

## Impacts of Migrant Remittances on Rural Development: An Empirical Study

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**Abstract:** The main reason for migrating from rural areas is lack of employment opportunities for the inhabitants who had high level of education. When they migrate, they remit back to their family members in the communities they migrate from. Remittances play important roles in rural development and the study using the rural community of Ago-Are in South Western Nigeria, as a case study found out that as a result of money remitted to residents in the community, the study participants acquired farm lands, bought vehicles and motor cycles and also built houses which they would not have had without remittances. Those who remitted home maintained that in addition to remitting money to their relatives, they were also willing to contribute to community development including construction of schools, churches, mosques and the community center and also pay school fees to the brilliant but needy students. Thus, they were willing to help the entire community.

**Key words:** Remittances, rural development, community development, migrants, properties

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### INTRODUCTION

In a study of return migrants, Obadarea and Adebani (2009) found a number of Nigerian returnees who had invested in small businesses on their return while many, especially in the elite (highly educated) had sought to introduce changes in the workplace, building on their experiences abroad. Though, the contribution of migration to the Nigerian economy may be many and varies, migrant remittances which come in both cash and different forms have been identified, as the single most important benefit of migration to the Nigerian economy. It is estimated by the World Bank that in 2013, migrants remitted to the Nigerian economy a whopping 21 billion dollars.

Nigerian migrants have increased over the past few decades, even though it is a little bit difficult to keep up with the exact figure, as there were those who migrated legally and illegally. This has subsequently caused an increase in the amounts of remittances received in the country.

Considering the motivation for migrant remittances, various models have been developed as explanation. Rapoport and Docquier (2005), identify family welfare and strategic interest driving the motivation for remittances. They suggest that remittance is born not only out of altruistic motives but also from economic and financial self-interest. Similarly, Solimano (2003) identifies the welfare of the family left at home, as the main motivating factor for migrant remittances. Solimano (2003) has constructed 4 models to explain why migrant remittances are largely directed towards their families back home.

The 1st of these models is the altruistic motive by which he means that remittances are sent out of love and responsibility towards the family at home. This is borne out of concern for the welfare of the family left behind. The 2nd which seems to contradict the previous one is self-interest motive which suggests that migrants remit, through their families for investment purposes at home from which they expect to derive returns. Family members are to invest the remittance either in property acquisition or business set up.

In Nigeria, properties acquired with remittances are largely held in the name of the migrant. The 3rd model is what he calls implicit family contract 1: Loan repayment. According to this model, families invest in the education and sometime the travel cost of the migrant with the intention that the migrant would be obligated to remit eventually to cover the cost incurred plus eventual profit. In such instances, families make regular demands on the migrants making the migrants feel indebted to the family. The 4th model which is actually a variant of the third is family contract 2: Co-insurance. This model suggests that families purposefully sponsor some of their members abroad, so that when situation at home turns bad the migrant would come to their aid. The remittance, therefore is seen, as a kind of insurance claim with the sponsorship as the premium.

The transfer in the form of remittances, helps to reduce the economic constraints in the sending area (Yang, 2011). Thus, migration is considered to be one of the avenues for improving the socio-economic conditions of individuals and families in poor areas.

Remittances, either in cash or kind are sent to enable family members and communities to improve their ability

to survive or acquire property, since one of the factors that fuelled emigration from Nigeria was the economic hardships (Levitt, 2001). In the year 2005, around 40% of the migrant households in the South Western region reported receiving either goods or money from emigrants compared to only 20% in the Northern region. About a quarter of the return migrant households in the Eastern region also reported receiving remittances (Obadare and Adebani, 2009).

The majority of transfers were through formal routes (banks, post office and Western union) with a significant positive relationship between the frequency of remitting and likelihood of using a formal channel. Nonetheless, a significant majority sent cash back through friends or relatives or brought back sums of money when they visit the country (Moniruzzaman, 2013). The scale of remittances in recent times gives an indication of the extent of the diasporisation of Nigerians.

Asiedu (2003) has observed that remittances can be grouped broadly into 2 with regards to the purpose which they are sent. Firstly, remittances may be sent either to meet recurrent expenditure or for investment. Over 70% of the reported remittances in his study were for recurrent expenditure and mainly for the repayment of hospital bills or school fees to finance marriage for repayment of debts and repayment of cost for migrating abroad. Less than 30% of the remittances were invested in property to buy land, build a house or for saving.

Orozco (2012), showed the importance of remittances in the form of goods. He observed that about 95% of remittances were in the form of goods including vehicles (private and commercial), household appliances, equipment and machinery such as business machines, tractors. Of these, personal and consumer items were more significant with nearly two-thirds of the returnees bringing durable goods for their personal or family use and a further 19% bringing goods for relatives and friends.

