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**MASTERS OF SCIENCE IN SUSTAINABLE DEVELOPMENT SPECIALIZATION  
IN ACCOUNTING AND FINANCE**

**OPPORTUNITIES AND CHALLENGES OF REMITTANCES AS A SOURCE OF  
EXTERNAL DEVELOPMENT FINANCE: THE CASE OF REAL ESTATE  
DEVELOPMENT AND SOCIO-ECONOMIC WELL-BIENG IN BUEA SUB-  
DIVISION**

**PRESENTED By**

**KACUM MPAME ASHU**

**REGISTRATION NUMBER**

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**Supervised by:**

Mr Dan EKONGWE

**MAY, 2015**

## THESIS FINAL SUBMISSION FORM

This is to confirm that I have formally submitted my thesis titled "*Opportunities and challenges of remittances as a source of external development finance: The case of real estate development and socio-economic well-being in Buea Sub- Division* " to the Pan African Institute for Development – West Africa (PAID-WA) as an original research report for the award of the *Master of Science (M.Sc)degree in Sustainable Development with Specialization in Accounting and Finance* this 27<sup>th</sup> Day of November 2015.

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| <b>Matriculation Number of Student:</b>    | MSB0077/PAIDWA/12                                                                                                                                                                   |
| <b>Title of the Thesis:</b>                | Opportunities and challenges of remittances as a source of external development finance : The case of real estate development and socio- economic well- being in Buea Sub- Division |
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Signature: 

Student

Kacum Mpame Ashu

Date: 28th September, 2015

Signature: 

Supervisor

Mr Dan EKONGWE



Date: 28 September 2015

## **DEDICATION**

This thesis is dedicated to my parents Mr/Mrs Kwe and to my son Nkongho Mbeng.

## **ACKNOWLEDGEMENTS**

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## **ABSTRACTS**

Remittance has gained currency because it leads to investment and socio-economic-well-being of people in recent years. This study examines the contribution of remittances to developing the housing sector in Cameroon. This study assesses the opportunities and challenges of remittances as a source of development finance, particularly for investment in real estate development and improving the socio-economic well-being of the recipients. The population for this study was remittance beneficiaries and owners of remittance financed buildings for commercial purposes. A population of 160 households was surveyed. This study followed an exploratory and hypothesis testing research design, using primary data collected by means of questionnaire administered to remittance receiving households, informal interview from student hostels and individuals in the various neighbourhoods. The data was summarized or analysed using excel spread sheets and statistical package for social sciences. The findings were summarized in graphs and tables. Chi-square test was used to test hypothesis on the impact of remittance on real estate development and socio-economic well-being of receiving remittance receiving households. The result showed that majority of the respondents used money transfer agencies to receive money from abroad, and the chi-square analysis on the contribution of remittance to real estate development was statistically significant but contribution of remittances to real estate development in Buea for commercial purposes is minimal because most of the structures have been built by those within the country who take loan from credit foncier, big businessmen or those who manage government budgets. The chi square result on the impact of remittance in the socio-economic well-being of the recipients was statistically significant. There exist significant interactions between households receiving remittances and the community to which they belong through multiplier effects, this leads to an overall development in the community. There is need to improve on government policies that facilitates the channelization of remittances.

## LES RÉSUMÉS

Les transferts de fonds des migrants s'accréditer parce qu'il mène à l'investissement et bien être socio-économique de gens ces dernières années. Cette étude examine la contribution des remittances internationales au développement du secteur du logement au Cameroun. L'objectif principal de cette étude est d'évaluer les opportunités et les challenges de transferts de fonds des migrants comme une source de finance externe pour le développement. Les transferts des fonds des migrants dans la ville de Buea sont destinés à plusieurs secteurs pour le développement tel que la consommation, le paiement des frais scolaires, la santé, la construction des bâtiments et bien d'autre. La population pour cette étude était bénéficiaire des remittances internationales et propriétaires des bâtiments financé des transferts de fonds des migrants pour les buts commerciaux. Une population de 160 maisons a été inspectée. L'étude a suivi un d'exploration et les tests d'hypothèse dessiner de la recherche, utiliser les données primaires rassemblé au moyen de questionnaire administré au ménages qui reçoit les fonds des migrants, l'interview informelle au près des résidents des mini cités et les individus dans les différentes voisinages. Les données ont été analysées et résumés à l'aide d'un logiciel excel de statistique pour les sciences sociale. Les résultats ont été résumés dans les graphiques et les tables. Le Chi carré a été utilisée pour tester l'hypothèse sur l'impact des transferts de fonds des migrants sur le développement immobilier propriété et le bien-être socio-économique des ménages qui reçoit les remittances internationales. Le résultat démontre que la majorité des personnes interrogées utilisent les sociétés des transferts d'argent pour recevoir de l'argent de l'étranger. L'analyse chi - carrée sur la contribution des fonds des migrants pour le développement des logements était statistiquement considérable mais la contribution des remittances internationales dans Buea pour les buts commerciaux est minime parce que la plupart des structures ont été construites par ceux dans le pays qui prend l'emprunt du crédit foncier, grands hommes d'affaires ou ce qui dirigent des budgets du gouvernement. Les chi carré sur l'impact de fonds de migrants dans le bien-être socio-économique des bénéficiaires étaient statistiquement considérable. Il existe des interactions considérables entre les ménages qui reçoivent de fonds des migrants et la communauté à qu'ils appartiennent à travers l'effet du multiplicateur, cela mène à un développement total dans la communauté. Il est nécessaire que le gouvernement améliore les politiques qui facilitent l'envoi des remittances internationales aux bénéficiaires parce que ce bien faits multiples mène au développement des ménages et par ailleurs de notre nation.

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## **LIST OF ABBREVIATIONS**

|       |                                                         |
|-------|---------------------------------------------------------|
| AfDB  | African Development Bank                                |
| AU    | African Union                                           |
| BPM6  | Balance of Payment Manual six                           |
| CEMAC | Economic Community of Central African States            |
| CGAP  | Consultative Group to Assist the Poor                   |
| EU    | European Union                                          |
| FDI   | Foreign Direct Investment                               |
| FFF   | Five Years of Financing Facility for Remittance         |
| GBHS  | Government Bilingual High School                        |
| GDP   | Gross Domestic Product                                  |
| HTAs  | Home Town Associations                                  |
| IDB   | Inter-American Development Bank                         |
| IMF   | International Monetary Fund                             |
| IOM   | International Organisation for Migration                |
| LAC   | Latin America and the Caribbean                         |
| MTO   | Money Transfer Operator                                 |
| ODA   | Official Development Assistance                         |
| OECD  | Organisation for Economic CO- operation and Development |
| UN    | United Nations                                          |
| USA   | United States of America                                |
| USD   | United States Dollar                                    |

## **CHAPTER ONE**

### **INTRODUCTION**

#### **1.1 BACKGROUND OF THE STUDY**

Migration is a constant human experience and has gained much attention recently. On the basis of this currency, governments, international organizations and regional organizations like the Economic and Monetary Community of Central Africa (CEMAC) have taken steps through conferences, seminars and workshops to discuss the opportunities and challenges of migration. In this instance, the United Nations High-level Dialogue on migration and development held in New York in September 2006 was a composition of both regional and international efforts to boost the cooperation on migration and development issues.

The themes discussed at the four round table sessions comprised the effect of international migration on economic and social development; multidimensional aspects of international migration including remittances; combating and preventing trafficking of persons and smuggling of migrants as well as capacity building and sharing best practices (Martin et al.,2007).This has led nations to recognize various ways of maximizing development benefits from international migration and promote inter- state consultation for mutual benefit to home and sending countries; for example return migration schemes.

The first Global Forum on Migration and Development was held in Brussels in July 2007 and was attended by government officials, policy makers, international organizations and civil society actors; including private sector NGO's, universities, academics, think tanks and Diasporas equally contributing in raising awareness on the linkage between migration and development. By mainstreaming migration in development policies and better policy coordination at national, regional and international levels migration will be beneficial to both origin and sending countries. The key issues that called for attention included remittances as a variable of migration and development and placed on global agenda like other pressing issues of global concern linking migration policies to development policies. Hence, maximizing the use of remittances, human capital development and labour mobility and

enhancing institutional and policy coherence as well as promoting partnerships<sup>1</sup>. From this supposition it can be argued that international migration has enormous potential for growth and poverty alleviation in both of origin and destination countries. According to the United Nations (UN), more than 230 million people were living out of their countries of birth in 2013, and over 700 million migrated within their countries. In the coming decades, demographic forces, globalization and climate change will increase migration pressures within and across the borders<sup>2</sup>. Pope Francis just linked migration to climate change and poverty.

One reason for which international migration has become a critical issue in our time is the focus on remittances because of its impact on development particularly in developing countries like Cameroon. Thus, Cameroon as a member of the African Union (AU) at the continental level, CEMAC at the regional level and the Joint African EU Declaration on Migration and Development at the inter-continental level has been making effort to partner with organizations as mentioned above to better manage migration in a more comprehensive manner. Facilitating such arrangements and cooperation between the countries of origin, transit and destination lead to a spirit of shared responsibility<sup>3</sup>

The Inter- American Development Bank (IDB) carried out the first systematic mapping of remittances in the Latin America and the Caribbean (LAC). This gave way for a discussion on the developmental impact of remittances and placed the topic on the agenda of the 2004 Sea Island Group of Eight (G8). Later in 2007, IFAD carried out the first global mapping of remittances to developing countries and revealed their true magnitude sent home for the first time and it stood at 300 billion US dollar.

Remittances have emerged as a major source of external development finance in recent years (Ratha, 2003). Given their magnitude and potential to reduce poverty, they have gained the attention of policy makers to cross examine the trends in these remittance flows and other important issues confronting policy makers in leveraging the effectiveness of remittances for developing countries and regions of origin. Globally, remittances now constitute the largest source of financial flows to developing countries after foreign direct investment and in some countries; they are the largest source of foreign capital (IOM World Migration Report, 2005).

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<sup>1</sup> See current African Issues which views the challenges and opportunities of migration, and calls on the government, international organizations as well as civil societies to jointly to come together to maximize the benefits of remittances which is one of the nexus between migration and development.

<sup>2</sup> [www.migration](http://www.migration) news; See also discuss of Pope Francis on Migration 17/06/2015

<sup>3</sup> [www.diplomatie.gouv.fr](http://www.diplomatie.gouv.fr)

Officially registered remittances to developing countries have grown extraordinarily in the last decade from 55 billion USD in 1995 to an estimated 325 billion USD in 2010 (Mohapatra, Ratha and Silwa, 2011). Whereas, these remittances to developing countries are estimated to have totalled USD 404 billion in 2013, which is an increase of 3.3 per cent of the previous years. Global remittance flows including high income countries were estimated at USD 542 billion in 2013. Top recipients of official remittances in 2013 were India with USD 70billion, China USD 60 billion and Philippines USD 25 billion (Migration news, 2014).

In 36 out of 153 developing countries, remittances are larger than all capital flows, public and private. In many countries they are larger than their earnings from the leading export item. These remittances in Sri Lanka were more than tea exports. In Mexico for example, they were larger than FDI and about the same size as oil exports (Ratha, 2003).

Migrants send money to their families and communities of origin. This has become important sources of family and national income in many developing countries and is the largest source of external development financing. The sender has a fair degree of control over the uses of these remittances, turning to send them in several instalments over the course of the year. Indeed in some developing countries, remittances can account for more than 20% of GDP. Therefore, the post 2015 development agenda calls for reduction of migration cost which can be a major drain on migrants' income and ability to help families back home.

At the household level, remittances help cover daily expenses, to provide a cushion against emergencies or to do small investments or help take care of education and health expenses. Remittances are better targeted to the needs of the poor than foreign aid or foreign direct investment because they are direct. That means remittances are from people to people. While remittances may provide such opportunities, there are challenges. International remittances service should be safe, efficient and reliable. But in order to achieve this, the necessary conditions must be fulfilled: increased competition in the remittance industry, provision of broader payment system infrastructure, enhanced transparency and ensuring a sound and predictable legal and regulatory framework. This will contribute to reduce the average cost of remittances in Sub Saharan Africa as well as Cameroon. Also, reducing the average global remittance cost to send money home from 8.4% to 5% in line with the G8 and G20 could save migrants about USD14 billion a year<sup>4</sup>. Furthermore, local banks in liaison with the

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<sup>4</sup> Migration news July 2014.

Central Bank like BEAC must create a mechanism to measure the deposit and developmental impact of remittances.

These transfers are of great significance and a stable source of external finance (Ratha, 2003), being second in value with respect to foreign direct investment and triples official development aid and remittances have proven to be relatively able to withstand Macroeconomic irregularities, resisting the cyclical movement that is typical with international flows such as short term portfolio investment, foreign direct investment (Mohapatra, Ratha and Silwa, 2011).

Migrant workers do not remit money only to their family members but also maintain some social obligations with their country of origin through Home Town Associations as they join finance to assist to practical social projects for the betterment of their places, hence pulling their home economies into the global economy. These Home Town Associations (HTAs) are gaining importance in the Caribbean and the Latin America due to their degree of support to their communities. At the cultural, economic, political and social levels, remittances provide close and complex relationship in development and migration (Orozoco, 2004a; Nyberg, 2004 and Adams and Page, 2003).

In other words remittances tend to be less volatile than other sources of foreign exchange earnings and are the most non- controversial link between migration and development. They support financial sector development through strong positive impact on bank deposits and credit to private sector. For example the imminent launch of the Ecobank Diaspora account in 2012 is an idea whose time has come in so as to capture the money thousands of Africans working outside their mother countries send back to their families which is a lifeline for many millions of people without any source of income which according to the World Bank data, these remittances to Sub-Saharan Africa from abroad exceeded USD 21 billion in 2009 as compared to USD 12 billion in 2007. Government and remittance service providers are urged to cooperate and reach out to each other to enhance the development impact of remittances in Africa<sup>5</sup>.

In 2012, International migration in Cameroon was estimated at 279.2 thousand, a percentage of 1.4 of the population and the top destination countries were France, Chad, Gabon, United

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<sup>5</sup>The Torch an Ecobank magazine, March 2011

States, Nigeria, Germany, Spain, United Kingdom, Central African Republic and Italy (Migration and Remittance Factbook, 2013).

There are both negative and positive consequences of international migration in Cameroon. Firstly, Cameroonian emigration has an impact on the labour market as it reduces pressure on unemployment index as well as brain drain. The increase in the transfer of funds has led to the multiplication of banks and money transfer companies, thus generating thousands of jobs. After ten years of the creation of Express Union, more than 200 other agencies have been created and 5020 jobs were created. In addition, remittances sent home are used for the purchase of consumer goods, payment of rents, medical care, and school fees. These transfers stimulate economic activities as they facilitate the finance for the initiation of projects and income generating activities.

According to the World Bank (2009), the amount of remittances from Cameroonian emigrants was estimated at USD 129.94 million in 2005, this is 2.5% of ODA. Meanwhile, remittances in 2000 were estimated at USD 11 million. And it increased to USD 103 million in 2004 and USD 167 million in 2008<sup>6</sup>; that is 0.8% of GDP (World Bank, 2009). The darker side of emigration is that it leads to brain drain. According to statistics from Organization for Economic Cooperation and Development (OECD) in 2005, Cameroonian migrants in Europe numbered 57050 thousand. Some 42.3% being highly qualified and this phenomenon concerns especially doctors and academics<sup>7</sup>.

Remittance compensates for the human capital loss as a result of migration and has the potential in boosting economic growth. Therefore, from a developmental perspective, the objective of this study is to rationalize the impact of remittances as a potential source of development finance. To maximize such benefits there is the need to improve on the inflow of remittances, and good policy framework and institutions that would enable remitters channel remittances into growth enhancing activities (Ratha, 2003).

The impact of remittances as an external source of development finance has also gained currency particularly in Buea the regional headquarters of the South West region, Cameroon. The town of Buea is significant in analysing the impact of remittances because of its unique history. The town of Buea is the headquarters of South west region of Cameroon. This reflects the political status and importance of Buea.

