Accountancy Business and the Public Interest
ISSN: 1745-7718

Volume: 39
Issue Number:05

DIASPORA REMITTANCES AND POVERTY REDUCTION: THE CASE OF SUB-SAHARAN AFRICA COUNTRIES

OGBOI. C. ALALADE. Y. S. A[1]*, AMUSA. BOLANLE O[2] and OKEZIE. FINECOUNTRY O[3]

[1, 2, 3] Department of Finance, School of Management Sciences, Babcock University, Ilishan-Remo, Ogun State, Nigeria.

Abstract

There has been massive inflow of diaspora remittances to Sub Saharan African Countries in recent times, perhaps for investment and smoothening consumption and hence reduce poverty level in the region. However, empirical studies on the impact of diaspora remittances on poverty reduction is sparse, despite plethora of empirical evidences in other remittance recipient regions like Asia and Latin America. Using time series and cross-sectional data from 1990 to 2020 obtained from World Development Indicators of World Bank, this present study examines the impact of diaspora remittances on poverty level in Sub Saharan African Countries in order to recommending how to channel this huge resource into more productive use. The Panel Ordinary Least Square (OLS) panel data regression model was used to examine the impact of remittances on poverty level in the region. Result showed that diaspora remittances have the potential to ameliorate poverty level in countries with high (β = -0.9467; t= -9.2913) and moderate (β = -6.9959; t= -7.9106) remittance recipient Sub Saharan Africa countries, while poverty was aggravated in countries with low (β = 1.1251; t= 5.8310) remittance recipient countries. Moreover, the observed impact is not significant as expected due to the structure of most Sub Saharan African Countries (β= -0.2657; t= -1.9399). Based on the findings, this study therefore recommends that government of various Sub Saharan African countries should implement policies to increase remittance inflow and also channel these resources to more productive investments, rather than being used as consumption income.

Keywords: Smoothening Consumption, Increase Remittance, Remittances Inflow, Ameliorate Poverty, Productive Investments, Consumption Income

1. INTRODUCTION

Sub-Saharan Africa countries (SSA) have been the choice destination of diaspora remittances in the past decades when compared to other foreign capital inflows such as Foreign Direct Investment (FDI), Official Development Assistance (ODA), and Foreign Portfolio Investment {FPI} (World Bank, 2022). In the 1990s, diaspora remittances to SSA were relatively moderate comparatively to those of Asia and Latin America. During that time, growth rate of diaspora remittances to SSA averaged 6.9% in 1990 as compared with 5.5% for Asia and 3.8% for Latin America. Diaspora remittances to SSA were still comparable with remittances to the Asian and Latin American countries in the 2000s when the growth rates of remittances were 21.5%, 12.2%, and 7.8% for Asia, Latin America and Africa respectively. By 2008, there was a huge gap between remittances to SSA and other regions. The growth rate of remittances to SSA had fallen to 10.2% between 1990 to 2008, while it was 17.0% in Asia and 14.4% for Latin America (World Bank, 2022).

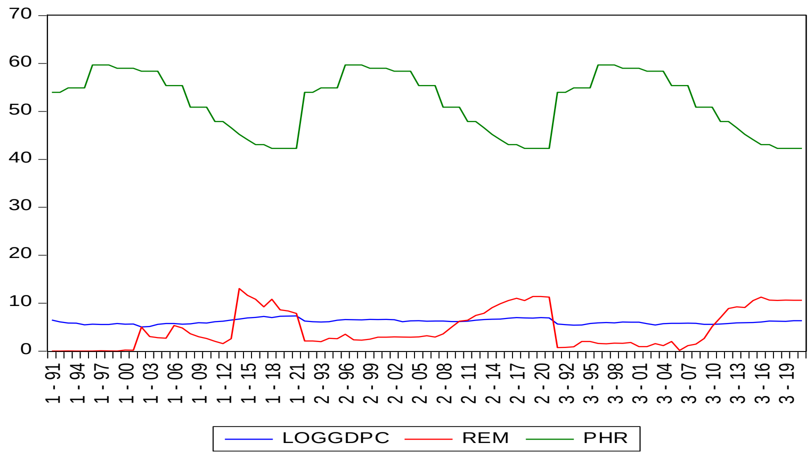
A central theme to the World Bank and United Nations Conference on Trade and Development (UNCTAD) poverty reduction strategy was that diaspora remittances should be a viable poverty reduction option to developing countries including SSA. Some scholars opined that remittances could reduce poverty rate to recipients' households since they are mostly received by the poor to smoothen household consumption and ameliorate the adverse effect of poverty. Remittances could reduce poverty through the multiplier effect of consumption of domestic products, provision of capital for small business start-ups, education of younger generation and building of houses. Despite the optimism expressed by some scholars, others argued that remittances can engender poverty to recipient countries. They identify brain drain, exchange rate appreciation that make export of recipient countries to be uncompetitive in global market (Dutch disease syndrome), and remittance dependency syndrome (UNCTAD, 2022; World Bank, 2022).