In contrast, only 5% of the returnees interviewed brought goods for commercial purposes (either to set up a business or to sell). The evidence seems to suggest, therefore that the remittances sent by the returnees and the durable goods they brought with them were for private consumption, as opposed to using them for productive investment purposes, thus devaluing the contribution to capital.

Secondly, remittance does not come only in financial and material forms. Levitt (2001) has suggested the term social remittances to refer to the ideas, behaviors, identities and social capital that flow from the host society to the sending country through the migrant. They are the knowledge and culture that migrants learn from the host

country which are transmitted back or transfer to their home communities, either deliberately or by coincidence. In effect, remittances help largely in the welfare of most rural families. It also helps to reduce rural poverty, it increases investments and reduces the economic vulnerability of the poor.

**Statement of the problem:** It is largely documented that remittances have played a significant role in economic and social development of many developing countries, including Nigeria but the literature does not differentiate the impacts of remittances on overall development or urban and rural areas. This research, therefore focuses on the impact of remittances on rural development.

**Objective of the study:** The general objective of this study was to ascertain the impact of migrant remittances on the socioeconomic development of rural communities. Specifically, the study sought to:

- Identify what motivates migrants to remit towards community development projects
- Identify what kind of community projects migrants are more likely to remit for
- Explore how migrant remittances impact on poverty at the household and community levels

## **MATERIALS AND METHODS**

**Study community:** The study area was Ago-Are, a fast transforming community in the South Western part of Nigeria. According to the 2006 census, Ago-Are has a total population of 8,000 and out of this population, 3,200 are men and 4,800 are women. Household occupancy is 6%. Ago-Are has 2 schools. Both schools have 18 trained teachers. The community has one private school.

There is neither an industry nor any form of formal sector employment apart from teaching. Also, there are few subsistent farmers who have to struggle to get any produce which is not sufficient to sustain households. This has encouraged the migration of a lot of the citizens, mostly to Ibadan but also to other parts of the country where they can get employment in either the formal or informal sectors of the economy. A number of them who are interested in farming, also migrate to where they can get farm lands.

Respondents were selected from visiting migrants or persons who have stayed outside Ago-Are community and were remitting to their relatives and were in the community during the time of the study. With the use of multistage sampling procedure involving clustering and snow balling, 50 migrants and their households were

selected out of 63 migrants present at the time of the study. This was inline with the suggestion by Krejcie and Morgan (1970).

**Data collection and analysis:** The town was divided into 5 cluster; for each cluster, snowballing was used to identify 10 households with at least 1 migrant who were in the community at the time of the study either on holiday or permanently. The 3 main types of data collection techniques were used. These were questionnaires, interviews and observation. Questionnaires were largely used with the return migrants and the opinion leaders. Members of the households were interviewed.

Data collected were edited, coded and analyzed with the aid of Statistical Package for Social Scientists (SPSS) to generate tables. The data collected were analyzed along the following themes:

- The demographic background of respondents
- The main reasons migrants remit
- To whom and for what purpose migrants remit
- The uses of remittances
- The importance of remittances to the recipients

**RESULTS**

**Sex and age:** Out of 50 respondents, 31 were male and 19 were females, representing 62 and 38%, respectively. The age composition show that 34% of the respondents were between 20 and 39 years of age, 34% were also between 40 and 49 years old while 20% were between 50 and 59 years and only 12% were above the age of 60.

**Educational background:** Most of the respondents (40%) have tertiary education, 30% have secondary while a small percentage have primary or no education.

**Marital status:** The majority of the respondents representing 58% indicated that they are married and 30% confirmed they were single 8% were divorced and 4% were widowed. About 80% of them had children from 1-7. Only 20% of the respondents had no children. A great majority of the respondents representing 70% migrated to seek employment with a small minority migrating for marital reasons.

**Recipients of remittances:** About 42 and 16% of the respondents remitted to their mothers and wives, respectively. Remittances were hardly sent to fathers alone. This represented only 10%. Consistent with the literature (Ahsan Ullah, 2011; Ghosh, 2006), the main

Table 1: Purpose of remittance

Purposes	Frequency	Percentage
For their upkeep	30	60
To acquire/improve family property	6	12
To build a house for me	5	10
To pay for the education of other relatives	6	12
As working capital for relatives	3	6
Total	50	100

Field survey, 2012

purpose of migrant remittance was towards the upkeep of the recipients (Table 1). The improvement of the family house and education of relatives left at home followed, as the next most important purpose of migrant remittances. Significantly, a very small percentage remitted to set up the recipient in a business venture.

**Regularity use of remittances:** A survey of the regularity with which migrants remitted to their beneficiaries showed that the majority of the respondents (42%) remitted on monthly basis to their families, whilst a substantial percentage of 18% remitted every other week and 10% weekly. This is consistent with the findings that remittances were largely made towards the up keep of recipients. The 46% of the recipients indicated that they rely absolutely on migrant remittances for their up keep with 20% stating that they are dependent on it for about 60% of their daily needs. On the other hand, 30% said though they appreciate the remittances they can do without it. Significantly, only 4% said they do not need remittances to survive.