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<sup>6</sup> Migration and remittance Factbook 2013

<sup>7</sup> See Cameroon migration profile 2009

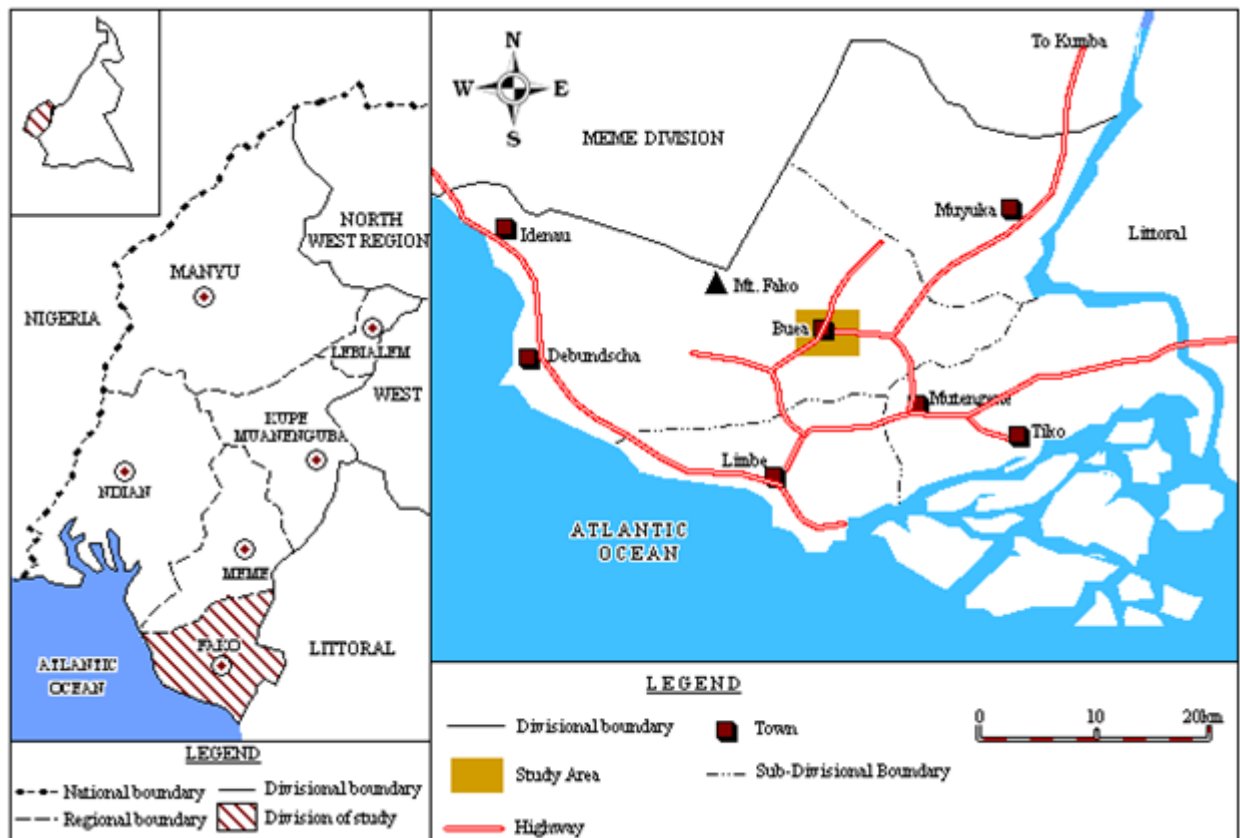
Before the establishment of the University of Buea in 1993, there were no ‘*minicites*’ and even after UB came in its first two years, only few houses were in Molyko along the Malingo street which was then a foot path. Buildings that served as ‘minicites’ were for the students of GBHS Molyko around the Checkpoint. When the University Buea was opened, the first *minicite* in Buea was built at the Malingo Street and by then the area was principally Small holder plantation. Later people started building houses and developing real estates for the sole purpose of letting to students. Coincidentally, the 1990s is described as the age of migration. Many people were now going abroad and the idea back home was to send money for building of *minicites*. As it developed to this our period, *minicites* and real estate business have now become the norm as Buea has become an established academic town with a lot of investment in building infrastructure. These developments have led to different socio economic impact and also attracted diverse economic activities that continue to attract funds for investment from abroad.

### **1.1.1 Geo-Historical Background of Buea**

The study area is situated in Fako Division South West Region. Buea falls on altitude 4.090 North and 9.13oEast and located at the foot of Mount Fako (4095m) above the sea level, which is the tallest peak in Cameroon and West Africa. It has an active volcano and has erupted seven times in the last century. The mountain has the most beautiful touristic site and each year, the Mount Cameroon race of hope is hosted in Buea. She was the capital of German Kamerun. Later when the German left after World War I (1914-1919), Buea became the British Protectorate of Southern Cameroon. From 1919-1961 after the German annexation of Cameroon in 1884 It is the administrative headquarters. From 1972 when the referendum was conducted Buea became an inspectorate with a later transformation into a provincial headquarters. Legacies such as West Cameroon House of Assembly and House of Chiefs disappeared. Since 1985 Buea has been identified as the provincial headquarters when the ten provinces of Cameroon were created. Buea host one out of the two Anglophone universities in Cameroon. Aspects of colonialism can still be seen such as the German monument, buildings such as the former residence of the German Governor. Buea is a highly concentrated town, very cosmopolitan with a cross section of all ethnic groups in Cameroon and neighbouring countries represented. It is an urban town although classified among the rural headquarters of the south west region and has a population of about 150000 inhabitants and the Buea sub- division covers an area of 375km square. These due to its limited socio-economic development for instance lack well-constructed markets and absence of good farm

to market roads. Buea is an Equatorial rain forest as a result of the location of the area which experiences volcanic eruptions and other related matter from the mountain.

**Figure 1.2: Map showing the location of Buea sub- division**



**Source:** designed for the study

### 1.1.2 Socio- Economic Infrastructure

Social amenities such as recreational centers, touristic centers, sporting materials are indicators of development. The presence of these social amenities is very important in rural areas. And from my observation, basic social facilities are inadequate in Buea.

Education and health play a vital role in development. Buea has a history of early educational establishment from colonial masters. The first secondary school was opened in 1939 in Sasse a town 6 kilometers from Buea (Saint Joseph College Sasse). Government Trade Center Ombe followed in 1952 and Yaba Technical Institute came later in the decade for students

inclined to pursue technical studies. Today, Buea has more than 40 primary schools, 25 post primary institutions, 25 technical institutions, a teachers training college, one university of an Anglophone Saxon and 6 professional schools pattern.

One district hospital is located in Buea. Apart from the hospital there are more than 11 health centers for example the Muea Health Center, Solidarity Clinic, Sumbele clinic, Seven Day Adventist clinic etc.

There are also many touristic centers in Buea. To begin with, Mount Fako has the most beautiful touristic site found in West and Central Africa of high interest to both scholars and visitors. In addition, the Bismarck monument, view of Buea town, Alliance Franco Camerounaise, Cow Master Upper Farms and the delegation of culture where one can please himself culturally are the different touristic centers present in this Buea.

As for recreational spots there are swimming pools at hotels such as Mountain Hotel grounds and Chariot Hotel, two stadia at Buea town and Molyko respectively.

### **1.1.3 Economic Activities of Buea**

The dominant economic activities in the area are agriculture, banking and commerce. But agriculture is the dominant economic activity in Buea (about 80%) which forms the backbone of the local economy, and the success of it depends on rainfall. The people of Buea engage in mostly subsistence farming for the up-keep of their families. Even though women contribute by way of helping their husbands on farm activities, they do not have control over the farm produce when harvested and brought to the house. Food crops grown in Buea are cocoyam, cassava, plantains, potatoes, different types of vegetables etc. Both men and women engage in rearing livestock for domestic consumption and the market. Non- farming activities are practiced as their second source of livelihood strategy because of the low agricultural output may be because of the rocky nature of the area that makes cultivation tedious. Hence women engage in petty trading, hair dressing, restaurant business, seamtressing and fashion canters while the men involve themselves in activities such as motor garage work, tailoring etc. The peak of agricultural activities is during the rainy season as a result of harvesting. The rainy season is the busiest period in the lives of rural communities because agricultural production is predominantly rain-fed and the farming systems are particularly sensitive to small changes in climatic conditions and coincidentally, it is the period of the longest academic vacation.

Households therefore cease this opportunity and increase their labour forces with the help of their children who have as a duty to labour for their tuition.

Farm lands are cleared by the men and thereafter, women and children do the burning, hoeing, weeding and harvesting. The farm products are usually for home consumption while the surplus is sold to the local markets and income derived spent on other basic necessities. Traders from the neighbouring towns buy farm produce from the local markets in Buea at very cheap prices and take to towns like Limbe and Douala where they sell at high prices. Some are employed at the Tole tea Estate which is a part of the Cameroon Development Corporation (CDC), the second largest employer in Cameroon.

Apart from this, a significant number of them that are employed in the secondary and tertiary sectors such as banking, health services (government and private), teaching (public, mission and private primary and secondary schools) etc. The revenues derived from these works especially from the primary sector are also very low, thus compelling them to engage in multiple occupations. This also brings many migrants into the area to work in these institutions.

This increasing number of inhabitants triggers the need for more and improved services, that is, it should be accompanied by a corresponding increase and efficiency in infrastructural development as well as service delivery (social facilities). The absence of such services commensurate to the population of Buea has subjected it to maintaining its status quo as a rural area.

Focus on the area of study gives the reader a fore knowledge and highlights of where this area is situated in Cameroon. Agriculture forms the backbone of the economy of these people and women are more involved than men. Buea is not only inhabited by the indigenes, it is the home of many people from different parts of Cameroon and also foreigners.

## **1.2 STATEMENT OF THE PROBLEM**

In the last two decades there has been a rapid attention given to migration and migrants in Cameroon despite the fact that little is known about the total number of migrants from Cameroon to other countries. In Cameroon, remittances which is one of the benefits of migration is said to have been directed into different areas of socio economic development such as; consumption, healthcare, school fees and a greater proportion of this money is directed in real estate development. The market for money transfer in Cameroon is young and

faces the challenge typical of emerging markets, such as about the volume, high transfer costs, limits and requirement for money transfer, lack of access to financial services to remittance senders and recipients and lack of technological innovations (The FFF Brief, 2013).

It has often been argued by remittance pessimists that remittances are not put into productive uses. Remittance recipients and migrants spend the bulk of remittance on current consumption and unproductive assets such as housing which is not a result of local economic activities and therefore create a dangerous dependency on remittances (Mter, 1995; Kagermeier, 1997 and Lazaar, 1989). Many researchers have strongly disapprove migrants' priority for real estate as it is considered migrants lack entrepreneurial mentality or have irrational investment behaviour (De Haas, 2007). However, this is not a widespread phenomenon because the impact of remittance depends on the locale and rejecting aspects such as proper housing and sanitation which offer convenient living as non-developmental is a narrow view of development. Meanwhile developmentalist 'migration optimists' argued that migration and the flow of remittances, as well as the experience, skills and knowledge of returning migrants would help migrants countries of origin in developing countries in their economic take-off (Penninx 1982; Beijer, 1970). In recent years, this optimistic developmentalist view of migration, remittances and development seems to be experiencing a remarkable renaissance (Ratha 2003; World Bank 2006).

In Cameroon, different studies that assess remittances have been conducted (e.g., Dan Ekongwe in innovation and Concestial Development PIPD 2015; Ernest, 2009; Primus, 2010; Annett, 2007; Ethel, 2012; Christina, 2011; Dobdingha and Molem 2010). Nevertheless, most of them are concerned with the impact of remittances at the macroeconomic level and macroeconomic determinants of remittances. The first and the second are micro studies.

In Buea so far, only Ernest (2010) has investigated migrant remittances as an opportunity for development finance. He examined the role of migrant remittances on farm profits. He concluded that profits while depending on prices, level of education also depend on migrant remittances. There exist a positive relationship between demand for inputs and supply of products to market with migrant remittances. The study therefore calls for measures to ease the flow of migrants' remittances and tap into its significant contributory effects in improving welfare especially in rural Cameroon. Consequently, the effects of migration and remittance

on the socio- economic well-being of migrant households and the indirect benefits through multiplier effect at the community remains a lacuna.

In addition to the above, the Molyko, Bomaka and Muea neighbourhoods of Buea are students' residential zones which exhibits a lot of real estate developing. In such areas we do not expect the effects of migration and remittances to be like other places. There is no research that has been done here to assess the impact of remittance on real estate development and on the socio- economic well-being on remittance recipients and the indirect benefits of the locality This is the gap that this study is devoted to fill.

In order to support the developmental impact of remittances, development actors, policy makers, regulators and private sector have been putting efforts to leverage remittances for increased local economic activity, jobs and income so as to break the migration cycle. Leveraging remittances through reduction of costs and financial education is a very important and helpful initiative to assist migrant workers and remittance recipients to benefit fully from the result of their labour. Therefore Remittances contribute to the wellbeing of individuals in Buea.

### **1.3 RESEARCH QUESTIONS**

The following research questions were relevant for this study:

1. What are the magnitude, medium of transfer, and the end use of remittances by individuals in Buea?
2. Does remittance have an impact on real- estate development in Buea?
3. What is the impact of remittances on the socio-economic well-being of the beneficiaries?

### **1.4 OBJECTIVES OF THE STUDY**

The main objective of the study is to assess the opportunities and challenges of remittances as an external source of development finance. The specific objectives are:

1. To examine the magnitude, medium of transfer and end use of remittances by individuals in Buea.
2. To examine if remittances increased the rate of real estate development in Buea.
3. To determine if remittances increased the socioeconomic wellbeing of beneficiaries.

### 1.5 HYPOTHESIS OF THE STUDY

This study has two hypotheses to test the impact of remittance on real estate development and economic well-being of the beneficiaries in Buea, the test is done at 0.05 level of significance using chi-square. Both the null and alternative hypothesis is presented below;

**H<sub>0</sub>:** Remittances has no significance effect on the development of real-estate development in Buea.

**H<sub>1</sub>:** Remittance has significant effect on the real estate development in Buea.

**H<sub>0</sub>:** Remittances has no significant effect on the economic well-being of the recipients.

**H<sub>1</sub>:** Remittances has significant effect on the economic well-being of the recipients.

### 1.6 SIGNIFICANCE OF THE STUDY

Remittances are the most important factor gaining increasing interest of policy makers, development actors, government and researchers on the nexus between migration and development. Regarding the scope and intensity of migration in the world, the amount of remittances and the nature of remittances as a correlation these flows help to alleviation of poverty in societies and enhance community development. This study aims to explore and analyse the role of remittances in enhancing real estate development, welfare of remittance recipients and understanding the indirect benefit of real estate business and the end uses of remittances in the locality. This study will therefore broaden our knowledge on how remittances contribute to the development of the place of origin and will act as an eye opener to the Diaspora on the productive investment in the home countries as well as inform different stakeholders on how to leverage the flow of remittances to improve the development potential of these flows. Furthermore, the study will clearly indicate the variation in utilization pattern of remittances between quarters in Buea.

In this direction, this study is timely and postulates a hypothesis linked to the creation of the new Government Technical Training College in Kumba because *hostels* do not exist there. As a case study it stands as a model to measure the developmental of remittances in the real estate business which is similar to the study under consideration.

As a case study the argument is that in the absence of minicities (*hostels*) culture in Kumba, it is hypothetically argued that the same configuration and correlation of migration, remittance and development will occur in Kumba after the creation of GTTC.

The word *minicities* only existed in Yaounde with the creation the University and became a business connotation after the creation of university of Yaounde in Cameroon. And it has been the case of other towns where there is a state university and institutes of higher learning such as Buea, Soa, Douala, Maroua and Bamenda.

With the creation of the University of Buea, Molyko which is a student residential quarters especially has recorded tremendous growth of real estate business alongside with the neighbourhoods of Bomaka as a result of the establishment of the Medical school as well as Muea. It is therefore evident that, due to the establishment of the GTTC in Kumba, the correlation is that, the projects will lead to increase interest in real estate in these areas where this institution is found. This shows that there is a correlation between the creation of higher institutions of learning and building infrastructures. And the question is from where do these funds for building hostels, apartments, hotels, school or hospitals come from? For this reason, this study focuses on the impact of remittances on the development of real estates that is the building sector in Molyko and other related quarters in Buea. The study examines the question of remittance as an emerging source of development finance by focusing on the gap in the literature on remittances in Sub-Saharan Africa and particularly Cameroon.

## **1.6 DEFINITION OF TERMS:**

### **1. Migration**

Migration in this study refers to the voluntary movement of people who from their place of origin to another country in search of a livelihood so as to better their living standards with the intention of making it their home.

### **2. Migrant:**

A migrant is defined as a person who decides to move voluntarily from his country of origin to another country in search of employment or better prospects either due to push or pull factors. That is, only cross border economic migrants are considered for this study.

### **3. Diaspora Remittances**

International Organization for Migration, Geneva defines (IOM) defines remittances as moneys earned by non-national that are transferred back to their country of origin (World Migration Report, 2008). In other words diaspora remittance in this study is defined as the money sent by migrants abroad to their relatives or friends.

#### **4. Development**

In the context used here, this refers to all the positive impacts or improvements on the living standards of a group of people due real estate development and alleviation of poverty by remittances.

#### **5. Real estate**

In this study real estate is referred to the construction of hospitals, hostels, hotels and apartments for commercial purpose.

### **1.7 THE SCOPE OF THE STUDY**

The scope of the study covers the locality of Buea and focuses on Molyko, Bomaka and Muea because of the correlation between the University of Buea and the Medical School and the expansion of real estate in these neighbourhoods.

### **1.8 ORGANIZATION OF THE STUDY**

For analytical purposes and easy understanding study is divided in five chapters including the general introduction. Each chapter examines different themes of the study.

Chapter one is the introductory part of the study and provides information on the study focusing on the background of the study, problem statement, objectives, hypothesis and relevance of the study. Chapter two examines the review of literature and the theoretical framework of the study deals with review of literature and theoretical framework, while Chapter three discusses methodology of the study. Chapter four is data analysis and discussion. The research limitations are also raised in this chapter. And lastly, chapter five is conclusion and recommendations

## **CHAPTER TWO**

### **REVIEW OF LITERATURE AND THEORETICAL FRAMEWORK**

The literature on remittances has grown in recent years compared to the previous decades due to its impact on development. And the phenomenon of remittance flows is inseparable with that of migration where remittances is considered to be one of the major impacts of migration, theories on remittances is highly related to and originate from the theories of migration. Migration is relevant for sustainable, inclusive and equitable growth and development of all countries. It opens doors to opportunities, raises incomes and standards of living and has permitted many individuals to pursue education and careers that otherwise would be closed to them and paid for healthcare. Migration has fuelled growth, innovation and entrepreneurship not only in the migrants' host countries but also in their home countries. This chapter will be made up of three sections. The first is the literature review of the study, the next is the theoretical review and lastly empirical review.

#### **2.1 LITERATURE REVIEW**

##### **2.1.1 Linking Migration, Remittances and Development**

The phenomenon of migration from poorer to wealthier countries has been an inevitable phenomenon since decades, but the increased pace of migration in recent times, mainly attributed to the process of globalization and improved communication networks, has led to changing streams of migration making it an interdisciplinary issue involving developmental economists, sociologists and demographers. According to the UN, the global stock of international migrants as of 2013 is 232 million persons (3.2% of the world population ) , up from 175 million in 2000.

In contrast South- South migration is estimated at 82.3 million or 36% of migrants from developing countries lived in another developing country. Meanwhile 81.9 million or 35% of migrants from the South live in developed countries. Women accounted for 48% international migrants. Two thirds of the global migrant stock resides in advanced countries with United

States of America (U.S.A.) being the top immigrant recipient country presently. As of today, Asian countries such as India, China, Philippines, Turkey and some Middle Eastern countries feature amongst the top emigration countries in the world.