In general, empirical evidence on the impact of remittances to poverty reduction remain inconclusive. This study is an attempt to empirically investigate the impact of diaspora remittances on poverty reduction hypotheses as formulated by Stahl in 1982 and Adams and Page in 2005. Adams and Page (2005) work has been used as advisory manual by International Monetary Organisations (IMO) such as World Bank and International Monetary Fund (IMF) in their advisory role to remittance recipient countries. Expectedly, several initiatives have been established at both regional and country level on ways to optimally harness the gamut of this supposed important inflows. Classical examples are Africa Institute of Remittances (AIR) and Nigeria in Diaspora Commission (NIDCOM). These initiatives were supported by World Bank and International Monetary Fund (IMF) to enable developing countries meet the Sustainable Development Goals (SDGs). These initiatives are to complement government of recipient countries' effort in optimal utilisation of diaspora remittances.

This study is important because, since remittance is one of the poverty reduction channels via provision of income for household consumption, start-up capital for small businesses, education of younger ones and home construction, it would be imperative to empirically examine whether or not diaspora remittances has reduced poverty in SSA. Existing empirical studies focusing on the impact of diaspora remittances on poverty reduction have employed several poverty measures, each producing different results with conflicting direction and magnitude.

1.1 Trend of Inward Diaspora Remittances and Poverty Incidence in SSA

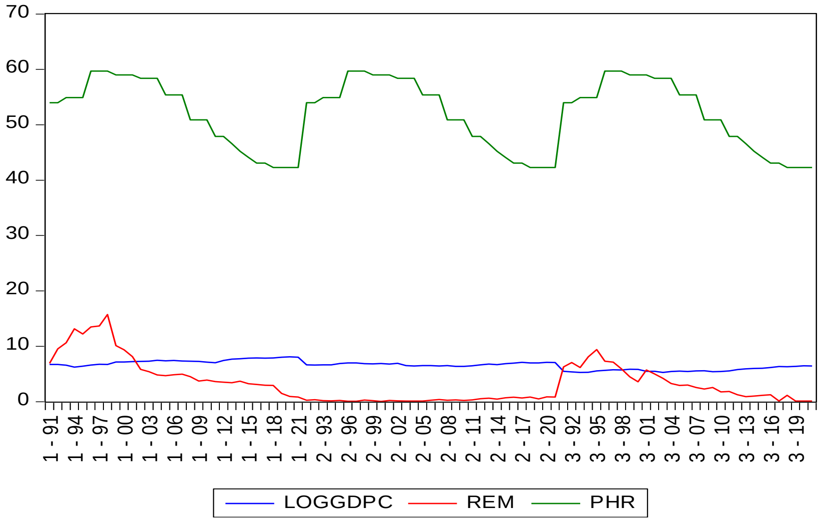
In order to put the issue of inward diaspora remittances and poverty incidence in SSA into perspective, nine selected countries are grouped into three categories; growth, stable and decline. The first category made up of Nigeria, Senegal, and Togo experienced growth of remittances from late 1980s till 2020.



