government Jurisdiction (RRP)	1,320	73.5	1,967	149



Status as of 31 December 2023, Source of Data: National Bank of Tajikistan



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Financial inclusion





Approved by Government as of July 1, 2022 №314

- The NFIS promote **Financial Products Diversity**:
 - development, coordination and promotion of necessary legislation on financial products and services, improving incentives that can **facilitate linking remittances to accounts and other financial services (such as savings and loans)**;
 - organize works to stimulate digitalization of financial services, study the gaps in the use of financial products and focusing on reaching underserved groups, as well as capacity building of financial service providers (hereinafter referred to as FSPs) in providing various financial services.





Current situation of financial inclusion

Access Indicators

- Number of formal financial services offices per 10,000 adult population. **3.6**
- Number of ATM per 10,000 adult population. **3.3**
- Number of POS-Terminals per 10,000 adult population. **10.2**

Usage Indicators

- Share of banking accounts at formal financial institutions, adult population, **80% urban, 40% rural**
- Share of payment cards at financial institutions, adult population **90% urban, 40% rural**
- Share of Population in Financial Inclusion **>60.0%**

Quality Indicators

- Financial literacy Score 51.1 (2021)

Status as of 31 December 2023, Source of Data: National Bank of Tajikistan and IFAD staff estimates



Significant progress: challenges to increase and deepen usage



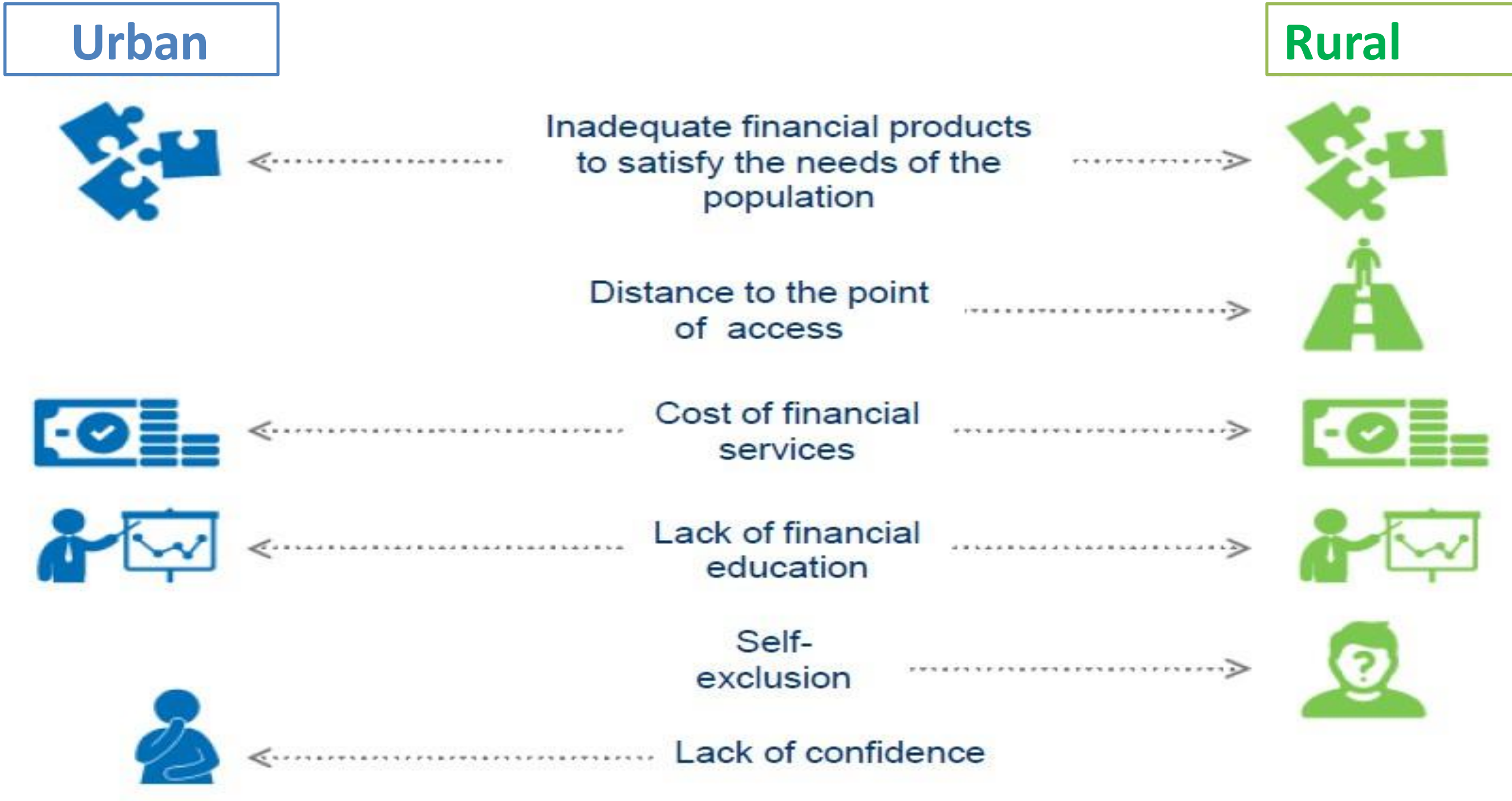
Indicator	Total	Ratio
• Total number of bank payment accounts	11,236,588	
• Held by individuals:	11,109,753	1.63 per adult
• With online or digital usage; 37.6% growth in 2023	8,306,676	1.22 per adult
• Bank payment cards issued; 32.6 % growth in 2023	6,711,421	0.99 per adult
• Other types of bank cards issued	831,494	
• Persons having 1 or more cards	6,542,142	0.96 per adult
• POS terminals at retail points	6,939	102 per 100,000 adults
• QR Code payment terminals	12,600	185 per 100,000 adults
• ATMs	2,240	33 per 100,000 adults
• Self-service payment terminals (cash-in)	10,362	
• Other electronic devices (cash-out)	3,492	
• Total payment account transactions	395,900,000	approx. 60 per individual client in 2023
• Bank cards transactions	21,764,000	< 3.4 per card holder
- Cash withdrawals ATMs	16,556,000	7,391 per ATM/ avg 20 per day
- Retail payments POS	5,208,000	751 per POS / avg of 2 per day