In spite of ‘migration’ being considered by the developing countries from where large scale emigration takes place, as ‘loss of skills’ that could have possibly led to development in their countries; and by the developed countries to where large scale immigration happens, as a policy and border control issue, migration has been seen as a development issue for not only the migrants themselves but also the origin as well as the host countries leading to a shift in the focus of research on migration from causes and consequences to focus on more policy oriented approach towards development (Milly, 2012).

Migration and development have been interpreted to having been influencing one another in the sense that development in a particular area provokes migration to that area from other less developed areas (Skeldon, 2008).

Furthermore, migration to a given country has consequences including development implications for the origin areas from where the migration takes place. Sriskandarajah (2005) and Ratha (2007) attest that migration has development impacts and identify three key areas that connect migration with development. These involve issues related to skilled worker migration and brain drain, impact of financial flows related to migration which is migrant worker’s remittances and the role of Diaspora communities. Each of these issues has been discussed in the following sections.

#### **A. Turning Brain Drain to Brain Gain**

International migration has both cost and benefits even though universally it is believed that migration deprives poor countries of valuable resources, low skilled migration does not impact the sending countries adversely. The issue of skilled worker migration and its related costs and benefits to the country from where these workers come from has been highly debated. According to Newland (2007) migration of skilled workers from an emigration country is a loss for the country in terms of skills, cost of education and loss of tax revenues. The International Organization for Migration agrees that ‘as of 2001, nearly one in every ten tertiary educated adults born in the developing world resided in North America, Australia or Western Europe’ (World Migration Report, 2008), especially, emigration of health workers have been considered to have adverse consequences in terms of loss of

skilled health personnel for the source country. Nevertheless, recent debates focus on the positive outcome of emigration. There is increasing evidence countering the classical brain drain hypothesis showing that migration might cause a brain gain because brain drain can encourage stay-behinds to study (Stark et al. 1997). Furthermore, emigration of highly skilled has led to a long-term beneficial effect in the form of remittances, investment, trade relations, new knowledge, innovations, attitudes and information (also known as ‘brain gain’). Hence, the more positive side of this phenomenon is being recognized (Batista, Lacuesta and Vicente, 2007) leading to a major policy issues for the home countries to attract transfer of remittances, knowledge and skills from their expatriates for the benefit of the home country.

### **B. Impact of Financial Flows Related to Migration: Remittances**

Financial flows related to migration involve mainly personal transfers to family members or friends in the country of origin, investments by migrants in the origin country and philanthropy of migrants. But remittances have been observed to have higher developmental impacts through reduction in poverty, elimination of credit constraints and better health indicators in the households receiving them (Ratha and Mohapatra, 2007). Unlike skilled worker migration whose benefits are debated (Schiff, 2005), remittances have been considered to be the ‘most tangible’ and ‘non-controversial’ link between migration and development because of direct observable positive impacts (Ratha, 2008). Therefore, it is necessary to understand how remittances are defined and conceptualized in literature as well as economic and statistical arena. International Organization for Migration, Geneva (IOM) defines remittances as ‘monies earned by non-nationals that are transferred back to their country of origin’ (World Migration Report, 2008) and (IMF) defines remittances as ‘household income from foreign economies arising due to temporary or permanent movement of people to those economies’. So, what basically emerges from the above definitions is that remittances are transfers between individual migrants and their respective families at origin.

The standard definitions for compilation of statistics on remittances by countries currently follow the International Monetary Fund Balance of Payments Manual (BPM6) where remittances have the following components:

- Personal transfers are defined as ‘Current transfers in cash or kind by migrants who are employed in new economies who are considered residents and non-residents there to residents households. It includes all current transfers between residents and non-residents.

- Compensation of employees defined as ‘income of border, seasonal and other short term workers who are employed in economies other than those in which they are residents paid by non-residents entities of those economies.’ It represents remuneration in return for labour input to the production process by an individual in an employee employer relationship with the enterprise.

Remittances and its potential for development has been the current focus in migration and development literature since the past decade. Newland (2007) and Ratha (2008) indicate four major reasons that make remittances the most important contributor to the increasing interest of researchers on the nexus between ‘migration and development’. They are as follows:

### **C. Volume of economic migrants in the world**

Among the different types of migrants that exist in the world, economic migrants constitute a majority (Ratha, 2008). Income difference between countries has been identified as the most important push factor behind economic migration. International Development Committee Report (2004) on migration and development say migration can be managed for poverty reduction at the origin, conclude that since it is the economic migration that links migration with development in the countries of origin and host countries by benefitting all parties it is essential to gain interest in this area of research.

### **D. Volume of remittances**

Within the last two decades, there interest in the area of migration and development not only by researchers but likewise policy makers is triggered increase in the volume of global flow of remittances alongside migration. In 2013, the flow of remittances to the developing countries are estimated to reached US\$ 542billion from only US\$ 55 billion in 1995 (Migration and Remittances Factbook, 2014). It has surpassed global Official Development Assistance (ODA) and is second only to Foreign Direct Investment (FDI). These numbers, however, should be interpreted with caution for two primary reasons because official estimates do not take into account remittances flowing through informal channels, such as those hand carried by migrants on visits home. Additionally, remittances from unofficial channels such as those carried by friends and relatives of migrants, carried by migrants themselves and informal money transfer agents are estimated to vary between one third to 250 per cent of the amount through formal channels of transfer (Caroline and Nikola,

2005). Although, remittances through informal channels are associated with money laundering and used for financing terrorism (Rees, 2010), most beneficiaries prefer informal channels of remittances because of the low costs and swift delivery service that accompany it Puri and Ritzema (1999).

#### **E. Stability of remittances and its Potential for Poverty Reduction**

The interest in remittance flow is not only evident at the level of the magnitude but also because remittances are more stable and less cyclical form of capital flow. This makes it a good candidate for lowering the risk of macroeconomic instability in the receiving country (Peter and Michael, 2005). The general impression that remittances are a phenomenon affecting poor countries is only partly true. A study of 71 developing countries, Adams and Page find that a 10 percent increase in per capita official international remittances leads to a 3.5 % decline in the share of people living in poverty. Wets (2004) cites the instance of Morocco where it is said that around 1million people could live just above the poverty line only due to remittance income definitely making remittances and hence migration, a development issue.

#### **F. Resilience of remittances**

Remittances have been proven to be relatively resilient to macroeconomic turbulence, resisting the cyclical movements that characterize other international flows such as FDI, bank lending and short term portfolio investment. During the 2008 financial crisis these flows were less affected than other private capital flows and recovered quickly from a 5.4% decline in 2009 (Mohapatra, Ratha and Silwa, 2011). Remittances remain resilient for reasons cited by Ratha, Mahapatra and Xu (2008) as:

- a) Remittances are cumulated flows of not only current migrants but also established migrants making remittances persistent over time.
- b) Although remittances form a small part of migrant's income they continue to remit in times of economic shocks
- c) Because of tighter border controls in present times duration of residences by migrants have increased leading to continuous remittance flows from those who stayed back.

d) Return migrants bring back accumulated savings. Additionally, Ratha et al (2008) point out that documented migrants are likely to remit more to their families to make up for the fall in remittances by undocumented migrants.

### **G. Money transfer business**

Another reason for the increase interest in remittance flows has been the development of formal transfer systems through the help advanced technology. The Transfer of remittances from the host countries to the origin countries is currently a major business industry that include various market players like banks, money transfer operators, foreign exchange bureaus, informal networks (such as *hundi*) and illegal channels of transfer. This system works without actual transfer taking place between countries micro finance institutions, credit unions and migrant associations (Singh, 2010). A study in Africa by IFAD observes that Western Union and MoneyGram are by far the most significant players in formal money transfer. Two reason account for this. Firstly, these are the pioneer companies which were instrumental in creating the international network that has made remittance possible. Secondly, they have signed exclusive agreement with banks that are agent of payment on behalf of these MTOs in order to make the profit from their investment. Also recently technological advancements has led to mobile transfers giving way to a growing competition between the different players that have also led to reduced costs of transfer attracting more transfers through formal channels. Nevertheless, significant amount of global remittances are still said to remain unreported due to the presence of informal channels like *hawala* and *hundi* that continue to be the cheapest, fastest, convenient and trustworthy channels for a huge population of low skilled migrants in the world.

### **H. Role of the Diaspora Communities**

Newland (2007) points out that the relationship between migration and development also goes beyond the ‘trade off’ between remittances and brain drain to also accommodate for the role of Diaspora communities in the development of their homeland. Hence, there is need to include the contribution of Diaspora communities in any discourse of remittances since it is related to developmental aspects at the origin countries. Delgado-Wise and Guarnizo (2007) state that in mature migrations processes, that are ‘consolidated’ by social networks and migrant associations, the migrants are seen as potential agents of development. With respect to this, one needs to mention the distinction of the concept of

‘transnational community’ that is increasingly being used alternatively with the word ‘Diaspora’.

The term Diaspora often has strong emotional connotation with continuous maintenance of close links of the migrants with their origin while transnational community is more neutral (Castles and Miller, 2003).

Migrant workers do not remit money only to their family members but also maintain some social obligations with their country of origin through home town associations as they join finance to assist to practical social projects for the betterment of their places, hence pulling their home economies into the global economy. These HTAs are gaining importance in the Caribbean and the Latin America due to their degree of support to their communities. At the cultural, economic, political and social levels, remittances provide close and complex relationship in development and migration (Orozoco, 2004a).

Home Town Associations have become the motivating factor behind the incentives for migrant development back home. Migrants develop a sense of community and identify projects of priority to the community at the mature stage of migration.

Home Town Associations (HTAs) engage in a wide range of projects to improve the living conditions in hometowns. These projects have focused in the sectors of health and education as well as building of community halls, churches, cemetery or even town beautification such as construction of parks. They are both philanthropic and developmental in nature since these HTAs assist most vulnerable population of their places of origin and are concrete a wide, thus have been encouraged by many. Migrant remittances have been accepted as absolutely necessary part of the economic infrastructure of many countries, and at local levels lift people out of poverty (Nyberg Sorensen, 2004; Adams and Page, 2003). The AfDB Report (2011) and The International Development Committee Report (2004) advocates the Diaspora should not just be seen as sources of finance but as development pillars. Hence there is for government collaboration to encourage Diaspora communities for development at origin and effective channelization of remittances for development.

### **I. Managing Migration and Development through Policy**

Policy makers for development as discussed in the previous sections have been more optimistic in recent times because of the positive impacts of migration and remittances. This is because of their potential for economic and social development at origin areas (World

Migration Report, 2008). Again, migration from poorer to richer nations is considered inevitable due to a variety of reasons related to globalization, climate change and demographic disadvantage of developed nations.

Development policy makers especially in the developing world are concerned about designing systems that would initiate more freedom of movement of all kinds of labour (high skilled, low skilled, etc.) with fairer treatment of migrants along with low cost and smoother flows of remittances (Sriskandarajah, 2005; Farrant, MacDonald and Sriskandarajah, 2006). Suggestions by the policy makers have been to encourage more country surveys of all developing countries to which remittances flow, promotion of circular migration as temporary migration has been linked with increased flow of remittances (Dustmann and Mestres, 2009), lowering cost of migration (Ratha, 2008) and importantly investigation of the behaviour of remittance flows at both national as well as household levels (Sriskandarajah, 2005). However, the International Development Committee Report (2004) and Wets (2004) have pointed out that migration has to be managed so that it positively impacts people, the benefits of migration are maximized, the costs and benefits are shared equally by both home and host societies. In terms of development several issues need to be tackled including responding effectively to emigration and remittance flows and channelizing remittances so that it may lead to poverty reduction.

Nonetheless, in this context existence of ‘migration hump’ and its implications need to be discussed. ‘Migration hump’ indicates that poorest do not migrate, at least they do not migrate to long distances, policies aimed at poverty reduction and poor should be designed keeping in mind the push factors. Also, harnessing benefits of migration to accommodate even the poorest has also been indicated in terms of ‘trickling down effect’. However, the migration and development policy makers advocate that the primary concern for governments should be to maximize developmental benefits from the whole process. Yet at the same time as Carling (2007) insists that it is desirable that the policies aimed at development through remittances be such that the development is self -sustaining and independent of future remittances. For this reason he stresses the importance to distinguish between different forms of uses of remittances and the distribution of those benefits in the process because it has been observed that most of the remittances received by households are used up in conspicuous consumption.

In addition, Carl identifies that this consequence differs widely as households who depend highly on remittances for basic subsistence will not be able to save enough in spite of the fact that the remittances received by them leads to immediate poverty reduction and therefore, may not have a 'sustained effect'. Only if households are able to save enough from the remittances will they be able to invest for 'future benefits'. This implies that firstly, in order to unveil the complex interrelationship between 'migration and development', data gathering on migration and remittances need to be strengthened (Black and Skeldon, 2009) and secondly, different impacts of remittances need to be addressed based on the different communities and policies at development should be aimed accordingly.

### **2.1.2 Uses of Remittances**

Remittances are an important contribution to the recipients' total income. They form a family welfare system that enhances consumption, alleviates liquidity constraints, and provides a form of mutual insurance. The bulk of remittances are used for household consumption (food, clothing, electricity etc.) or investment in human capital like education, health and better nutrition (de Haan 2000; Natalia et al. 2008).

Investment in land, livestock, agricultural land, machinery and other inputs and in building or improving a home is also relatively common but secondary to daily needs and human capital expenses. Still less remittance is used for investments, such as in savings or business, or to repay debt, such as a loan for the expenses of going abroad (Sander and Maimbo, 2003).

Once these basic needs are met, the purchase or renovation of a home is generally a common investment amongst migrants and their families, as is the purchase of household appliances, such as washing machines and stoves, and luxury items that allow migrants and their households to distinguish themselves as 'well-off' in their communities of origin.

Irregular remittances are generally used to cover the extraordinary costs associated with circumstances such as a death, illness or accident, tuition fees, natural disasters and/or periods of low profits or wages (Natalia et al. 2008).

Most remittances are transfers between individuals or families, but some migrants participate in community or church groups that make collective remittances to their home communities to finance community celebration such as building or renovating of public buildings,

construction of schools or churches. Because they are communal or collective, however, such remittances are very different from household or individual remittances, both in their intended use and in their low volume (Newland, 2007).

### **2.1.3 Economic Impact of Remittances**

The overall tenor of studies focusing on economic impact of remittances is surprisingly clear that, remittances benefits the economy in non-negligible ways such as facilitating human capital mainly by improving access to education and health as well as leading to increase in investment and reduction of poverty and have been crucial sources of foreign exchange for national accounts promoting economic stability within recipient households (Dovelyne, 2006). However the debate on the economic impact of remittances still have areas of concern like remittance effect on growth, inequality, exchange rates and inflation that empirical studies have to address completely.

#### **I. Remittances and the Macro Economy**

Remittances turn to have counter cyclical behaviour and thus act as a form of insurance for origin countries against macroeconomic shocks. Remittances rose during the financial crisis in Mexico in 1995 and in Indonesia and Thailand in 1998 (Ratha, 2007) and have increased with natural disasters and political conflicts (Mohapatra, Joseph and Ratha, 2009).

Remittances thus behave differently from most other private source of financial flows which tend to be pro-cyclical (Ratha, 2003; Chami, Hakwa and Montiel, 2009). This is because most remittances involve transactions among members of the same household, and thus are less driven by profit seeking motives than private resource flows. But remittances can be pro-cyclical when they are sent for investment purposes, usually in middle income countries (Sayan, 2006)

Remittances contribute substantially to the balance of payment in several countries. They were almost three quarters of total commodity exports earnings in Sudan; and constituted more than half of Lesotho's foreign exchange earnings (De Haan, 2000). In Ghana in 1998, remittances constituted the fourth biggest source of foreign exchange after cocoa, gold and tourism (Schorl et al.2000). Remittance inflow can improve sovereign creditworthiness by increasing the level and stability in foreign receipts (Ratha, 2007). Remittances also help stabilize the current account by reducing the volatility of overall capital flows (Chami et al. 2008). Remittances can reduce the probability of current account reversals, especially when

they exceed 3% of GDP (Bugamelli and Paterno, 2009). Remittances are now factored into sovereign ratings in middle income countries and debt sustainability analysis in low- income countries (IMF, 2010b). But fewer than half African countries have a sovereign rating from one of the three major rating agencies (Ratha, Mohapatra and Plaza, 2009). Including remittances in creditworthiness analysis of Ratha, Dehuas and Mohapatra, 2011) suggest the creditworthiness of many African countries would improve by one to three notches.

The securization of future remittance flows can help African countries to use future remittances as collateral to raise additional finance from international capital markets and to reduce interest costs and lengthen the maturity of bonds for financing developmental projects such as low- income housing power or electricity supply ( Ketkar and Ratha 2009a,).

Macro studies on the impact of remittances on economic growth has yielded apparently contradictory findings (Leon and Piracha, 2004; Chami et al. 2005). It is argued that remittances can contribute to undesirable currency appreciation (Dutch disease), create strong disincentive for domestic savings and support private consumption of imported goods instead of financing investment which can potentially hamper competitiveness and increase trade deficits (Kireyev, 2006). Remittances can affect economic growth in a positive manner by raising consumption and investment and expenditures; increasing expenditure on health, education and nutrition contributing to long- term productivity and thus improve the stability of consumption and output at both the household and macroeconomic level (Chami, Hakura and Montiel, 2009). These benefits in turn increase the supply of investment from both domestic and foreign sources by increasing financial intermediation (Gupta, Pattilo and Wagh, 2009).

Large inflows of remittance can cause the real exchange rate to appreciate, which can impair growth if tradable production imparts external benefits such as economies of scale learning effects (World Bank, 2006)

In principle, large remittances receipts may also reduce the labour supply (Chami et al.2008). Some experts argue that the additional income from remittances can reduce pressure to improve the quality of policies and institutions by making recipients less dependent on government benefits (Abdih et al. 2008) or by providing sufficient foreign exchange to ease government concern over structural rigidities. Others however find that remittances have a positive impact on growth in countries with high quality political and economic policies and institutions (Catrinescu et al. 2009).