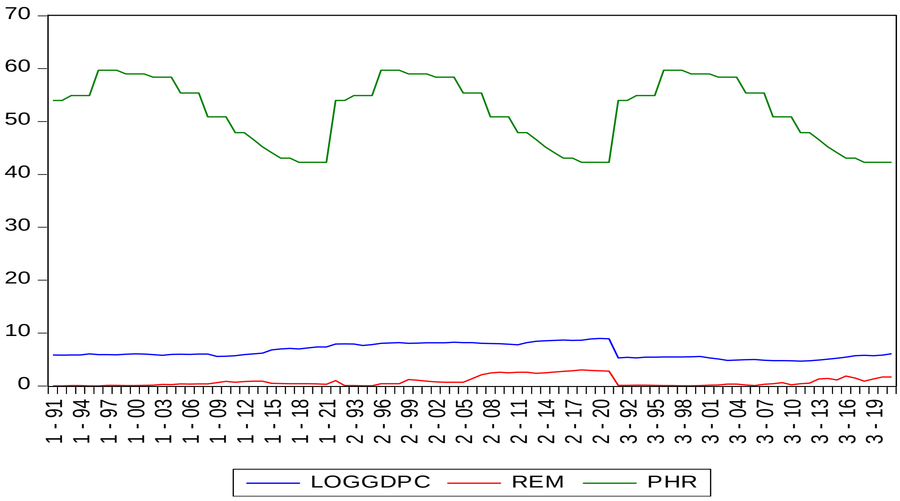
Notable among these countries is Nigeria whose remittance inflow as share of GDP improved from 0.03% in 1988 to 7.85% in 2018. Similarly, Togo remittance inflow rose from 0.74% in 1988 to 10.62%. South Africa remittance inflow recorded a marginal growth from 0.08% in 1988 to 2.82% in 2018. Sub Saharan Africa Poverty rate as proxied by poverty headcount ratio declined from 54% in 1988 to 42% in 2018. However, share of total poor population in Sub Saharan Africa increased from 14% in 1988 to 57% in 2018. Although Ghana, South Africa

Accountancy Business and the Public Interest
ISSN: 1745-7718
Volume: 39
Issue Number:05

and Ethiopia experienced stagnant remittance inflow from 1998 to 2008, there was sluggish growth of remittance inflow from 2009 to 2018 (World Bank, 2020).



Ghana remittance inflow hovered between 0.01% and 0.7% between 1988 and 2008 but experienced slight growth between 2009 and 2018. South Africa remittance inflow averaged 0.73% between 1989 and 1995 before recording a slight increase in 1996 and 1997. However, the marginal increase declined again to 0.7% between 1998 to 2003. The appreciable growth to 2% experienced in 2004 remained constant till 2018. For Ethiopia, remittance inflow has been stagnant at less than 1% from 1988 to 2018.



Swaziland, Cameroon and Burkina Faso, on the other hand, experienced decline in the period under consideration. Swaziland remittance inflow dropped from a ten-year average of 11.19% in the period 1988 to 1998 to a ten-year average of 4.65% between 1999 and 2008. Remittance inflow to Swaziland plunged further to all time low of 2.62% between 2009 and 2018. Burkina Faso stands out from the others. Remittance inflow to the country was not too impressive in the period under consideration, with an average annual remittance inflow of 6.47%, between 1988 and 1998, declined in the period between 1999 and 2008 to annual average of 2.95%. There was a further declined between 2009 and 2020 to 0.73% (World Bank, 2020).

2. REVIEW OF RELATED LITERATURE

Javid et al. (2012) used ARDL econometric technique to examine the nexus amongst remittances, output growth, and poverty in Pakistan. Empirical findings revealed that remittances exert significant positive impact on economic growth, and strong negative effect on poverty level in Pakistan. Ratha (2013) noted that remittances have been found to be closely linked to human development indexes aside from monetary gains. The author found the multiplier effects of investment and consumption helped alleviate poverty especially on remittance recipient households.

There seems to be unanimous agreement among scholars about the macro-economic impact of remittances on recipient countries including Sub-Saharan Africa (Mustapha & Ogboi, 2014). However, it is unclear whether or not incidences of poverty have been reduced in remittances recipient countries and region. Banga and Sahu (2014) used data from developing countries to study the nexus between remittances and poverty level. The analysis was however in two levels: first, 77 countries data was analysed; second, 29 developing countries and 21 Asian countries. The findings from the study showed that remittances contributed significantly to economic growth and poverty reduction.

Pradhan and Mahesh (2016) explored the effect of remittances received and net remittances received on poverty rate in developing countries. The explained variable is poverty, while the independent variables were total remittance received, net remittance received, health, education and infrastructure development. The result of the Gini index regression revealed that remittances received contributed significantly to poverty reduction in developing countries. Azam et al (2016) examined the comparative effect of remittances on poverty reduction using data-set from 39 countries made-up of high, middle- and low-income countries for the period 1990 to 2014. The result of the FMOLS analysis showed that remittances significantly reduced poverty in the high- and middle-income countries.