**Use of remittances:** The survey showed that 32% of the respondents had acquired houses in the community, 28% had acquired farm lands, 14% had shops, 2% had vehicles and 22% had no property. When asked why they acquired properties at home, 34% of the respondents said they did so as a way of investment. It is significant that only 6% of the respondents said they acquired their property to serve a personal purpose when they return home finally or after retirement.

When asked about how satisfied they were with the use of the remittances, 70% of the respondents suggested that they were very satisfied with 24% indicating that they were somehow satisfied. Only of 6% were disappointed with the use of the remittances.

**Community level development**

**Types of project supported:** When asked to prioritize what kind of community support they do and/or will send remittances for, a large number of respondents (50%) indicated that they were more prepared to contribute to community development funds. The 2nd most important purpose towards community development was the

Table 2: Development projects migrants were ready to contribute

Development projects	Frequency	Percentage
School project	12	24
Religious project	27	54
Community center	1	2
Scholarship scheme	3	6
Other	1	2
None	6	12
Total	50	100

Field survey, 2012

sponsoring of needy children. This represented 18%. A very small number were ready to serve on development committees.

The majority of the respondents prefer to send remittances towards religious projects. School projects follow on the scale of specific projects migrants either have or are prepared to contribute to. Only 2% are ready to contribute to the building of community center (Table 2).

## DISCUSSION

The study sought to examine the effects of migrant households and communities with Ago-Are in the South Western part of Nigeria as a case study. The objective of the study was to find out the reasons why migrants remit, the purpose and use to which the remittances are put and the benefit of the remittances to the development of both the households and the community.

**Demographic background of migrants:** The findings of the study suggest that male members of the community are more likely to migrate than women; this may be due to a higher level of education attained by these men. It may, also be as a result of the pursuit of employment to earn income to perform their roles, as the main bread winner of their household. It was found out that among the women migrants, only a small number of them migrated to join their husbands in migration. This suggests that the majority migrate to pursue economic or other social interest on their own. This is consistent with the findings of Adepoju in the rapid feminization of migration in West Africa.

Cumulatively, more than half of the respondents fell between the active working age group of between the active working age group of 20-49 years. This is the age bracket in which people are more likely to seek employment and consolidate their positions. This explains the high level of migration in this age bracket. Again the data shows that only 12% of migrants were above 60 years. This indicates that the desire for migration dwindles with advance in age.

With regard to educational level, the study found out that those with higher education were more likely to

migrate. The 40% of migrants from the community had tertiary education with 30% having secondary vocational education. Those with primary education constituted only 4%. This observation may suggest that the lack of employment opportunities requiring higher level of education in the community might have contributed to the migration.

On marital status, it was found out that more than half of the respondents were married with a third of the number being single. It means that marital status is significant to migration. However, only a small percentage of the female respondents migrated to join their spouses. This does not seem to support the idea represented 18%.

In the study, the number of children presented a mixed picture. Those without children constituted 21% and these were among the younger generation who had not married. Those with 1-2 children had the highest tendency to migrate, constituting 34% while those having 3-4 children constituted 22% and those with 5-6 children constituted 18%. This may indicate that as the number of children increases the tendency to migrate decreases; probably they stay back to take care of the children.

**Reason for migration:** The data supports the suggestion that the search for employment constitutes the most prominent reason for migration (Ahsan Ullah, 2011; Tharmalingam, 2011). The data shows 70% of respondents migrating in search of employment. This agrees with the earlier assertion that those with higher education leave the community and are likely to do, so to seek for employment which might not be available in the community.

### Household level benefits

**Household recipients of remittance:** The recipients of remittances were on the whole the mothers and wives. These represent 42% for mothers and 16% for wives, respectively. The data supports the view that children are more inclined to take care of their mothers than their fathers in their old age. This may be due to the view commonly held that mothers continue to be caregivers even in their old age and so are more likely to spend whatever is given them to benefit their husbands. However, it may also be because women may have fewer resources than men to take care of them in their old age and hence, children are more inclined to take care of the more vulnerable of the 2 parents. These explanations remain mere suggestions and speculations which need to be empirically established.

**Purpose and use of remittance:** The study, also found out that a great majority remit for the upkeep of the

beneficiaries or improvement in the family home which means that remittances are for altruistic purposes more than for self-interest. This supports the findings of Solimano (2003) and Rapoport and Docquier (2005). However, results showed that only 6% remitted for the purpose of seed capital to support economic activities of relatives back home which is consistent with the findings of Yang (2011). Remittances are geared more towards non-productive use than productive. This may accentuate the continuous dependency of the recipient household and community on migrant remittances. Properties acquired at home were mostly for the benefit of the extended family representing 34%. This is consistent with the idea that remittances are for altruistic purposes rather than self-interest (Solimano, 2003).