The complexity of the growth process and the well-known problems of cross-country growth regressions make it difficult to determine whether remittances increase growth rates. In economies in which the financial system is underdeveloped, remittances may alleviate liquidity and credit constraints and help finance small business investments, thereby effectively acting as a substitute for financial development. Giuliano and Ruiz (2009)

## **II. Remittances and households**

Remittances can help reduce poverty, raise household investment and increase access to health and education services. This section reviews the literature on the development implications of remittances from several developing regions including Africa.

Remittances can reduce poverty by directly augmenting the incomes of poor recipient's households and increasing aggregate demand thereby increasing employment and wages of the poor. Remittances have reduced the share of poor people in the population (Adams and Page 2003, 2005). Remittances may increase educational expenditures by helping finance schooling and reduce the need for child labour (Plaza, Navarette and Ratha, 2011).

Remittances can contribute to better health outcomes by enabling household members to purchase more food and health care and perhaps increase information about health practices (World Bank, 2011).

Migration and remittances have been part of a coping mechanism adopted by African households facing shocks to incomes and livelihoods (Block and Webb, 2001). Remittances can also enable recipient households to build stronger and more resilient housing (Mohapatra, Joseph and Ratha (2009).

## **III. The Meso Impact of remittances**

There have been growing discussions on migrant associations or Diaspora organizations or transnational communities as development players in literature, many of which are policy papers. The International Development Committee Report on migration and development, defines Diaspora as cited by Milly (2012) as 'international migrants, who although dispersed from their home country, remain in some way part of their community of origin on the basis of emotional and family ties, and strong responsibility. The report also emphasizes that these organizations involve themselves in charitable activities at both home and host societies and raise funds for disaster relief and play a crucial role in improving health and educational

conditions at home communities. These activities are said to be carried voluntarily with or without the assistance of respective home country government. At the meso level, many communities benefit from development project initiated and funded by associations of migrants overseas. Typical examples include construction of schools, health centers, religious buildings, wells and irrigation schemes. Migrants' associations usually work on the basis of quotas paid by their members, and mobilize additional funds through NGOs and other development agencies (Okali et al., 2001 and Sander, 2003).

There have been other successful ways in which the Diaspora has been attracted by sending countries in terms of channelizing financial resources. This include, business partnerships, Diaspora bonds trade and flows of investment. India, Korea and China are among countries which have shown that Diaspora contributions can significantly help transform economies (AfDB, 2011).

Several differential characteristics that vary between associations, have been put forward by noted scholars, likewise, differences in their activities and commitments, differences in organizational structure, differences in the way decisions are taken and differences in the size of their resource endowments that depend on the characteristics of their respective members (Paul and Gammage, 2004). While Orozco (2006) points out that the activities of these organizations may range from mere get together or religious establishments to productive projects.

An International Organization on Migration policy paper on Migration and Development (2004), also projected the participation of Diaspora communities for development at the country of origin and advocate for a possible government collaboration for more encouragement and effective channelization of such resources for development. In addition, banks need to assist in implementing national frameworks aimed at strengthening governance, reconstruction and sustainable development (AfDB, 2011).

#### **2.1.4 Challenges of Remittances**

The developmental effects of remittances depend on their continued flow which in turn depends on the ease with which money can be transferred. The cost of transfer services in particular has been discussed in the media, migrant circles and by donor agents. Ratha (2003) estimates that if the transaction costs were lowered by 5% overall remittances to developing countries would increase by USD 3.5 billion, and certainly a large share would be through formal channels.

Since remittances constitute many small transactions between geographically dispersed senders and receivers, prevailing fees have remained high. Fees also reflect service characteristics such as accessibility, speed and reliability. Before concluding on the need for lower cost transactions, it is important to understand the underlying costs factors affecting senders, service providers, as well as differences in markets and in the cost structures of existing services such as banks and money transfer operators (Sander, 2003).

The following section explores financial service infrastructure related to remittances and the policy and regulatory environments surrounding financial services, foreign exchange and investment.

#### **i. Transfer of Remittance Cost and other Service Characteristics**

Remittance costs are one of the key determinants as to whether migrants use formal and informal modes of transfer (World Bank Group and European Union, 2011). Formal channels of transferring remittances have been known to be more expensive and complicated. Globally the average cost of remittance is about 13% of its value. Costs vary by amount remitted, service used, destination and origin. They range from 0.2% to 20% (Ratha, 2003; Orozoco, 2003). Some studies find that familiarity or convenience can often lead to the use of a more expensive service (Puri et al.1999). Cost of sending remittances is highest in Sub Sahara and within Africa among all developing regions (World Bank, 2010b).

The high cost of remittance in Africa is in part caused by exclusivity between banks and international money transfer companies (IFAD 2009; Irving, Mohapatra and Ratha, 2010). Other studies show that exclusive partnership keep costs high for migrants and reduce the amount sent, thereby limiting the developmental impact of remittances (World Bank, 2006).

These high remittance costs are also related to low level of financial development in Africa (Beck and Martinez, 2009) and small number of firms handling remittances (IFAD, 2009; Orozoco, 2009). The cost of banking services tends to be high relatively to income levels of African countries, and the reach of banks outside urban areas are limited (Dermiguc-Kunt, Beck and Honohan 2008). For example the average fee to open a savings account is 28% of the average African's income compared with a less than 1% in countries in Latin America and the Caribbean. And in Sub Saharan Africa the number of bank branches and automated teller machines (ATM) per square kilometer is lower than in other developing region.

High remittance cost represents an unnecessary burden on African migrants. Almost 70% of Sub Saharan Africa central banks cited high cost as the most important factor inhibiting the use of formal remittance channel (Irving, Mohapatra and Ratha, 2010).

Transfers through MTOs costs more than transfers between accounts, such as wire transfers through swift system. For global MTOs such as Western Union and Money Gram fee start at USD 15 with actual fees depending on the sending and receiving country and smaller MTOs charge a commission, of 5% though it can be higher at different post or agencies . Whereas, banks usually combine a minimum fee with a percentage ranging from USD 5 to 50 depending on the sending country as well as the product. The fees of informal services are lower than those of MTOs on their market; such services adopt foreign exchange between high and low commercial banks and foreign exchange bureaus. And some informal services charge no fees, releasing revenue solely from gain on foreign exchange (Sander, 2003). Ratha (2003, 157-75) estimates that if transaction costs were lowered by even 5 percent, overall remittances to developing countries would increase by US\$3.5 billion.

The general consensus is that globally remittance costs have dropped in the past years but in the African corridors it is still very high. Reducing remittance costs can lead to increase in remittance sent by migrants, in turn increasing the resources available to recipient African migrants.

### **i. Remittance Channels**

Remittance channels to and within Africa are similar to those of other parts of developing world. They are classified into formal and non-formal that is financial and non- financial service providers (Sander, 2003; Ratha, 2003; Orozoco, 2003 and Sander et al. 2001). Some estimates suggest that the prevalence of informal transfers is highest in Africa among developing regions (Page and Plaza, 2006; Ratha and Shaw, 2007). For instance remittances carried by hands and sent through friends and relatives counted for 68% of remittances in Botswana, 88% in Lesotho, 73% in Swaziland and 46% in Zimbabwe (Tavera and Chikanda, 2009a). However in the context of Africa, there is a variation in the use or importance of informal transfer channel. The share of households receiving remittances within Africa that used informal channels was only 24% in Kenya because of the extensive reliance transfers through mobile phones; 33% in Nigeria, where banks are more widely used than other countries and 44% in Uganda with money transfer operators and banks accounting for the remaining half (Africa Migration Project, 2009).

Informal systems of remittance transfer in Africa are similar to those found in other regions such as Asia or Middle East. This is probably due to the longstanding trade and migration links between those regions and Africa (El-Qorchi, 2000).

It is still very common to send money with friends, relatives and drivers of taxi or carry it on oneself. Other informal systems are the *hawala* or *haundi* service or are single destination services provided by individual business people. Indian diaspora and Somali refugee committees in East Africa had long had such systems (Sander and Maimbo, 2003).

However informal channels are used with particular frequency because the financial sector is weak, mistrusted for example due to bankruptcies or altogether missing (Sander and Maimbo, 2003). Severe controls on foreign exchange also stimulate the use of informal channels (Kasende cited in Ratha, 2003). Conversely the use of formal channels increases in liberalized economies with strong financial sector (Kabucho et al. 2003).

In addition to efficiencies and market failures of weak or mistrusted banks in Africa, banks have limited outreach which has formed a gap that has been filled by informal channels and prepared the ground for MTOs (Sander and Maimbo, 2003). Even post offices that have extended network are spurned by clients in receiving countries who have experienced their inefficiency and poor service. For instance insufficient funds and other delays in receiving funds are common in African countries and at the same time not all post offices in the country can handle money orders because of the costs and risks (Cross, 2003).

Formal channels for both remittances within and outside Africa include money transfer services by banks and non- bank financial institutions such as foreign exchange bureaus and dedicated money transfers operators, the best known are Western Union and Money Gram. In particular only 2% of households receiving remittances outside Africa use banks although the share is higher in Kenya (16%), Nigeria (22%) and Uganda (12.5%), (Africa Migration Project, 2009).

The role of other intermediaries including post office, microfinance institutions, savings and credit cooperatives and new technologies such as internet transfers and mobile money transfers is even more limited for international remittances out of Africa (World Bank, 2010). But the vast majority of MTOs are receipts of funds in developing countries, while others tend to have smaller networks serving geographical niches or specific populations and some are internet based with few having the option to deliver goods or purchasing vouchers to be

redeemed in shops in the home countries (Sander and Maimbo, 2003). In some areas domestic and interregional remittances are made by bus, coach and courier companies that transport money or goods as part of their regular and official service (Sander et al. 2001).

External factors such as foreign exchange fluctuations and controls in home countries and subjective factors such as preference for a service whose staff speak their language or share the same cultural values, shape their choices of transfer channels (Young, 1987 cited in Russel et al. 1990). Accessibility to the service at sending and receiving ends, a concept that involves awareness, familiarity and trust as well as physical proximity are as important as cost of the service (Sander and Maimbo, 2003).

## **ii. Regulatory and Policy issues**

This section discusses policies and regulations that influence the use of remittances and the choice of remittance channels which include formal transfer money services. A migrants choice of whether and how much to remit through what channel and for what use is shaped by factors such as economic and political stability of the home country, by foreign exchange and taxation policies as well as by regulations and policies that affect money transfer services (Sander, 2003 and Omer, 2000). Regulations in several African countries highly favour banking institutions, which severely limit entry for microfinance institutions and other non-bank institutions to carry out international money transfers and the market for remittance service providers is small and tends to be concentrated in urban areas (IFAD, 2009a) cited in a study by World Bank Group and The European Commission ( 2011).

In countries where only money transfer operators are authorized to conduct international money transfers, money transfer operators have exclusivity agreements that limit the number of agents (microfinance and other non-bank financial institutions) they can do business with.

In addition, regulations regarding limits on and requirements for the amount of money transferred are important in protecting against fraud and capital flight. These regulations can, however, hinder migrants from investing in their home countries if they are overly restrictive (IFAD, 2009).

Market competition would be enhanced by the removal of exclusivity arrangements with agents that would allow money transfer operators to connect directly with microfinance institutions.

Therefore, it is important that regulatory frameworks are updated to allow non-bank players to enter the market. Changes in regulations encouraging the development of cell phone and other technology-based instruments and regulations governing access of remittance agents to clearing and settlement systems would foster competition among remittance service providers and encourage migrants to use formal methods of transfer.

Several aspects of the policy and regulatory environment in remittance receiving and sending in Africa affect migrant remittance flows. These aspects include:

- a) Know your customer rule
- b) Financial market liberalization versus control
- c) Licensing and regulation of money transfer services
- d) Government led incentives for sending and investing remittances

### **2.1.5 Opportunities of Remittances**

Governments in destination and origin countries can facilitate remittance flows and enhance development impacts through the application of appropriate policies. However, some current policy practices pose pitfalls. Almost all developing countries offer tax incentives to attract remittances, but such tax exemption on remittances may encourage tax evasion. Efforts to channel remittances to investment have met with little success. Rather efforts should be made to improve the overall investment climate in the origin countries. Some government have been toying with the idea of taxing remittances, instead it would have an effect similar to that of raising remittance costs and would hurt poor migrants and their families in origin countries (Policy Brief, 2007).

#### **a. Leveraging Remittance for the Financial Access of Migrants and their Beneficiaries.**

Encouraging remittances through banking channels can improve the development impact of remittances by encouraging savings and enabling matching of saving with investment opportunities. Remittances received as cash are less likely to be saved than those received through bank account. For many poor households and migrants, remittances are the only point of contact with formal financial sector. By improving remittance services, banks and other financial institutions can attract new customers for their deposits and loan products (Ratha, 2007).

Both sending and receiving countries can increase migrants' bank access by allowing origin bank to operate overseas and providing identification cards, which are acceptable by banks to open accounts. Access to remittance services in rural and remote areas can be improved by encouraging the participation of microfinance institutions, credit unions and saving banks as well as postal saving schemes in the remittance market. Existing regulations may need to be amended to allow these institutions to fully participate in providing remittance services (IFAD, 2014; Ratha, 2007).

#### **b. Leveraging Remittances for Capital Market Access of Financial Intermediaries**

Remittances can improve a country's credit worthiness and thereby enhance its access to international capital markets. When Hard currency remittances are properly accounted, it can greatly improve the country-risk rating, and thereby lowering their cost of borrowing money in international markets. The ratio of debt to export of goods and services, a key indebtedness indicator, would reduce significantly if remittances are included in the denominator, indicating that remittance in credit worthiness assessment would improve as was the case of Haiti and Lebanon (World Bank, 2005).

Future flows of remittances can be used as collateral to improve the ratings of commercial borrowers. Several banks in developing countries such as Brazil, Egypt, El-Salvador, Turkey, Guatemala and Mexico have been able to raise cheaper and long-term finance from international capital markets via securization (Ratha, 2007).

#### **c. Reducing Remittance Costs**

Reducing remittance fees would improve the disposable income of poor migrants, boost their incentive to send more money home and encourage the of formal remittance channels (Ratha, 2007).

With increased awareness among policy makers and migrants, and due to falling costs of technology, remittance costs have been declining in recent years. In the US- Mexico corridor, for instance, the cost of sending USD 300 fell by 54% between 1999- 2004 from more than USD 26 to USD 12. Since then, however, costs have remained sticky, dropping only to USD 10.60 by the end of 2006. South- South remittance cost are even higher North- South (Ratha and Shaw, 2007).

High remittance costs faced by poor migrants can be reduced by increasing access to banking and strengthening competition in remittance industry. Banks tend to provide cheaper remittance service than money transfer operators. Entry of new market players can be facilitated by harmonizing and lowering bond and capital requirements as well as avoiding overregulating such as requiring a full banking license for specialized money transfer operators. Developing transparent compliance guidelines on AML/CFT should be a policy priority to positively influence remittance impact on development. Sharing payment systems would avoid duplication of efforts. Establishing partnership between remittance service providers and existing postal and other retail networks would help expand remittance service without requiring large fixed investments. Partnership should be non-exclusive. Greater disclosure of remittance service providers would help remitters make informed choices and poor migrants would benefit from financial education (Policy Brief, 2007; IFAD, 2014).

Remittances can therefore contribute significantly to poverty reduction and other UN Millennium Development Goals (MDGs) such as investment in education and health

Banks need to assist in implementing national frameworks aimed at strengthening governance, reconstruction and sustainable development (AfDB, 2011). An International Organization on Migration policy paper on Migration and Development (2004), also project the participation of Diaspora communities for development at origin and advocate for a possible government collaboration for more encouragement and effective channelization of such resources for development.

### **2.1.6 The Real Estate**

#### **1) Real Estate Investment**

According to Cummings (2010), real estate investment involves the purchase, ownership, management, rental and/or sale of real estate for profit. The interest in real estate investment is because it is able to provide returns in the form of capital, income and intangible benefits (Baum & Crosby 1988). Nevertheless, returns in commercial real estate are maximized when there is full occupancy, prompt and total rent collection, full market rent, good physical condition of building; minimal irrecoverable outgoings and low rate of tenant turn over.

Studies by Ziening & McIntosh (1999) and Tonto, Wheaton & Southard (1998) have shown that the greater volatility in return in commercial real estate is not an

appraisal problem but a structural problem of the property markets and real estate property as an investment vehicle. The most typical sources of investment properties include: market listing (through multiple listing service or commercial information exchange), real estate agents, wholesale (such as banks real estate owned department and public agencies), public auction (foreclosure sales ,estate sales ), and private sales.

As Lynn (2007) notes, the primary cause of investment failure for real estate is that the investor goes into negative cash flow for a period of time that is not sustainable, often forcing them to resell the property at a loss or go into insolvency. Real estate markets in most countries are not as organized or efficient as market for other more liquid investment instruments. The individual's properties are unique to themselves and not directly interchangeable, which presents a major challenge to an investor seeking to evaluate prices and investment opportunities (Renigier-Bilozor, 2011).

Information asymmetries are common place in real estate markets. This however, increases transaction risks, but also provide many opportunities for investors to obtain properties at bargain prices (Nzalu, 2012).

Real estate investors typically use a variety of appraisal techniques to determine the value of properties prior to purchase. One of the evident approaches is through indices mainly used in stock exchange market. Indices are frequently used as a benchmark against which to measure the performance of shares and fixed interest stock (Barkham, 2012). They are applied in the property industry but in a limited scope as compared to stock markets mainly because of difficulties associated with the free availability of data. Owing to the subjectiveness of property valuations, property index should ideally include a large sample, be independent of any of the institutional investors, and should separate income, capital performance and total performance for each category of property.