Azam, Haseeb and Samsudin (2016) used data for the period 1990 to 2014 to examine the impact of foreign remittances on poverty alleviation in 39 countries including the lower-middle, upper-middle and high-income countries. The dependent variable is the poverty headcount ratio at $2.0 income per day. Independent variables are GDP per capita, foreign remittances, foreign aid, inflation and human capital. The result showed that foreign remittances exert statistical negative impact on poverty in the upper-middle income countries. Haji and Sera (2016) examined the nexus between migrant remittances and poverty reduction in South-West Ethiopia with special focus on Jimma zone. The authors adopted binary logistic model to analyse data obtained from 371 households. The result of the analysis revealed a significant negative relationship between migrant remittances and poverty level. The authors therefore suggested that nations should formulate robust policies towards harnessing migrant remittances.

Nahar and Arshad (2017) used data from 1983 to 2015 to study the nexus between remittances and poverty alleviation in Indonesia. The endogenous variable was poverty level, while the exogenous variables were remittances, inflation, exchange rate, income, income inequality and labour force participation. Result of the OLS regression analysis showed that increased remittances helped reduced poverty in Indonesia. Pekovic (2017) used data from 2002 to 2013 to examine the impact of remittances on poverty alleviation in transition countries. The dependent variable was the Foster-Greer-Thorbecke (FGT) poverty index. Explanatory variables were: Gini coefficient, remittances, GDP per capita and world economic crisis as dummy variable. The result of the study confirms the findings of other studies that remittances reduce poverty level of remittances recipient countries.

Yoshino, Taghizadeh-Hesary and Otsuka (2017) used data for 10 Asian developing countries for the period 1981 to 2014 to examine the impact of international remittances on poverty reduction. The dependent variables were poverty headcount ratio, poverty gap ratio, and poverty severity ratio. The explanatory variables were real per capita GDP, remittances as a ratio of GDP, inflation, and trade openness. Empirical result from the study showed that remittances exert significant impact on poverty reduction in Asia. Per capita GDP and trade openness were also found to reduce poverty, while inflation aggravate poverty.

Abdelhadi and Bashareh (2018) examined the effect of remittances in poverty reduction in Jordan. Using data for the period 1972 to 2015, the authors used GDP per capita as the dependent variable, and the explanatory variable is remittance inflow. The result shows the presence of long-run relationship between remittances and GDP per capita. Tsaurai (2018) used pooled Ordinary Least Square and Fixed Effect techniques to examine the impact of remittances on poverty reduction for some selected emerging markets for the period 1994 to 2014. The authors employed panel data analysis where the dependent variable is the poverty headcount ratio, while the explanatory variables are inflation, infrastructure development, saving, trade openness and human capital development. There are three findings from the study; first, remittances were found to reduce poverty in the fixed effect model in the six emerging economies. Secondly, remittances were found to aggravate poverty in the pooled OLS estimate. Thirdly, inflation, infrastructure development, trade openness and GDP per capita were found to reduce poverty in both the fixed and pooled OLS estimate.

Mehedintu, Soava and Sterpu (2019) used data from 9 emerging countries in the European Union to analyse the evolution and trend of remittances on poverty for the period 2005 to 2017. The result of the study showed that remittances exert significant negative impact on poverty reduction in the selected emerging countries. Mubinzhou and Ricardo (2020) adopted panel data analysis to examine the degree to which remittance has promoted output growth and poverty severity reduction in 10 sampled Soviet Union. Result showed that remittances spurred output growth and lowered poverty level in former Soviet Union.

Arjola, et al. (2020) explored the dynamic effects of remittances over time, using panel data from the Kosovo Living Standards Measurement Survey (LSMS) for the years 2008 and 2012. The dependent variables in the study are poverty and inequality. Poverty is measured using the poverty headcount ratio (PHR) and the poverty gap ratio (PGR), while inequality is measured using the Gini coefficient. The independent variable in the study is remittances, which is defined as money sent by migrants back to their home country. The author used a fixed-effects model to estimate the impact of remittances on poverty and inequality. The fixed-effects model controls for unobserved heterogeneity across individuals and households by including individual and household fixed effects in the regression analysis.