Status as of 31 December 2023, Source of Data: National Bank of Tajikistan





Key challenges for financial inclusion



Extracted for data of National Bank of Tajikistan and National Financial Inclusion Strategy



Focus on international remittance recipients

Positive triggers

- International remittances represent a significant part of household income
- Increased usage of bank accounts with cards or wallets linked
- Digital payments grow exponentially and drive usage of non-cash payment instrument

Challenges

- Most of remittances received are quickly converted into cash
- This is also the case when remittances are received into an account, card or wallet
- Outside the main cities, lack of access points for digital and bank-account-based remittances remain a decisive impediment for alternative to cash
- Deepening financial inclusion through enhanced financial literacy and cross-marketing between remittances and other financial services



Financial Literacy



Financial Literacy

- Tajikistan has a National Strategy for Financial Education since 2018 and a Roadmap. This is promising and room remains available for increased efforts in building an comprehensive approach to increase financial literacy,
- The score measured by OECD for Tajikistan stood at 51.1 and pointing to a need of further building financial knowledge.
- Improving Financial Literacy is a key objective of the National Financial Inclusion Strategy, and is closely related to the objective in improving Consumer Protection.

In alphabetical order. Financial literacy (21=100); Knowledge (7=100), Behaviour (9=100), Attitude (5=100)

Country	Financial literacy score	Financial knowledge score	Financial behaviour score	Financial attitude score
Armenia	53.4	49.9	56.8	52.4
Azerbaijan	45.9	35.0	53.8	47.2
Belarus	61.4	64.3	64.5	51.6
Kazakhstan	59.6	60.0	65.4	48.6
Kyrgyz Republic	55.4	46.3	65.7	49.4
Russian Federation	59.4	58.7	64.4	51.3
Tajikistan	51.1	42.9	59.7	47.3
Uzbekistan	59.9	51.3	68.4	56.6
Average CIS	55.8	51.1	62.3	50.5



Financial literacy and education programs

In alphabetical order. Financial literacy (21=100); Knowledge (7=100), Behaviour (9=100), Attitude (5=100)

Country	Financial literacy score	Financial knowledge score	Financial behaviour score	Financial attitude score
Armenia	53.4	49.9	56.8	52.4
Azerbaijan	45.9	35.0	53.8	47.2
Belarus	61.4	64.3	64.5	51.6
Kazakhstan	59.6	60.0	65.4	48.6
Kyrgyz Republic	55.4	46.3	65.7	49.4
Russian Federation	59.4	58.7	64.4	51.3
Tajikistan	51.1	42.9	59.7	47.3
Uzbekistan	59.9	51.3	68.4	56.6
Average CIS	55.8	51.1	62.3	50.5

The level of financial literacy in Tajikistan can be considered slightly below “average” with a score of 51.1 on financial literacy, good financial behaviour scores but very low knowledge scores and average attitude to financial matters.

(OECD, 2021)



Financial literacy and education programs - gaps

Gaps remain in the following areas to be addressed:

- Particular attention needs to be given to education and literacy in using Islamic finance in rural areas and by women.
- Consumer protection for usage of digital payments and other financial services need to be part of financial education to enhance trust in using digital financial services: awareness of cybersecurity and detecting and avoiding the increasing fraudsters and scammers: “23% do not trust any institution to provide them with financial guidance” (OECD 2021).



Remittance market: priority areas

- Digitalization: emphasizing rural recipients as beneficiaries
- Financial inclusion deepening: financial and digital products that leverage remittances and expansion of rural agents
- Financial and digital education: for rural people and the most vulnerable
- Enhancing existing data for better decision- and policy-making
- Dialogue for better coordination among institutions involved (opening the space for the NRSNs)