The market value can also be used to measure property performance in the market. The value placed on a property is a major determinant of its performance. The value may be either market value or fundamental value. The fundamental value is the value placed on the property by the owner and is not necessarily market related (Thalmann, 2006). On the other hand, market value is the value which the market at large places on the property. Ideally, property indices are produced by industry players such as established investment firms or government valuing agencies. In real estate sector, indices are produced by real estate investment firms. For example, HassConsult Real Estate Ltd comes up with real estate

valuation indices. Specifically, the Hass composite Sales Index is a measure of asking property sales price, based on a Mixed Adjusted Methodology. This study use the Hass Composite Sales Index which will be retrieved from the Hass Property Index reports.

## **2) Advantages of Real Estate**

There are several advantages of the real estate. The residential facilities created by real estate developers are usually well planned and it is being insured that basic facilities of life are available. The housing schemes usually have schools, hospitals, transportation, security parks and market facilities available. Moreover towns developed by real estate developers are not so congested. Many of the real estate developers offer their schemes on the easy instalments so that the people, who are unable to pay price of a property in cash, can also have access to the housing facility. This is very big advantage for relatively lower income cohort of society.

The construction side real estate business creates employment opportunities, not only in the construction industry but also in many other allied industries. The steel industry, cement industry, ceramics, furniture and many other industries get the advantage of construction industry.

The real estate business has become a big attraction for overseas workers as well as rich businessmen in various countries. This business is accompanied with low investment risk and high profit margins. The real estate business has some features which other businesses do not have. It is capital intensive, risk free, attracts people who do not want to work as an enterprise, and involves high profit margin and lower liquidity.

## **3) Challenges of Real Estate Development**

Real estate is a capital intensive business and carries a high profit margin, the earning of those who already have high level of wealth increase at higher rate. This leads to increased income inequality and wider gap between rich and poor. In addition, the high profitability and low risk in real estate business reduces the charm of industrial investment. Therefore the capital flow toward industrial investment decreases a lot. This reduction in industrial investment leads to lower productivity and unemployment.

The ultimate justification for the land business is to facilitate in the provision housing and residential facility to the masses. The real estate business runs on the shoulders of those who want to earn profit by resale of the property. Therefore the access to housing is negatively affected by the business. It is frequent observation that the price of a property increase manifold over a small interval of times. This increase is because of heavy demand of the land for investments. The effect of real estate on the access to housing can be tested by calculating the percentage of people who can afford to purchase a standard housing unit.

Fast growing real estate reduces the agricultural land rapidly as the agricultural land is being converted to residential land. In addition, the high profitability and low risk in real estate business reduces the charm of industrial investment. Therefore the capital low toward industrial investment decreases a lot. This reduction in industrial investment leads to lower productivity and unemployment.

The ultimate justification for the land business is to create ease in access to housing and residential facility to the masses. But the real estate business is in the hands of investors who want to earn profit by resale or leasing of property at high prices and thus making real estate out of the approach of the income class of the society. This price increase is due to heavy demand of the land for investment. The ordinary observation is that the housing is going out of the access of middle class in the large urban community.

### **2.1.7 Socio-Economic Wellbeing**

There exists no single definition of well-being. But OECD (2011) argues that most experts and ordinary people around the world would agree that it requires meeting various human needs, some of which are essentially means being in good health, and includes the ability to pursue one's goals, to thrive and feel satisfied with their life.

However, the notion of household economic well-being is multi-dimensional, and is better understood by looking simultaneously at household income, consumption expenditure and wealth (accumulated savings and investment).

Income provides only a partial view of the economic resources available to support consumption. Whereas, the consumption of goods and services ultimately satisfies a household's needs and wants. On the other hand, income, a flow measure, can be quite volatile for people making transitions. Wealth, a stock measure, is more stable over time, reflecting accumulated saving and investments. However, the value of wealth can drop

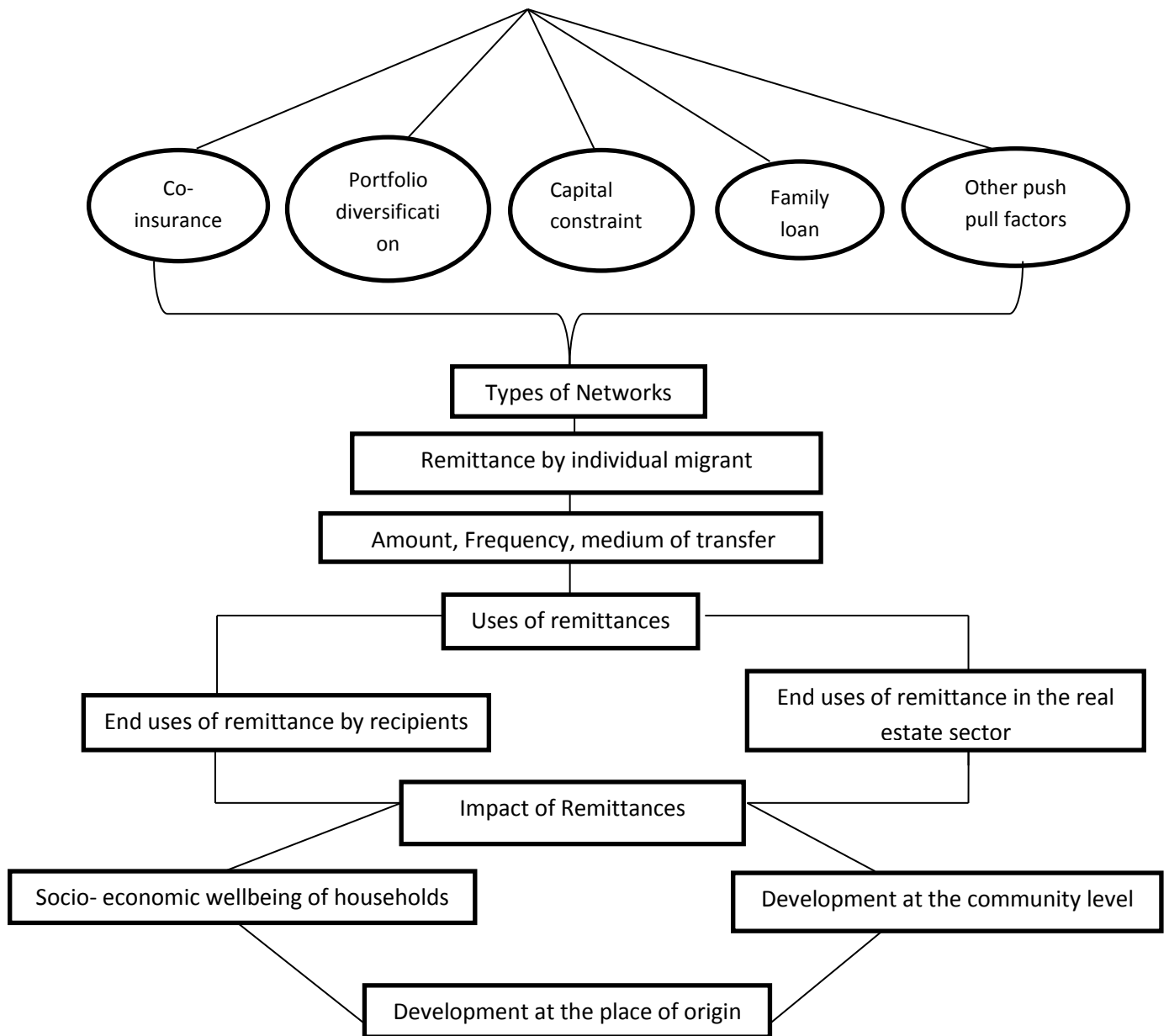
dramatically in the event of crashes in the stock exchange or the real estate markets. Households can use wealth to consume more than income, or they may consume less than their income, and thus save.

Wealth allows individuals to smooth consumption over time and to protect them from unexpected changes to income. Households that are “asset rich and income poor” can be expected to have a higher material standard of living than would be indicated by their income alone. Households with reserves of wealth can also utilise these to generate income and to support a higher standard of living.

Both income and wealth enhance individuals’ freedom to choose the lives that they want to live. Moreover, increases in income have been associated with improvements in other dimensions of well-being, such as life expectancy, educational attainments, etc. although there are discussions on the strength of associations and the directions of causality.

## 2.2 THEORETICAL FRAMEWORK

Figure 2.1: presenting the theoretical Framework



Source: Adopted from (Milly Sil, 2012)

### **2.2.1 Theoretical Base of the Framework**

On the basis of theoretical approaches to remittances as studies on remittances reviewed, the following theoretical framework was constructed (Figure 2.1):

In this framework, the researcher attempts to relate migration and development at two levels through remittances; the first one is how migrants use their money and invest in real estate business which brings about local economic development and the second, the role financial remittances play in the socio- economic well-being of beneficiaries.

1. Various push-pull factors at the origin and destination country leads to movement of people from one area to the other economically favourable destinations.

The push-pull factors can vary from ‘income differentials’ to ‘capital constraints of a household’ to ‘debt burden of the families’ to ‘co insurance between the migrant and his/her family with a promise of remitting money’ to ‘just the lure of living a better life’ as perceived by the households in a foreign destination.

2. After an initial period of settlement of the migrant at the destination country, the migrant starts remitting to the family. Depending on factors like knowledge about different forms of transfer and feasibility of the options at both origin as well as destination, the migrant chooses a particular channel or channels for transferring the money. The channels may be formal (bank to bank transfer, money transfer operators, draft/cheque or exchange houses) or informal (carried by migrant themselves, carried by relatives or friends, hawala or hundi, other informal agents).

3. Remittances may take different forms. Prevalent form is individual migrants remitting to their families. Remittances may also be in the form of non-monetary transfers like electronic devices, household items, clothes or other items.

4. These remittances sent to the households are used mainly not only for subsistence but also for savings, investment and other purposes. After paying for the initial costs of migration and loan repayment and settling in the destination country, the migrant remittances contribute to family income. This income helps reduce the budget constraints of the households and leads to consumption smoothing. This also helps families attain

better living standards and access to better educational and health resources hence, having a substantial impact both economically as well as socially.

5. The usage pattern of remittances by the migrant households receiving them leads to a multiplier effect to the non-migrant households and to the community through generation of trade and economic activities.

6. The individual remittances received by the migrant households, paired with the multiplier effect of the remittances leads to an overall economic and social development of the community from where emigration occurs.

### **2.2.2 Theories of Migration and Remittances**

The subject continues to receive review of diverse themes and interest. And because the phenomenon of remittance flows is highly intertwined with that of migration where remittances is considered to be the most tangible and non- controversial link between migration and development, theories on remittances is highly related to and originate from the theories of migration.

Two contrasting approaches to the study of population movements dominated literature especially after the 1960's as a result of urban unemployment and underemployment that gained more attention in the field of economic development. But in the 1960's contemporary debates was based on three main approaches used to explain migration theories: economic theories, the historical structural approach migration systems theory.

### **2. 2.3 Neoclassical theories of migration**

The neo- classical economic perspective precedes Ravenstein (1885) systematic theory of migration and the statistical laws of migration which are more about internal migration than international migration. Ravenstein study was the first systematic study of migration with the Industrial revolution and movement from South Europe to North Europe principally from Italy to Britain. This approach is known as push- pull theories, because they perceive the causes of migration to lie in a combination of those factors impelling people to leave the areas of origin, and those factors attracting them to receiving countries. 'Push factors include demographic growth, low living standard, lack of economic opportunities and political repression, while 'pull factors' are the demand for labour, availability of land, economic opportunities and political freedom. Push- pull theories dominated much of migration thinking during the mid-twentieth century and reflected the neo-classical economic

paradigms based on principles of utility maximization, rational choice, factor price differential between different regions or countries, and labour mobility (Russel, 2012).

From the Macroeconomic perspective, migration results from the uneven spatial distribution of labour with respect to other factors of production, above all capital. In some regions and countries, labour is abundant while capital is scarce, so because of this wage difference, workers therefore move from low wage to high wage economies. This changes the dynamics of supply and demand for labour in both places leading to the elimination of wage differentials and therefore of migration too (Lewis, 1954; King et al. 1997).

At the micro level migration is the result of decisions made by individual rational actors. It emphasizes the individuals' decision to migrate is based on rational comparison of the relative costs and benefits of remaining in the area of origin or moving to various alternative destinations so as to maximize their well-being based on abundant information about the options (Sjaastad, 1962). The central concept of this model is 'human capital'. People decide to invest in migration, in the same way as they might invest in education and vocational training, because it raises their human capital and brings potential future gains in earnings (Stephen.C and Mark.J, 2003).

People will migrate if their expected rate of return from higher wages in the destination country is greater than the cost of migrating (Chiswick, 2000). This analysis was later extended to the international migration market by Borjas (1989). Borjas has argued that though the existence of economic disparities between areas should be sufficient to generate migrant flows, this may lead to negative effects for immigration countries due to the decline of average skills level (Borjas, 1990). This has negative effects for countries of origin by causing a 'brain drain' (Chiswick, 2000). But knowledge remittance is brain gain if educated migrants return and it is a gain to country of origin.

#### **2.2.4 The historical structural approach**

On the other hand, the historical structural approach has its roots in Marxist political economy and in the world system theory and perceived the consequences of migration for development as generally negative. This was due to the increased dependency of the periphery regions on the core regions as a result of migration from the periphery to the core and in the process draining the former of their economic surplus and skilled people. This approach sees the causes of international migration as lying within the realm of historically macro- structural forces, stressing the dis-equilibrium and inherently exploitative nature of

economic power that has shaped global capitalism (Marawska, 2012:55). Proponents of this approach believed migration increased disparities between the two regions and it was an inevitable part of transition towards development of capitalism, therefore international migration and remittances was conceptualized in terms of advantages of global capital accruing to richer nations (Wood, 1981 and de Haan 2006). It perpetuated uneven development, exploitation of the resources of poor countries to make the rich even richer (Cohen, 1987). Contrarily to the push- pull theories which are voluntary migrations of individuals, historical- structural approach looks at mass recruitment of cheap labour by capital for factories, agro-business or for infrastructure projects like the Australia's Snowy Mountain Hydroelectric Scheme.

Neoclassical theories of migration (individualistic approaches), have been criticized as simplistic and incapable of explaining actual movements or predicting future ones for their failure to explain the continued disequilibrium in wages and income across regions (Boyd, 1989). These models also fail to encompass other influences on migration decisions other than wage differentials and expected earnings, especially those related to remittances (Mendola, 2006). These models also assumed that the poorest areas are likely places for migration, but various empirical studies established the fact that the poorest do not migrate, as they do not have the means to afford migration to far off destinations which involved money as well as social networks. Emphasis on segmented labour markets and assumptions of migration out of agricultural areas to modern urban industrial areas also cannot be applicable to countries like India and countries in Africa where large scale migration occurs within rural areas (de Haan, 2006). Hence, there was a need to delve into factors affecting migration flows that would encompass both the individual as well as the structural components in migration research.

#### **2.2.5 Migration systems theory and the trend to a new interdisciplinary approach**

Migration system theory has been hailed as a fruitful and comprehensive framework for studying migration largely because it is interdisciplinary and covers every dimensions of human experience, thus focusing on linkage and structure. The theory examines both ends of the migration experience. The theory explains the regional sequence of contemporary migration. It is regarded as a potentially scientific approach and flexible in scale and ideology, ranging from village migration, the urban and European labour migration to the global migration system (Kritz et al., 1992).

The migration systems approach means examining both ends of the flow and studying all linkages between the places concerned. These linkages can be categorized as state to state relations and comparisons, mass culture connections and family and social networks' (Fawcett and Arnold, 1987).

Migration systems suggests that migratory movements generally arise from the existence prior links between sending and receiving countries based on colonization, political influence, trade, investment or cultural ties. For instance, migrations from the Dominican Republic, Korea and Vietnam to the USA were the long term US military involvement (Sassen, 1988: 227-6). The migrations from Pakistan and Bangladesh to Britain are linked to the British colonial presence on the Indian sub-continent (Castles and Miller, 2003).

The basic principle of this theory is that migratory movement can be seen as the result of interacting macro and micro structures. These two are linked by a number of intermediate mechanisms which are often referred to as meso-structures. The macro- structures include the political economy of the world market, interstate relationship, the laws, structures and practices of both the sending and receiving countries to control migration settlement. The evolution of production, distribution and exchange within an increasingly integrated world economy has been a major determinant of migration (Castles and Mille, 2003). International relations have equally played a great role in organizing or facilitating movements in both sending and receiving countries (Cohen, 1987; Hollifield, 2000).

The micro- structures are informal social networks developed by the migrants themselves in order to cope with migration and settlement. The attraction of a migration system theory is that it allows the conceptualization of migration to move beyond a linear, unidirectional, push-pull movement to an emphasis on migration as circular, multi-causal and interdependent with the effects of the change in one part of the system being traceable through the rest of the system (Russel, 2012).

### **2.2.6 The New Economics of Labour Migration: The Paradigm shift**

This theory has shifted migration theories beyond the neoclassical and structuralist approaches to accommodate other factors influencing migration decision. A combination of family decision-making with neoclassical orthodoxy (the so-called 'new economics' of migration) has a major impact on the theorization since the 1980s. There are two main aspects of innovations in the new economics of labour migration. Firstly, migration decisions are not individual decisions but joint decision within the family bound and for different members of

the household. Sometimes the scale of the decision-making unit goes further to extended families and wider communal groups (Massey et al. 1998: 21). Secondly, the rational choice - decision making is not only about wage and income maximization but is also about income diversification and risk aversion. Risk reduction is appropriate in poor sending countries where market failures for instance due to sudden unemployment cannot be compensated by savings, insurance or credit.

From the above two perspectives, the family and the household are in an appropriate position to control risk to their economic well-being by diversifying their income earning and livelihood resources into portfolio of different activities, spreading their labour activities over space and time. Different family members can be allocated different tasks. For example some on the farm, others perhaps engage in internal migration and another in international migration. One of the key benefits of international migration is that some of the income earned by migrants can be sent back in the form of remittances. And these remittances can be used to cover basic cost of everyday life such as food, cloth and children's education or to invest in some projects such as building a house, land or small business.