The authors also use instrumental variables (IV) estimation to address potential endogeneity problems that may arise from reverse causality or omitted variable bias. Findings from the study showed that remittances have a significant poverty-reducing effect in Kosovo. Specifically, a 10% increase in remittances reduces the poverty headcount ratio by 0.9 percentage points and the poverty gap ratio by 1.3 percentage points. However, the study does not find evidence of a significant impact of remittances on inequality in Kosovo. The authors suggest that the poverty-reducing effect of remittances may be due to their ability to increase household income and consumption, while the lack of an impact on inequality may be due to remittances being distributed relatively equally across households in Kosovo. Overall, the study suggests that remittances can be an important tool for poverty reduction in Kosovo.

3. METHODOLOGY

3.1 Sources of Data and Scope of the Study

Data for the analysis were obtained mainly from the World Development Indicators (2020). The study covers the period from 1990 to 2020.

3.2 Sample Size Selection

This study adopts purposive sampling technique as follows. From the list of 46 Sub Saharan Africa (SSA) countries, we eliminated countries whose data are not up-to-date. In the final analysis, nine countries were selected. The nine countries selected are;

Burkina Faso, Cameroon, Ethiopia, Ghana, Nigeria, Senegal, Swaziland, Togo, and South Africa.

S/No.	Category	Countries
1.	High remittance recipient countries	Nigeria,
		Senegal,
		Togo
2	Moderate remittance recipient countries	Ghana,
		South Africa
		Ethiopia
3	Low remittance recipient countries	Swaziland,
		Cameroon
		Burkina Faso,

Source: World Bank, 2022

3.3 Model Specification

The second and third model sought to provide an estimate of the poverty reduction. A variant of the model specified in equation 2 – the Poverty Headcount Ratio (PHR) developed by Ravillion (1997) and Ravillion and Chen (1997) as cited by Banga and Sahu (2014) and applied by Aloui (2019) to examine impact of remittances on poverty reduction.

$$PHR_{it}=\beta_{it} + \beta_1 REM_{it} + \beta_2 CPS_{it} + \beta_3 GCF_{it} + \beta_4 SEC + \beta_5 OPEN + \beta_6 INF + \mathcal{E}_{it} \qquad (1)$$

Where;

PHR = Poverty Headcount Ratio @$1.90 2011 PPP % of Population

REM = inward diaspora remittances

CPS = credit to private sector

GCF = gross capital formation

SEC = secondary school enrollment

OPEN= trade openness

INF = inflation

i = Individual countries

t = Time period

$\beta_1, \beta_2, \beta_3, \beta_4, \beta_5, \beta_6$ = slope of the coefficients

The specification of the model follows the panel data regression model.

3.4 Theoretical Relationship in the Models

Equation 1 incorporates remittance, financial and macroeconomic variables in a unified framework in examining the theoretical relationship amongst the variables. The financial and macroeconomic variables were incorporated to show the channel through which remittances could ameliorate or aggravate poverty in Sub Saharan Africa. Diaspora remittances are monetary transfers from migrants of Sub Saharan origin. Unlike other foreign capital flows such as Foreign Direct Investment (FDI) and Foreign Portfolio Investment (FPI) that are profit driven and unstable, diaspora remittances appear more stable irrespective of the motive of the sender (whether altruistic, self-interest or co-insurance). In this respect, amount of remittance inflow is likely to reduce poverty during economic crisis of home country.

Using, data from nine (9) emerging countries in the European Union, Mehedintu et al. (2019) found that remittances exert significant negative impact on poverty reduction in the selected emerging countries. Diaspora-led output growth is expected to exert negative impact on poverty rate. The level of economic performance of a nation provides goods and services for consumption of the citizenry and for export. Apart from the fact that consumption of domestic goods conserves the host country scarce foreign exchange, export earnings are expected to contribute positively to the nation's balance of payment. Poverty is expected to be high in a country with low productivity than comparable high productivity countries.

Tsaurai (2018) found negative relationship between GDP and poverty. Credit to private sector (CPS) is hypothesized to exert negative impact on poverty. Deeper financial system is more likely to lower transaction cost and attract more remittances from migrants. In addition to the above, an efficient financial system is able to optimally allocate financial resources to more profitable businesses than shallow financial system.