The 28%, however acquired assets for investment purposes. Majority of these investments were in real-state. But, this was largely by those who are contemplating to return home soon or have already returned. This may be a way to secure income to take care of them on their return.

From the data, 70% of migrants responded that they were very satisfied with the use of the remittances sent. This may suggest that migrant households use remittances for what they are intended for. This finding, however challenges the fear of many migrants that remittances sent to relatives are not used for the purpose for which they are sent. On the other hand, this may be the case because a large percentage of the remittances are found to go to the use of the recipients themselves and therefore, the migrant may not be much worried about the use of it.

**Regularity of remittance:** With regard to regularity of remittance, it was found that the vast majority constituting 42% remitted on a monthly basis. This is not surprising, as most of the migrants are likely to be employed on monthly salary. It also goes to support the finding that remittances were largely towards the upkeep of recipients which requires a regular flow of such remittances. Those remitting on weekly and every other week basis represent 10 and 18% were found to be those working in the informal sector. This may suggest that the regularity of remittances was based not only on how much the migrant receives, as income but also are based upon the time of receiving income.

**Importance of remittances to household recipients:** On the need of dependency on remittances, the strong dependency, as presented in 46% strongly needing the remittance, suggests lack of income generation opportunities in the local community. Thus, the

community is highly dependent on remittances. This may also explain the high level of migration. Migration, therefore serves as a means and secure source of regular incomes.

Consistent with literature, migration may also, serve as both risk spreading and insurance for household welfare. It however indicates, the vulnerability of both the migrant and the entire household should the migrant become incapacitated and unable to earn an income.

**Community level benefits:** The findings suggest that migrants were prepared to contribute to development projects that have wider benefits. Total 50% of contributions to the community went to a development fund with 18% sponsoring the education of needy children and 14% funeral contributions. This shows that migrants contribute more towards projects that have the potential to benefit the entire community.

Church or mosque development projects tended to be the recipient of the highest percentage of migrant remittances. This may be explained by the trust migrants have in the religious institutions. It might, also be explained by the religiosity of the Africans in general (Mbiti, 1990) and therefore, migrants might attribute their success in migration to God and to whom the contributions are directed as a sign of appreciation. It may, also suggest that the contribution is to solicit the prayer of the religious institutions for the migrant to continue to enjoy the favor of the Lord.

More positively, however this may be attributed to the view that migrants preferred to invest in projects that would benefit the entire community. This is suggested by the fact that the people in the community are quite religious and trust the religious institutions to use funds for projects that will benefit the community. The 24% of development contribution going to school projects indicates the high premium migrants give to education considering the benefit they themselves might have seen higher education as an opportunity in migration.

## CONCLUSION

The findings of this study have supported Solimano's altruistic motive for remittances that sending remittances is out of concern for the family and a desire to improve the welfare of family members.

Thus, remittances are sent usually out of love, concern and responsibility towards welfare of households. However, the study revealed that remittances are sent for non-productive uses like the upkeep and maintenance of household. Thus, the recipients spend such funds on basic necessities such as food, clothing

and healthcare and hardly, as working capital or any form of investment. This is in line with suggestions made in the literature by Posel (2005) and Ghosh (2006) that most remittances go directly to the family budget and are often used for basic needs. This also supports Litchfield and Waddington's, study that migrant and their households had significantly higher living standards than those without it.

The study, however have shown that migrant remittances have the tendency to accentuate dependency in many poor households which exposes the vulnerability of both migrants and households in the face of any unexpected happenings to the migrant. This may come from various causes ranging from repatriation from a foreign country, loss of employment, sickness or anything that can affect the income generation capacity of the migrant. In such a situation, it is not only the migrant but the entire household that will suffer. It would, therefore be appropriate to encourage migrants to invest in the recipients to get engaged in income generating projects to earn their own income. This will drastically reduce the dependency on the migrant and migrant remittances.

### RECOMMENDATIONS

The study brought to light that the main push factors of migration from rural communities is the lack of employment opportunities for inhabitants who are of a high educational level. To solve this problem, there should be various intervention to create the necessary environment for different self-employment opportunities in the rural areas. Government policies that have been skewed against rural employment but towards urban employment creation should be looked at.

At the community level, the study has demonstrated the important role migrants exercise in the development of rural communities. From the study, it is evident that most migrants contributed to the development of projects that benefit the entire community and usually channeled the funds through the religious institutions. The study, also supports the view that migrants are agents of change and that they bring back with them new ideas and innovations, as is evident in the architectural designs used by migrants on their houses. Migrants, also evidently help to increase the welfare of the people by helping them to meet their basic needs, thereby reducing absolute poverty levels in the entire community.

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