Stark and Bloom in 1985 attempted to lift migration theories beyond the neoclassical and the structuralist approaches to accommodate for other factors influencing migration decisions and considered the 'family' or household as a unit of analysis. The NELM had profound implications for investigation on remittances and its impact. Several theoretical and empirical approaches to studying remittances had adopted this approach. The approaches towards the study of remittances under the NELM can be categorized into studies on determinants of remittances, transfer mechanisms of remittances from host to origin countries and the impact of remittances at the country of origin. (Milly, 2012). Apart from migrants' income, savings and family in the host country remittance are sent due to a combination of factors which include: pure altruism, pure self-interest, exchange and insurance. It is widely accepted that altruism towards family members at home is an important motivation to remit (Stark and Bloom, 1985). Another motive to remit is self-interest with the intention to inherit, for his reputation at home or return home. Also (Poirine, 1997) have emphasized the idea of remittances as repayment of loan to the family that financed the migration. This phenomenon can be seen as a way of reducing risk by diversifying the sources of family income (Jadhav, 2003 and Carling, 2008). In this case remittances play the role of insurance against income shocks that might arise in the recipient's home country (Gubert, 2002). Lastly remittances may be seen in an exchange

framework, where they represent a payment by the migrant for services provided by family members such as taking care of relatives' property (Eser and Jiminez, 1998).

## **2.3 EMPIRICAL EVIDENCE**

Empirical studies on determinants and impact of remittances may be categorized broadly under micro, meso and macro level studies:

### **2.3.1 Micro Level Studies**

The empirical studies at the microeconomic level have largely focused on using survey data.

Micro level studies on remittances may be subdivided into studies based on sending side, that is, studies based on migrants at destination countries; receiving side, that is, studies that are based on origin countries of the migrants and both sides, that is, studies that cover both sending side migrants and the receiving side households. These studies are mainly based on remittances sent by migrant to his/her family at the origin hence such remittances are termed individual remittances in literature (Levitt, 2001). Sending side studies have tested theories based on altruistic motive of the migrants (Durand et, 1996 and Hoddinot, 1994). According to (Durand et al., 1996) migrants wage and job situation, the number of dependents at home, marital status and age of the migrants are factors that shape the amount of remittances.

Hoddinot (1994) for instance, finds that remittances are a function of migrant as well as household characteristics including reward offered by the parents using cross section data on migrants in Western Kenya. However, according to Carling (2008) this would have been somewhere in between pure altruism and pure self-interest, somewhere which he calls 'tempered altruism or enlightened self-interest'. In addition, Briere et al (2002) use household data from Dominican Republic to test between two motives to remit: insurance whereby migrants remit on the basis of an insurance contract with their parents and investment whereby migrants remit on the basis of potential bequests from their families.

The authors find that the importance of these two motivations to remit varies by destination (internal versus international migration) and gender. The insurance motive is mostly fulfilled by female international migrants to US. Another motive of migrants to remit also depends on whether migration is permanent or temporal. Temporal migrants remittances are often obligatory, while remittances sent to relatives in the home countries by permanent migrants are often gifts (Glytos, 1997).

Many recent studies based on household data on the receiving end have focused on impact of remittances. A general consensus on the positive effects of remittances on the households as well as the economy has been observed in these studies that mainly look at the consumption, savings and investment nature of the households for remittance income. One of the initial studies done in this area by Adams (1998) in rural Pakistan find that marginal propensity to save is more for sources of income that are variable and uncertain in nature, that is also more temporary in nature like that of external remittances, compared to other sources.

Zarate-Hoyos (2006) finds that households invest mostly on productive activities leading to multiplier effects on the economy. But he also argues that migrant households do not necessarily engage in conspicuous consumption compared to non-migrant households as claimed by previous studies. Andersen, Christensen and Molina (2006) find that remittances lead to increase in schooling of children in migrant households and lead to upward mobility of the families; however, they also find that remittances also promote idleness which lead to ‘moral hazard problem’, evidence also found by some others like Rodriguez (2000), Bridi (2005) and Chami et al. (2005) where members of the migrant households receiving remittances from abroad who are in their working ages do not engage themselves voluntarily into any economic activity. A common finding amongst these studies has been that remittances lead to increased welfare of the households in general and increase in human capital investments, entrepreneurship, healthcare and consumption smoothing in particular.

A critique of studies based on the impact of remittances on the households receiving them has been that of Taylor (1999) who enlightens the fact that studies on impact of remittances have been limited to ‘household economy approach’ where only influence of remittances on household expenditure has been investigated. He points out that multiplier effects have not gained much attention apart from the exception of the study by Adelman, et al (1988) who study the multiplier effects of remittances in a Mexican village. According to Taylor (1999), impacts of remittances differ across locales and hence he questions ‘why remittances lead to positive development in some areas and not in others and stresses on defining development’. Remittance use surveys also hardly reflect on how remittances affect income from other sources in the household.

### **2.3.2 Macro Level Studies**

Macro level studies on remittances cover aspects such as macro determinants of remittances effect of economic shocks on remittances and effect of remittances on growth.

Macroeconomic studies have so far emphasized on determinants such as the level of inflation, the wage rate, level of economic activities of both host and home countries, interest rate differentials and efficiency of the banking system (EL- Sakka and McNabb, 1999). Wahba (1991) suggest that political stability and consistency in government policies and financial intermediation significantly affect the flow of remittances.

In studying the determinants of remittances, Buch and Kukulenz (2004) find no correlation between remittances and private capital flows. They also find that economic growth and economic development do not have a clear impact on the magnitude of remittances a country receives. Remittances are ‘market driven’ with social considerations like migrants decisions on how much to remit, play an important role. Hence, similar studies (Chami, Barajas, Cosimano, Fullenkamp, Gapen and Montiel, 2008) identify migrants’ sending motives as the first important factor for studying the determinants of remittances. However, they also point out several other macro variables such as stock of migrants in the host countries and interest rates and also micro variables such as income of the migrants and their decision making factors . Hence, what basically emerges is that determinants of remittances are a complex interplay of both macro and micro variables with especially the macro variables varying from one developing country to another.

In addition, demographic factors such as the share of female employment or high age dependency ratio in the host country reduces remittances, while literacy rates affect them positively (Buch and Kukulenz, 2004).

Molem and Dobdingha (2010) find evidence that in Sub- Saharan Africa, regime type, age dependency, improvement of the financial sector development, the real interest rate of the home country and high rate of inflation positively influence amount of remittances. Whereas, an unstable political atmosphere would also encourage migration but may not lead to inflow of workers remittances with the host country real interest rate.

The counter cyclical nature of remittances, which is that remittances increase during economic shocks in the migrant's home country, had been studied by Sayan (2006) in his comparative study of 12 high remittance receiving countries belonging to groups of lower income and lower middle income countries to find that although remittances have been counter cyclical, yet it cannot be generalized for all countries, since it depends on the state of economic activity in the home countries and individual country characteristics. He found remittances to be counter cyclical for countries like Bangladesh and India, whereas it was pro cyclical, which is that remittances increase only during favourable economic conditions in the home country, for countries like Jordan and Morocco and acyclical, meaning remittances decrease during economic shocks or unfavourable economic conditions in the migrant's home country, for Dominican Republic, Ivory Coast and Senegal.

A study done by Quartey and Blankson (2004), using pooled panel data sets also find counter cyclical nature of remittances for Ghana. Similar studies by Chami, Fullenkamp and Jahjah (2003) also find a negative impact of remittances on economic growth of the developing countries leading to moral hazard problem that is reduced economic activities by members of the recipients' households. However, with the overall positive consequences of remittances stated by various studies, such instances of moral hazard problems need more specific country based micro level investigations to understand the extent to which it occurs and how it varies across countries. Hence, micro level investigations on various issues such as migrant's remittance sending decisions and migrant characteristics along with impacts of remittances in the receiving households, form the basis of understanding macro level impacts.

Hadeel (2012) uses panel data set in MENA countries, Algeria, Egypt, Morocco, Oman, Syria, Jordan, Libya, Lebanon and Tunisia during the period 2000- 2010 in accordance with a modified version of Giuliano and Ruiz-Arranz (2005) model to study the impacts of remittances on economic . He finds evidence that indicates that remittances positively and significantly correlated with growth.

## **CHAPTER THREE**

### **METHODOLOGY**

Methodology is a tool or technique to carry out an investigation and each discipline has its own techniques. It is not just about collecting data and writing a thesis. The need for method is to use appropriate techniques or tools to examine the study and write the thesis according to the format of the discipline.

This section dealt with the methodology of the study, highlighting on the techniques of data collection method that were used. The need for methodology was to explain how the field work was organized and why adopting such a perspective. Both primary and secondary information were used.

#### **3.1 RESEARCH DESIGN**

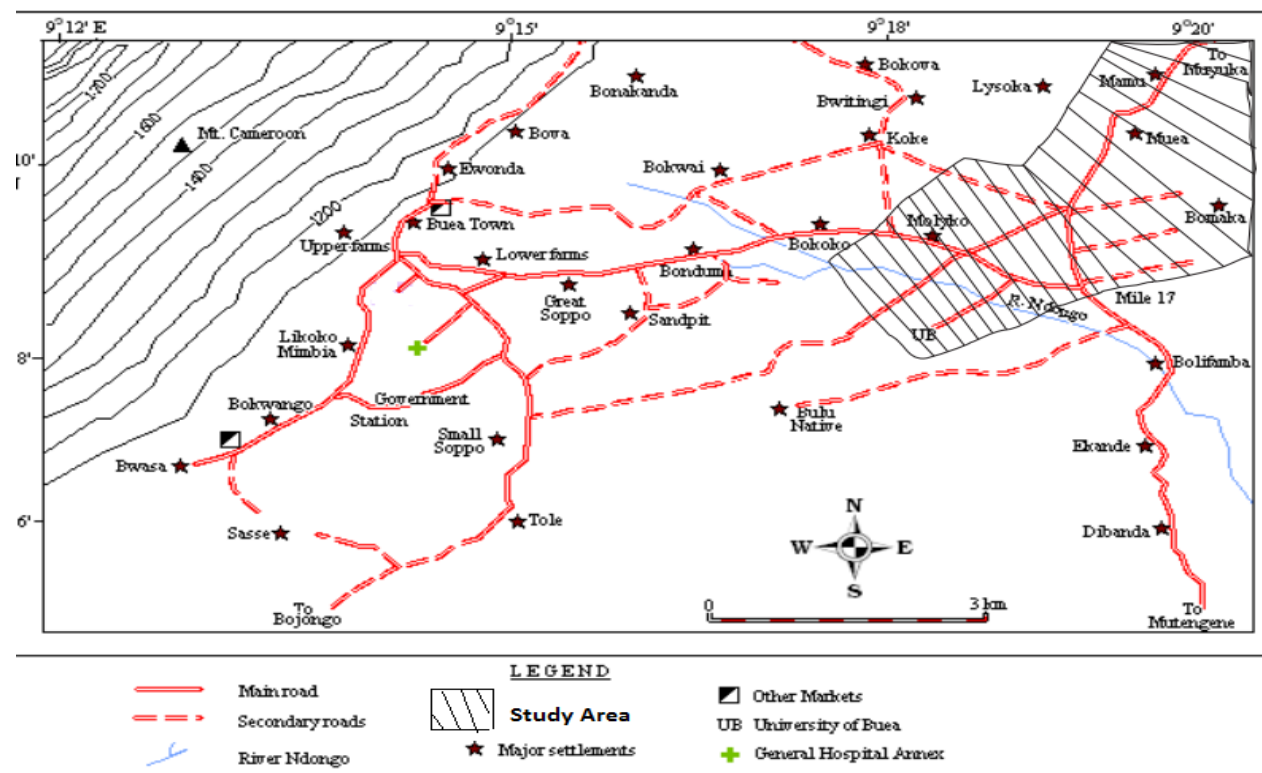
The methodology adopted for this study has been illustrated in this chapter. The study adopts an exploratory research design with sample survey approach. Both primary as well as secondary data were used in the study to support the attainment of all of the objectives of the study. Information from books, journals, websites, policy documents, remittance and migration Factbook and newspapers were used for secondary data.

The study is an exploratory research of neighbourhoods with high real estate development for commercial purpose inclusive remittance recipients. The researcher aimed to study the uses and impact of remittances in the three neighbourhoods as well as to find out if there is a significant relationship between real estate development and diaspora remittances. To study the impact of remittances on migrant households in three neighbourhoods of Molyko, Bomaka and Muea a survey was attempted. Also, semi structured interview guides were administered to key informants such as building contractors and informal discussion was done with residents in student hostels or care takers and individuals of the various neighbourhoods to get their views on the contribution of remittances on real estate development for commercial purpose. Lastly, managers of financial institutions were interviewed to get understanding on the challenges and opportunities as well as the magnitude of remittances.

### 3.2 THE STUDY POPULATION AND THE STUDY SITE SELECTION

The primary population target is remittance receiving households and remittance financed buildings for commercial purposes. The survey included quarters in Buea such as Molyko, Bomaka and Muea, which were covered by remittance receivers and remittance financed buildings. The main respondents were individuals above 18 years. Buea is selected as a study area among the different communities in the Sub division and purposely sampled for many reasons. Firstly, the study area is a hub for real estate development for commercial purpose and secondly there are diverse institutes of higher learning which attracts a dense population and economic activities.

**Figure 3.1: Map showing the study area**



**Source:** designed for the study

### **3.3 DATA COLLECTION**

#### **Sampling Technique and Sample Size of Household Survey**

In this study, questionnaires, informal discussion and semi structured interview guide were used to collect data for analysis. For this study a mixed sampling method was adopted.

At the first stage, a purposive sampling was done to select remittance beneficiaries and remittance financed buildings for commercial purposes.

At the second stage, neighbourhoods where infrastructural development for commercial purpose and higher institutes of learning is the highest in Buea were sampled to find out the impact of remittance on real estate development, the socio-economic well-being of remittance beneficiaries and the indirect benefits of remittances to non-migrant households and the locality.

But at the third stage a simple random sample where by the population of remittance receiving families was randomly selected to administer questionnaires in order to find out the impact of remittance on infrastructural development and socio-economic wellbeing. The sampling technique here involved informal discussion with an adult in a household to know if they have a member abroad and if they are benefit from cash remittance before administering any questionnaire to understand the socio-economic impact of remittances at household level.

To understand the impact of financial remittances on real estate development three set of people were involved. The researcher used informal discussion with residents or care takers of student hostels to know if the owner of the hostel is someone abroad or not. Semi interview guide was used for building contractors to know the approximate number of building contracts they have yearly from individuals abroad and the kind of building. Finally, informal conversation was used with neighbours of real estate for commercial purpose other than hostels to know who owns the building.

Although 200 respondents were selected with a non-response rate estimated at 20%, 160 respondents successfully took part in the survey. Money sent from abroad was defined as remittances. For the distribution of the questionnaire, Molyko had a greater number because according to the record book of the Buea municipal council the neighbourhood accounts for many buildings because of its dense population.

Separate interview schedules were designed with semi structured interview guide to get the perspective of opportunities and challenges as well as the medium of of remittances from financial institutions. A pre- teston of 10 respondents was randomly selected as a means of checking the appropriateness of the questions and the questionnaire as well as data accuracy and validity. Informal conversation was used to get the perspective of non-migrants on the impact of migration and remittances at the household and community levels.

### **3.4 DATA ANALYSIS**

The data was analysed using Statistical Package for Social Sciences version 20 (SPSS) in order to obtain various statistics, percentages, frequency distribution, and chi-square The findings have then been presented in form of charts and tables. This information was used to complete the study report and answer the study question.

### **3.5 VALIDITY AND RELIABILITY OF THE STUDY**

To ensure Validity in the absence of ethical clearance, permission to proceed with the study was obtained from the Pan- African Institute for Development. A freely administered informed consent was given to residents for the participation in the study.

Transferability is alternative to generalization. By personally administering the questionnaire, the researcher made sure that the responses are uniform and consistent. This to some extent gave the researcher the confidence in the community responses on the developmental impact of remittances as an external source of development finance.

### **3.6 CREDIBILITY**

The researcher personally administered the questionnaires and asked questions where understanding was needed so as to minimise responses that were not genuine. This secured the respondents responses to honestly reflect the problem being studied. As a result of this the researcher made sure the primary data was fair and reflected the problem being investigated.

## CHAPTERFOUR

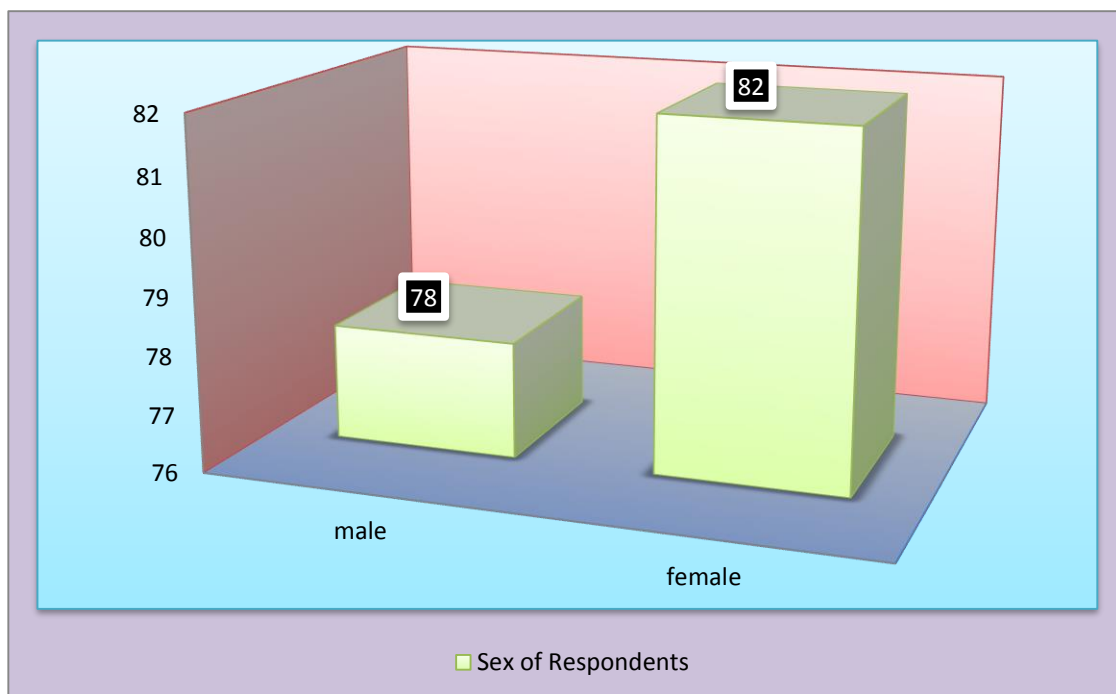
### PRESENTATION OF FINDINGS

#### 4.1 DEMOGRAPHIC DISTRIBUTION OF RESPONDENTS

##### 4.1.1 Sex distribution of respondent

The data on sex of respondents show that 48.8% were males and 51.3% females. The majority the respondents were between 21 and 25 years.82.5% of those surveyed lived semi urban areas.