In terms of investment, it is hypothesized that a country that lacks capital for investment often experience problems investing in profitable ventures. This impairs its ability to create more wealth. Following the work of Ezike and Ogboi (2017), remittances can be channeled to investment or consumption. They predicted that remittance channeled to investment is more likely to lower poverty. Human capital development is expected to have a negative impact on poverty. Review of extant literature showed that a sizeable percentage of remittance inflows to Sub Sahara Africa are spent on educating migrant siblings. It is hereby predicted that educated citizens will contribute poverty reduction if the stay and work, but reverse will be the case if they emigrate in search of greener pastures.

In addition, we expect that a country that is widely open to trade is likely more to attract remittances. However, poverty can be aggravated if remittances are used for the consumption of imported items rather consumption of domestically produced goods. Inflation (proxy by consumer price index) would have negative impact poverty rate. The theoretical relationship between poverty, remittances and macroeconomic variables are presented in table 1 below.

Table 1: Variable measurement and A-priori expectation

Variables	Measurement	Expected Relationship
Poverty	Poverty headcount ratio @ $1.90	
Remittances	Ratio of remittances to output growth REM/GDP	+/-
Financial Development	Ratio of Credit to private sector to economic growth CPS/ GDP	-
Investment	Ratio of gross capital formation to economic growth GCF/GDP	-

Accountancy Business and the Public Interest
ISSN: 1745-7718

Volume: 39
Issue Number:05

Human capital Development	Secondary school enrolment	-
Trade openness	Export-Import/GDP	+/-
Inflation	Consumer price index	+

Source: Authors Computation, 2022.

4. EMPIRICAL RESULTS AND FINDINGS

The Ordinary Least Square (OLS) regression analysis result of reduction effect of diaspora remittances is presented in table 2 below. The coefficient of determination (R^2) of 0.83 implies that about 83% change in poverty level is explained by the exogenous variables. The estimation results showed mixed effect of remittances on poverty level in SSA. While remittances exert negative impact on poverty level in high and moderate remittance recipient countries, it aggravated poverty in low remittance recipient countries. As can be observed in column 1 of table 2, the coefficient of remittances (REM) was -0.94 and statistically significant at 1%. This result clearly indicates that a unit increase in diaspora remittances result in 0.94 reduction in poverty level in SSA.

This result confirms our a priori expectation and consistent with the findings of Mubinzhou and Ricardo (2020); Nahar and Arshad (2017); Azam et al. (2016); Banga and Sahu (2014); Javid et al. (2012). This is consistent with our theoretical postulation that all things being equal, inflow of remittances could create positive multiplier effect on savings, human capital development and investment. The coefficient of financial development was positive but not statistically significant. This indicates that financial deepening led remittances aggravates poverty level and the reason is not far-fetched from exorbitant interest rate charged by banks to borrower customers. The coefficient of investment was negative but statistically insignificant. The implication of this result is that investment led remittances has culminated in poverty reduction, but the impact is not significant despite huge inflow of remittances. This is however not surprising as empirical evidences has shown that greater proportion of remittances are channel to consumption expenditure. The coefficient of trade openness and inflation are positively signed as expected. While the coefficient of inflation was statistically significant, the coefficient of trade openness was not statistically significant at 5% level.

Table 2: Result of Panel Ordinary Least Square

Dependent Variable: Poverty Headcount Ratio (PHR)						
	High Remittance Recipient countries		**Moderate Remittance Recipient Countries**		**Low Remittance Recipient Countries**	
Variables	**Coefficient**	**t-statistics**	**Coefficient**	**t-statistics**	**Coefficient**	**t-statistics**
C	61.2519***	37.4072	58.7115***	29.1118	50.5409***	16.7976
REM	-0.9467***	-9.2913	-6.9959***	-7.9106	1.1251***	5.8310
CPS	0.0228	0.6732	0.0833***	3.6271	0.3788***	4.3406
GCF	-0.1114	-1.9443	-0.1758	-1.8940	-0.1883	-1.5141
SEC	-0.2265***	-6.1360	-0.0450	-1.1577	-0.1139	-1.7148
OPEN	0.0251	1.4472	-0.0305	-1.1477	-0.0308	-1.4666
INF	0.0441**	2.1017	0.0667**	2.2284	0.1826**	2.0637
R^2	0.83		0.62		0.47	
Adj. R^2	0.82		0.80		0.43	
F-Stat	72.22		24.07		12.8	
Prob (F-stat)	0.00		0.00		0.00	

***; **denote significant @ 1% percent level and 5% respectively.

Source: Authors Computation, 2023.