**Figure 4.1; Presentation of Sex of Respondents**

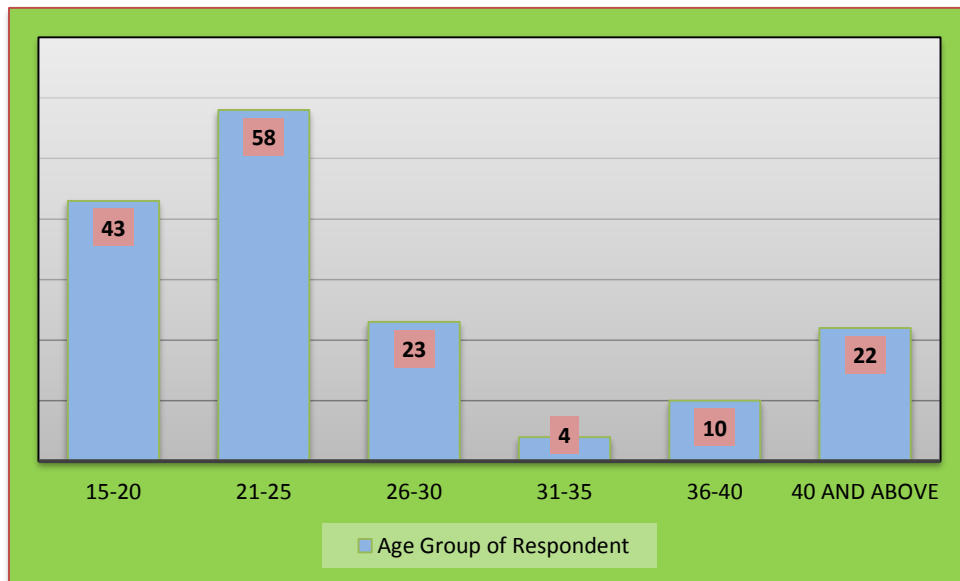


**Source:** field study

#### 4.1.2 Age distribution of respondent

Regarding education of respondents, total figures indicate that 7.3% had primary and below primary education, 11.9% had secondary education, 41.9% high school education and the rest university education and graduates.

**Figure 4.2: Presentation of Age of Respondent**

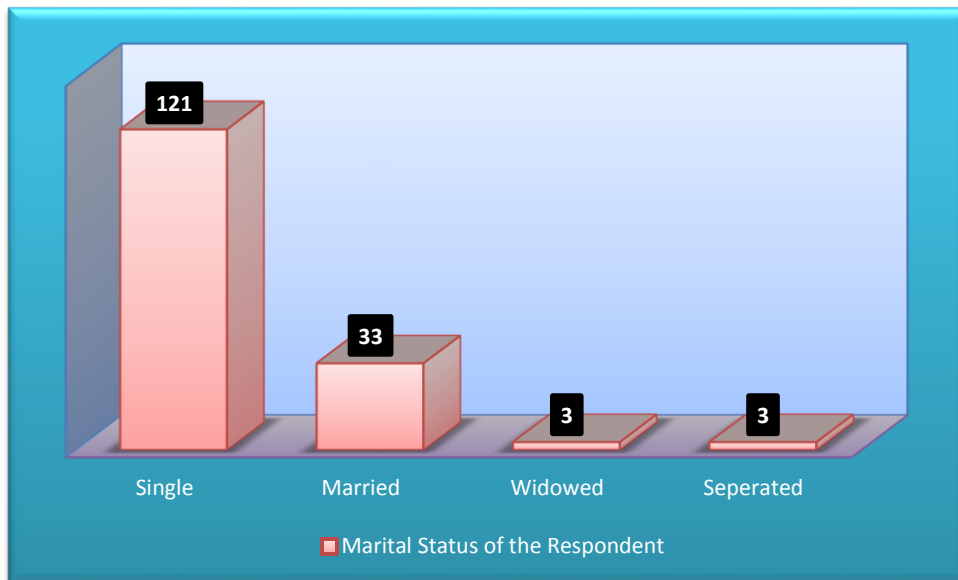


**Source:** field study

#### 4.1.3 Marital status of the respondent

The total figures for the marital status of respondents show that 75.6% of them were single and 20.6% were married and the rest being widowed divorced or separated.

**Figure 4.3: Presentation of Marital Status of Respondent**

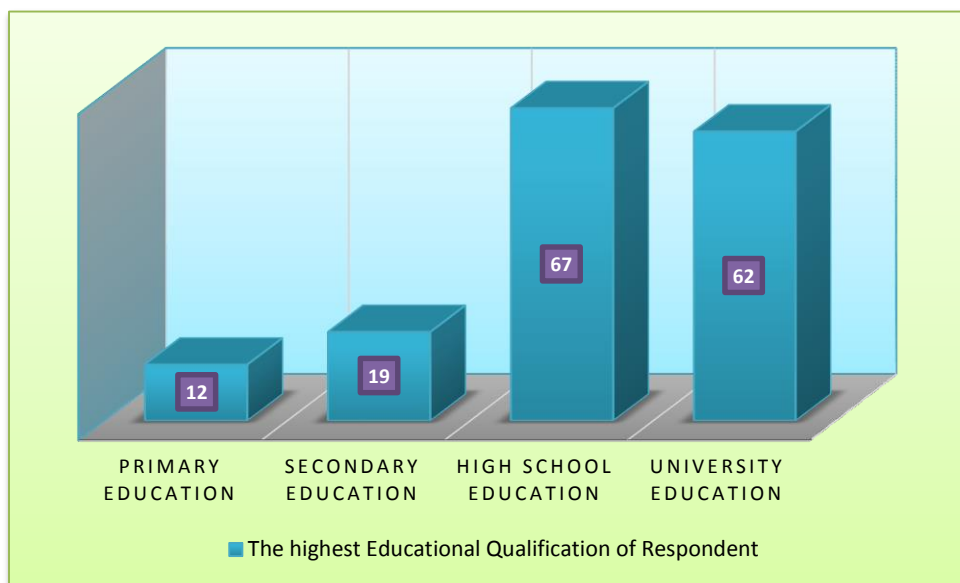


**Source:** field study

#### 4.1.4 Educational qualification of respondents

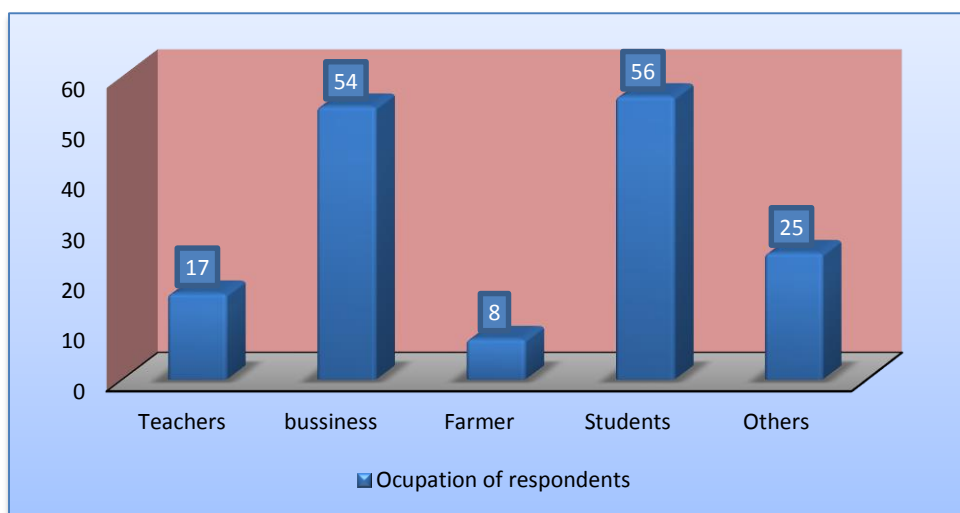
At the time of the study, 10.6% of the total respondents were formally employed, 38.8% were self-employed, 35% were unemployed and 15.6% were either pensioners or housewives.

**Figure 4.4: Presentation of Educational Qualification of Respondent**



**Source:** field study

#### 4.1.5 Occupation of respondent



**Source:** field study

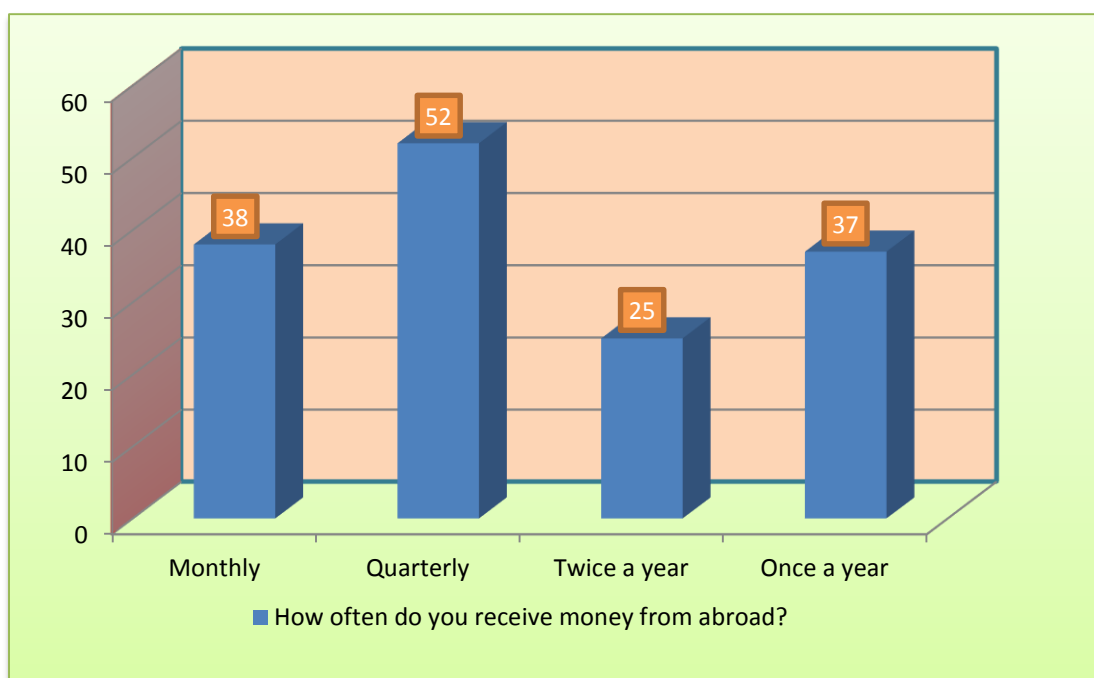
At the time of the study, 10.6% of the total respondents were formally employed, 38.8% were self-employed, 35% were unemployed and 15.6% were either pensioners or housewives.

## 4.2 The Frequency, Sizes, Medium of Transfer, and the end uses of Remittances by Individuals in Buea Subdivision.

### 4.2.1 Frequency of receiving

The frequency of receipts is a vital determinant for the impact of remittances. Figure 4.2.1 illustrates the frequency of receipts by beneficiaries. Out the total sample 38 individuals (23.8%) received remittances monthly, 52 persons (32.5%) received remittances quarterly, 25 persons (15.6%) received remittances twice a year while 37 individuals (23.1%) received remittances once a year. Lastly, 8 persons (5%) received remittances infrequently as it varied monthly, quarterly and annually in different years depending on the financial situation of the remitters.

**Figure 4.6: Presentation of Frequency of Receiving Money from abroad**



**Source:** field study

#### 4.2.2 Size of remittance

**Figure 4.7: Presentation of Size of Money sent from Abroad.**



**Source:** field study

The size of remittances received by remittance beneficiaries form an important aspect on any study for remittances as observed in some empirical studies such as Banerjee (1984). Information on remittances received was collected from the sample population. Table 4.2.2 presents the percentage distribution of size of remittance received by remittance recipients. Out of the total remittance recipients surveyed 30 persons (25%) received less 50000frs a year, 50 persons (31.3%) received between 51000frs – 150000frs per year, 20 persons (12.5%) received an amount ranging from 151000- 300000frs per year, 21persons(12.1%) received an amount ranging from 301000frs- 500000frs per year and 29 persons( 18.1%) received more than 501000frs yearly. Size of remittances has been found to be affected by various migrant and

Household characteristics, as brought out by previous studies. For instance, Banerjee (1984) in his study on urban-rural remittances in India found that income and education of the migrant, number of years or duration of residence abroad and dependency ratio and reasons for migration were significant variables explaining the size of remittances. the Sine, income of the primary remitters could not be obtained from the survey, other characteristics of the household, like, total household expenditure, total household income without remittances,

total number of uses of remittances, occupation of the migrant and economic obligations of the family like expenditure for loans or healthcare policies during the time of the survey.

### Sizes of remittances in terms of money transfer agency in the Buea Municipality

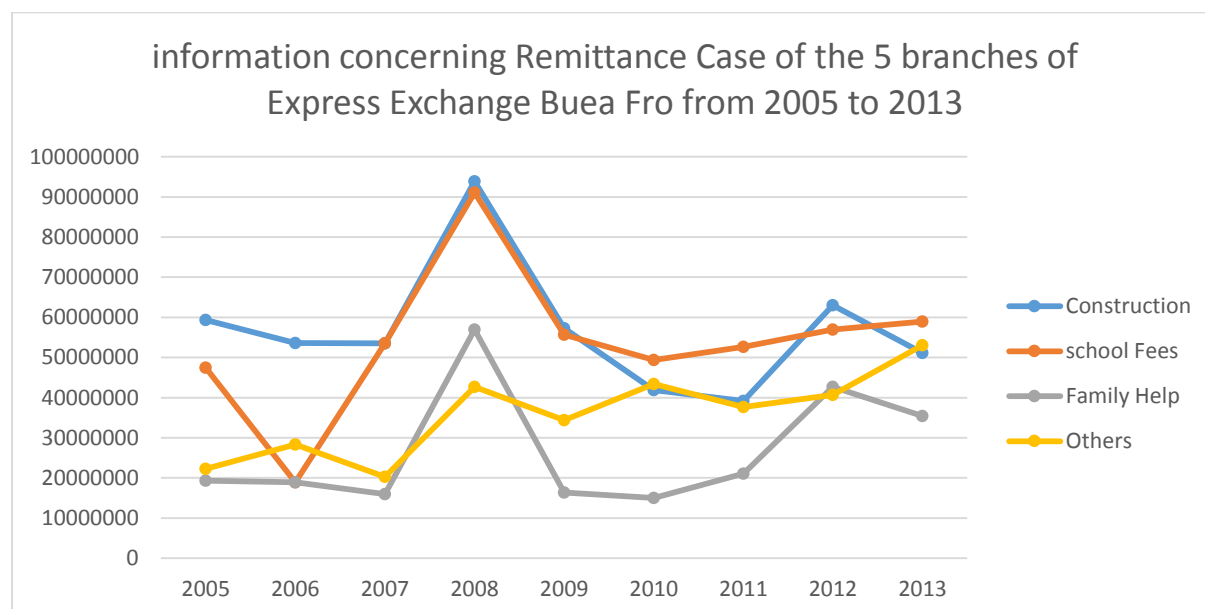


Figure 4.8: Trend analysis of Remittance in Buea from 2005 to 2013

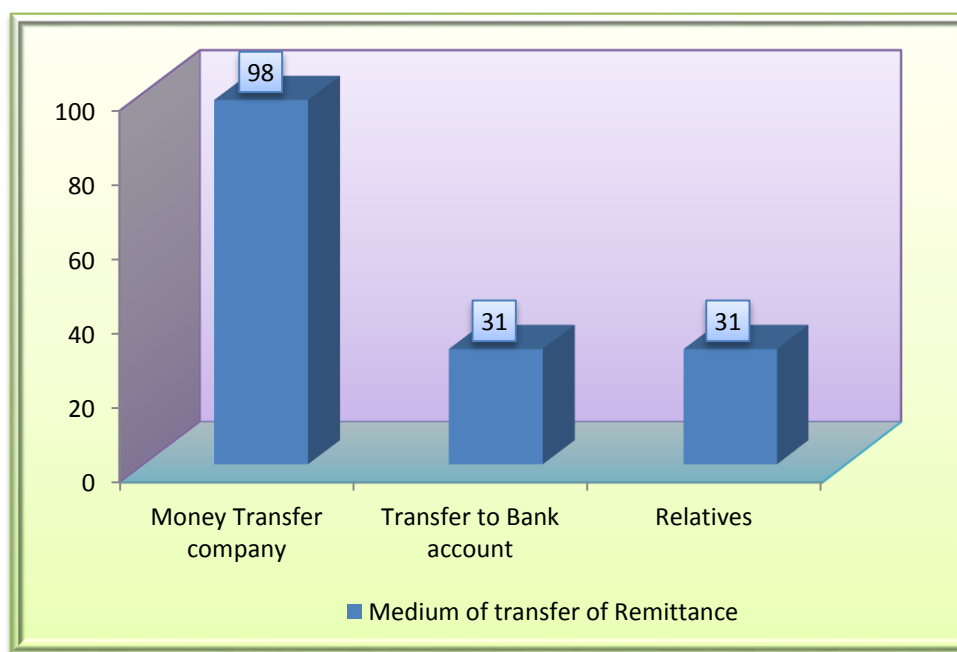
Source: Delta software

#### 4.2.3 Medium of transfer of Remittance

As we have seen in Chapter 2, modes of transfer of remittances form an essential part of any study on remittances. In the study, overall a majority (61.3%) that is 98 individuals of the sample households received remittances that were directly sent to money transfer company 31 persons (19.4%) received remittances sent to the bank accounts owned by the family members abroad. In addition remittance recipients But additionally it needs to be mentioned that 31 remittance recipients (19.4%) of the total sample population received remittances through relatives which is an informal source. This indicates that although at a lesser percentage compared to formal sources of transfer, informal sources also co exists. In this context it needs to be mentioned that the cost of transfer and time taken for transfer play a major determinant in the choice of channels by the migrants. Additionally, financial literacy of the migrants as well as that of the members of their households at origin could also be a significant factor in determining the choice of channels.