Column 2, table 2 above present the result of the impact of diaspora remittances on poverty level in SSA. The coefficient of determination (R^2) 0.62 implies that about 62% changes in poverty level in SSA can be explained by the changes in the explanatory variables. In specific term, the coefficient of remittances was 6.99 implies that holding other variables constant, a unit change in remittances will culminate into 6.99 reduction in poverty level in SSA. It can be observed that poverty alleviation impact of remittances in more pronounced in moderate recipient countries than high recipient countries. The plausible reason for this is that household's remittance recipients in moderate countries invest in more high-yielding business ventures since there are likely to be more risk averse. The coefficient of financial deepening (CPS) was positive and statistically significant at 1%. Holding other variables constant, a unit change in remittances, will culminate in 3.6 increase in poverty level. This can be attributed to high interest rate charged by banks. The coefficient of investment and trade openness are found to exhibit poverty reduction tendencies but not significant enough to exert desired effect on poverty level. However, the coefficient of inflation was positive and statistically significant at 5%. Holding other variables constant, a unit increase in general price level will result in 2.2 unit increase in poverty.

Column 3, table 2 presents the impact of diaspora remittances on poverty level in low remittance recipient countries but the result is clear departure from the findings in column 1 and 2 above. The coefficient of determination (R^2) of 0.47 implies that changes in the dependent variable are explained by the changes in explanatory variables. Specifically, the coefficient of remittances was positive and statistically significant at 1%. Holding other variables constant, a unit increase in remittances will cause 1.12 increase in poverty in low remittance recipient countries. The plausible explanation to this is that recipient households view remittance as consumption income rather than investment income and it is likely that these resources are channelled to consumption of imported goods thereby resulting in a Dutch disease syndrome.

4.1 Discussion of Findings

Clearly, the result of this study is consistent with various cross-country and individual countries studies that remittances can be used as poverty reduction strategy. For example, Mehedintu, Soava and Sterpu (2019); Tsaurai (2018); Yoshino, Taghizadeh-Hesary and Otsuka (2017); Pradhan and Mahesh (2016), Azam, Haseeb and Samsudin (2016) amongst others who found that remittances have contributed to significant reduction to poverty in several continents like European Union as found by Mehedintu, Soava and Sterpu (2019); Asia as found by Yoshino, Taghizadeh-Hesary and Otsuka (2017); Pekovic (2017) as found in transition countries. The only difference between the result of earlier studies and this present study is the positive and statistically significant relationship found between remittances and poverty reduction in the low remittance recipient countries of SSA.

This finding would not be surprising to keen watchers of remittance trend and usage in some SSA countries like Nigeria, Ghana, Burkina Faso, Cameroon, Ethiopia, Swaziland, Togo, South Africa and Senegal will agree with the findings of this study. The huge amount of remittances to these countries have not been optimally used for productive ventures in most SSA countries because most remittance recipient households still see remittances as consumption income rather than investment income. Several studies on the issue of remittances and its use has shown that remittance recipient households channel remittances to consumption of imported goods thereby contributing little to poverty reduction. This has also caught government of some national government's attention. Several policies are now been initiated in some countries to harness these huge remittance inflows to productive economic activities rather consumption. The establishment NIDCOM, diaspora bonds four naira {₦4} for every dollar incentive are recent policy measures to put diaspora remittances into optimal use in Nigeria for example.

5. CONCLUSION

This study is a deliberate attempt to explore whether or not huge inflow of remittances alleviate poverty in Sub Saharan countries. This becomes necessary as prior studies in other regions provides mixed findings. Adopting panel data analytical model to analyse World Bank data on Sub-Saharan countries. Empirical evidence from the study showed that diaspora remittances is a potent measure for improving the standard of living of the citizenry but this study also revealed apparent differential impact of remittance inflow on poverty level in accordance to the magnitude of remittance inflow. This study provided robust evidence that remittance can be used for productive investments such as education, start-up businesses and consumption of locally produced goods and services. It should be noted that some educated relations of migrants should be encouraged to remain at home to nurture and manage these start-up businesses to maturity. This is because if educated migrant relations emigrate in search of better life outside the country, the start -up businesses will fold-up due to lack of managerial skill.

6. POLICY RECOMMENDATIONS

Following from the findings of the study, the following recommendations are made. They are:

a. For remittances to contribute significantly to poverty reduction, deliberate policy measures need to be put into place. First, Nigerian banks should encourage diaspora recipient households to save rather than acting as receiving agent to remittance recipient customers. If substantial part of remittances is saved in the banking system, it will form part of loanable funds for banks to lend to borrowers to fund legitimate businesses.

b. Other SSA countries should borrow a leaf from Nigeria by establishing Diaspora commissions and bonds through which diaspora remittances can be invested on a long-term investment scheme.

c. Government of SSA countries should also create enabling environment for start-up businesses to thrive. A conducive business environment will encourage more diaspora remittances to productive business venture rather being used for consumption of non-tradeable goods.

References

- Abdelhadi, S. A. & Bashareh, A. (2018). The effect of remittances in poverty reduction: the case of Jordan. Doi: 1013140/RG 222255208967.
- Arjola, A., Judith, M., & Thomas, H. (2020). Measuring dynamic effects of remittances on poverty and inequality with evidence from Kosovo. Eastern European Economics, 58(4), 283-308.
- Azam, M., Haseeb, M. & Samsudin, S. (2016). The impact of foreign remittances on poverty alleviation: Global Evidence, Economics and Sociology, 9(1). 264-281. DOI: 10.14254/2071-789X.2016/9-1/18.
- Banga, R., & Sahu, P. K. (2014). Impact of remittances on poverty in developing countries. Retrieved from https://www.researchgate/publication/254412418.
- Ezike, J. E. & Ogboi, C. (2017). Household inward remittances and productive investment in Nigeria: A multidimensional analysis. Advances in Social Science Research 4(16), 62 – 78. DoI:10.14738/assrj.416.3546.
- Haji, J. & Sera, L. (2016). Impact of international remittances on poverty reduction in South-West Ethiopia.

Evidence from Jimma Zone. Global Journal of Management & Business Research. 16(6). 1-14.

- Javid, M., Arif, U., & Qayyum, A. (2012). Impact of remittances on economic growth and poverty. Academic Research International. 2(1).433 – 447.
- Mehedintu, A., Soava, G. & Sterpu, M. (2019). The effect of remittances on poverty in the emerging countries of the European Union. Sustainability, 11(12), 3265; https://doi.org/10.3390/su11123265.
- Mubinzhou A. & Ricardo, B. (2020). Impact of remittances on economic growth and poverty reduction amongst CIS Countries, Post-communist Economies, 32: 4, 525 – 546. DOI: 10.1080/14631377.2019.1678094.
- Mustapha, S. A. & Ogboi, C. (2014). Inward remittances and economic growth in Sub-Sahara African countries: Application of panel co integration approach. Research Journal of Finance and Accounting. 5(12), 105 – 115.
- Nahar, F. H. & Arshad, M. N. M. (2017). Effects of remittances on poverty reduction: The case of Indonesia. Journal of Indonesian Economy and Business. 32(3). 163 – 177.
- Pekovic, D. (2017). The effect of remittances on poverty alleviation in transition countries. Journal of International Studies. 10(4). 37 – 46. Doi: 10. 14254/2071- 8330.2017/10.4/2.
- Pradham, B. K. & Mahesh, M. (2016). Impact of remittances on poverty: An analysis of data from a set of developing countries. Economics Bulletin, 36(1), 108 – 117.
- Ratha, D. (2013). The impact of remittances on economic growth and poverty reduction. Migrant Policy Institute (MPI).
- Tsaurai, K. (2018). The impact of remittances on poverty alleviation in selected emerging markets. Comparative Economic Research 21(2), 51 – 68.
- UNCTAD (2022). United Nations Conference on Trade and Development.
- Yoshino, N., F. Taghizadeh-Hesary, & Otsuka, M. (2017). International remittances and poverty reduction: Evidence from Asian Developing Countries. ADBI Working Paper 759. Tokyo: Asian Development Bank Institute. Retrieved from https://www.adb.org/publications/ international-remittances-and-poverty-reduction.
- World Bank (2022). World Development Indicators online database, 2020. Washington, D.C.: World Bank. Retrieved from https://databank.worldbank.org/source/world-development-indicators.