Also, in terms of procedure of collection of remittances by the household members, it was observed that members of the households picked up the money from the MTOs in most cases.

**Figure 4.8: presentation of medium of transfer**



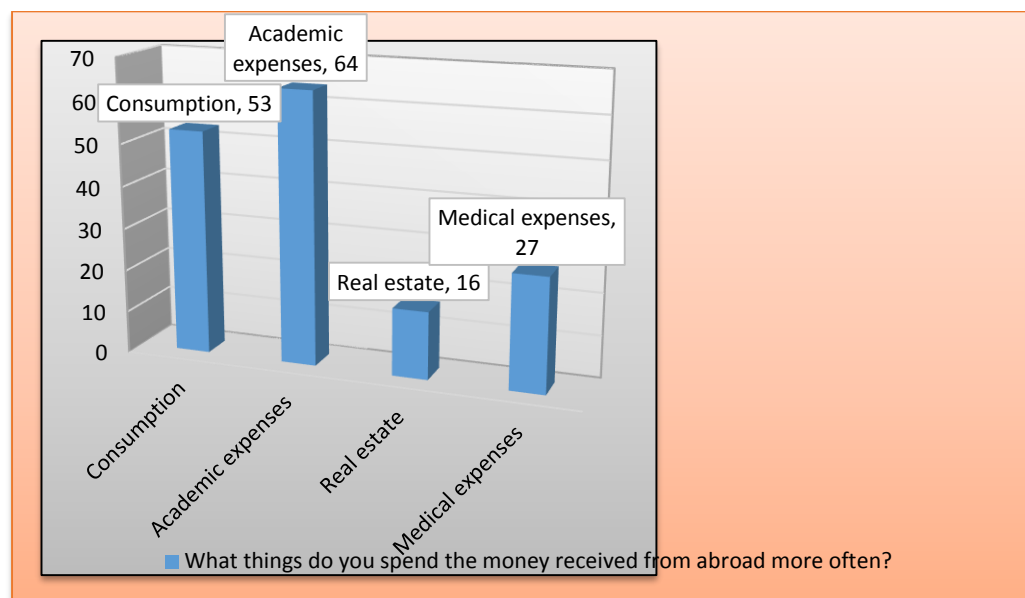
**Source:** field study

#### 4.2.4 End uses of Remittance

One of the most important aspects related to remittances is the end uses of remittances by the households that receive them. This important aspect forms the basis of many contemporary studies on remittances that are perceived by previous studies to be related to developmental aspects at the origin areas. In this study the multiple uses of remittances were segregated in terms of consumption uses, businesses uses, academic uses, medical uses and savings uses and ranked in order of importance. Table 4.2.4 presents the percentage distribution of the most important uses of remittances. As far as the most important uses of remittances are concerned, it was found that for the total sample, majority of remittance beneficiaries stated that the most important use of remittances was for academic purpose (40%). Satisfying the basic minimum needs of the family including food, clothing and other household amenities were the second most important uses of remittances (33.125%). Medical and academic expenses (16.875%) were the third most important uses of remittances and lastly respondents least used remittances for real estate (10%).) Uses of remittances are

also categorised in terms of productive and unproductive uses. The uses of remittances for consumption, health and academic purposes are basically investment for the future and thus productive uses. Even though it is clear that remittance recipients spend the bulk of their funds on consumer goods and policy makers categorise it as unproductive, the increase in spending has positive effects by creating a financial “injection” into the town’s economy that in reality is greater than the original value of the remittances sent (Yúñez-Naude, 2001:5). This is because the uses of remittances will determine how far remittance beneficiaries will become financially independent in their communities rather than always depending on remittance from a migrant relative.

**Figure 4.9: Presentation of what Remittance is spent on**



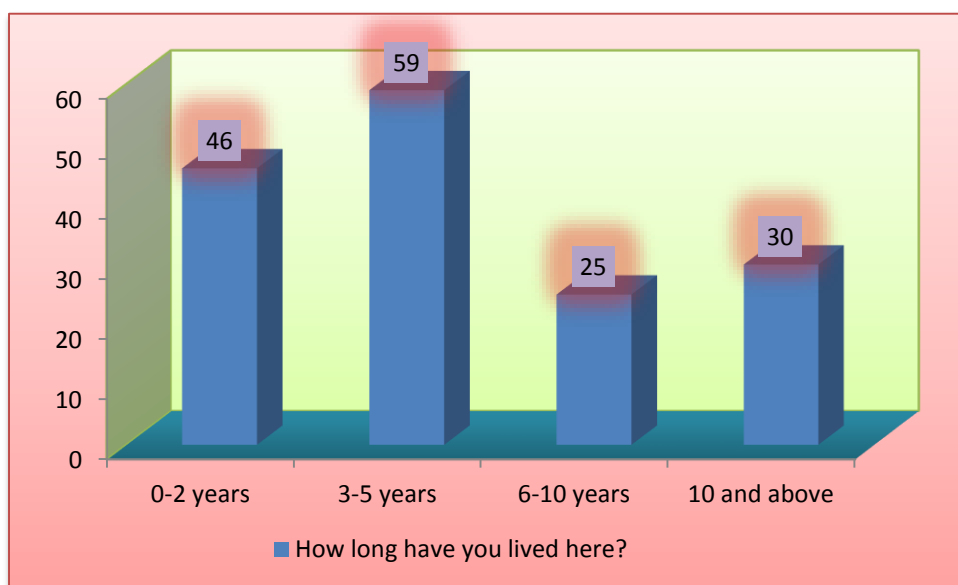
**Source:** field study

## 4.3 Remittance and Real Estate Development in Buea

### 4.3.1 Residential history of respondents

Table 4.3.1 relates for how long the respondents have live in their various neighbourhoods. Out of the total sample population 59 individuals (36.9%) have lived their neighbourhoods for 3-5year, 46 persons (28.8%) for less than 3years, 25 individuals (18.8%) for a period of 6-10 years and 30 persons have lived for 10 years and above in their neighbourhoods.

**Figure 4.10: presentation of residential history of respondent.**



**Source:** field study

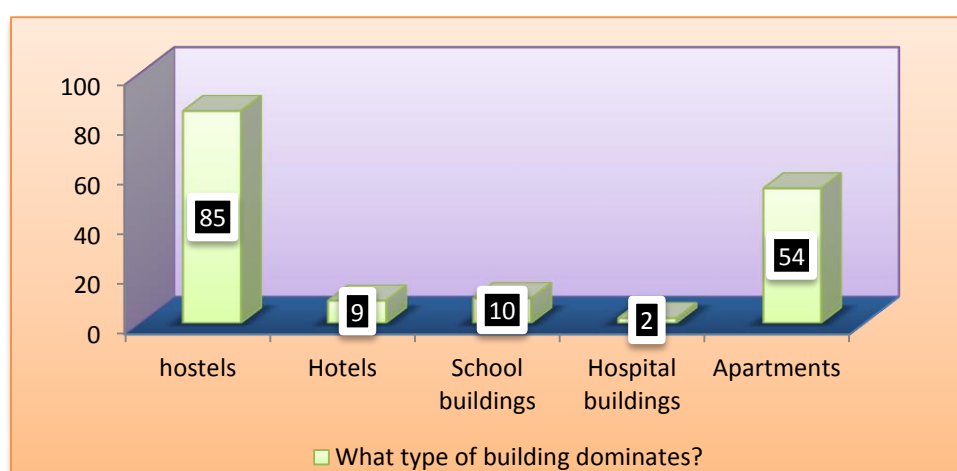
**Table 4.1: Residential History of Respondent according to Neighbourhoods**

| quarter of the respondent | Responds options | Frequency | Percent |
|---------------------------|------------------|-----------|---------|
| Molyko                    | 0-2 years        | 24        | 26.7    |
|                           | 3-5 years        | 27        | 30.0    |
|                           | 6-10 years       | 20        | 22.2    |
|                           | 10 and above     | 19        | 21.1    |
|                           | Total            | 90        | 100.0   |
| Muea                      | 0-2 years        | 15        | 35.7    |
|                           | 3-5 years        | 16        | 38.1    |
|                           | 6-10 years       | 3         | 7.1     |
|                           | 10 and above     | 8         | 19.0    |
|                           | Total            | 42        | 100.0   |
| Bomaka                    | 0-2 years        | 7         | 25.0    |
|                           | 3-5 years        | 16        | 57.1    |
|                           | 6-10 years       | 2         | 7.1     |
|                           | 10 and above     | 3         | 10.7    |
|                           | Total            | 28        | 100.0   |

**Source:** field study

#### 4.3.2 Type of buildings that dominate

**Figure 4.11: presentation of buildings that dominate**



**Source:** field study

Figure 4.11 shows the contribution of diaspora remittances in the construction sector of real estate business in the neighbourhoods of Molyko, Bomaka and Muea which by observation have a very fast growth of construction of buildings for the purpose to let. The percentages of the different kinds of buildings that are remittance financed in the various neighbourhoods are presented in this table. Out of the total sample 85 respondents said (53.1%) of the majority of buildings are hostels and 54 persons said (33.8%) of the houses are apartments. Thirdly, 10 respondents said (6.3%) are school buildings. Followed by 9 individuals who said (5.6%) are hotels and lastly 2 persons said (1.3%) are hospital buildings. Hostels are predominant in all the neighbourhoods as a result of the University of Buea in Molyko and other higher institutions of learning and the presence of the Medical school in Bomaka and Muea is not far from the medical school in Bomaka.

**Table 4.2: Presentation of Buildings that Dominate according to Neighbourhoods**

| quarter of the respondent | Responds options   | Frequency | Percent |
|---------------------------|--------------------|-----------|---------|
| Molyko                    | hostels            | 57        | 63.3    |
|                           | Hotels             | 6         | 6.7     |
|                           | School buildings   | 4         | 4.4     |
|                           | Hospital buildings | 1         | 1.1     |
|                           | Apartments         | 22        | 24.4    |
|                           | Total              | 90        | 100.0   |
| Muea                      | hostels            | 16        | 38.1    |
|                           | Hotels             | 2         | 4.8     |
|                           | School buildings   | 4         | 9.5     |
|                           | Apartments         | 20        | 47.6    |
|                           | Total              | 42        | 100.0   |
| Bomaka                    | hostels            | 12        | 42.9    |
|                           | Hotels             | 1         | 3.6     |
|                           | School buildings   | 2         | 7.1     |
|                           | Hospital buildings | 1         | 3.6     |
|                           | Apartments         | 12        | 42.9    |
|                           | Total              | 28        | 100.0   |

**Source:** field study

#### 4.3.3 Remittance and real estate development test for independence

**Table 4.3: Presentation of Cross Tabulation on the Impact of Remittance on the Building Sector**

|                                              |     |                | Has money from abroad boosted the building sector in your quartier? |       |           |          |                   | Total |
|----------------------------------------------|-----|----------------|---------------------------------------------------------------------|-------|-----------|----------|-------------------|-------|
|                                              |     |                | Strongly agree                                                      | Agree | Uncertain | Disagree | Strongly disagree |       |
| Do you receive money from abroad frequently? | Yes | Count          | 52                                                                  | 43    | 19        | 16       | 7                 | 137   |
|                                              |     | Expected Count | 46.2                                                                | 49.7  | 18.0      | 16.3     | 6.9               | 137.0 |
|                                              | No  | Count          | 2                                                                   | 15    | 2         | 3        | 1                 | 23    |
|                                              |     | Expected Count | 7.8                                                                 | 8.3   | 3.0       | 2.7      | 1.2               | 23.0  |
| Total                                        |     | Count          | 54                                                                  | 58    | 21        | 19       | 8                 | 160   |
|                                              |     | Expected Count | 54.0                                                                | 58.0  | 21.0      | 19.0     | 8.0               | 160.0 |

**Source:** field study

#### Chi-Square Tests

|                    | Value               | df | Asymp. Sig. (2-sided) |
|--------------------|---------------------|----|-----------------------|
| Pearson Chi-Square | 11.669 <sup>a</sup> | 4  | .020                  |
| N of Valid Cases   | 160                 |    |                       |

a. 3 cells (30.0%) have expected count less than 5.

The minimum expected count is 1.15.

The cross-tabulation in Table 4.3 above indicates that 137 respondents confirm that they receive money frequently from abroad, in which 52 strongly agree that the remittance has boosted the building sector, 43 respondents agreed that remittance has boosted, while 19 respondents were uncertain on the issue. On the other hand, 16 of the respondents disagreed that remittance has boosted the building sector and 7 strongly disagreed that remittance has boosted the building sector of their neighbourhoods.

On the part of respondent who do not receive money frequently from abroad had a total count of 23, and out of the 23 respondents 2 of the respondents strongly agreed that remittance boosted the building sector in your neighbourhoods and 15 respondents agreed that remittance has boosted the building sector in their neighbourhoods while 3 respondents were uncertain about remittance boosting the building sector in their neighbourhoods. On the other hand 1 of the respondent disagreed that remittance has boosted the building sector in their neighbourhoods while no respondent strongly disagreed the fact remittance has boosted the building sector.

The Chi-square test has a value of 11.669 which shows that there is a relationship between the receiving money from abroad and boosting the building sector of their quarters, it is statistically significant at 0.05 levels at two tailed test because the p-value (.020) is less than 0.05. Although remittance contributes significantly to the growth of the building sector of the neighbourhoods studied, most of the student hostels have been built by those within the country who are either big business men, hold important positions in parastatals and work in government offices running budgets.

#### **4.4 Remittances and the Socio-Economic Well-Being of the Beneficiaries**

In order to understand the extent of influence remittances have on the lives of migrant households, there is a need to assess the factors that influence the size of remittances, the factors that determine the economic and social wellbeing households due to remittances. Such an assessment would help identify the determinants. From literature on remittances, it can be said that remittances lead to economic and social wellbeing of the households through elimination of credit constraints, uplifting families from their economic status prior migration of their member and also enabling accessibility of the children of the households to better school or college education and of the household to better healthcare. An attempt was made to assess economic and social wellbeing through the perceptions of the respondents.

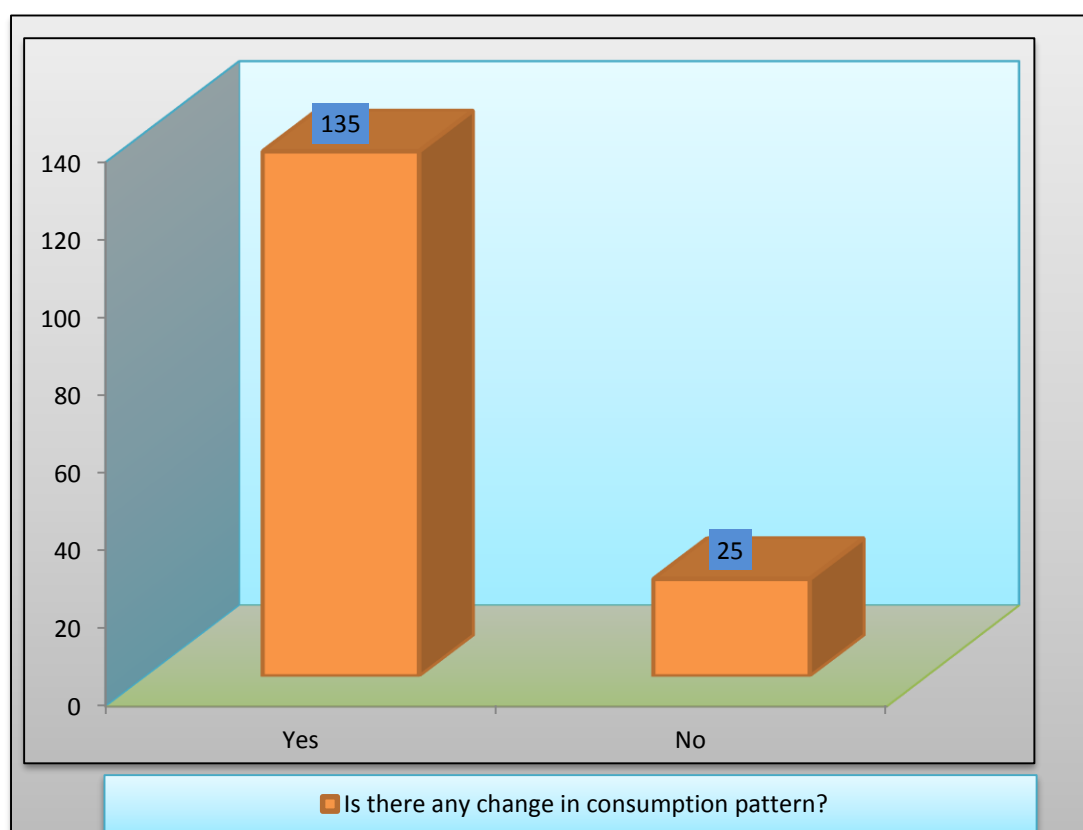
Theories on remittances based on the NELM approach, state that remittances reduce poverty and credit constraints of households receiving them and have also enabled them to invest in small businesses, financed education of children and medical care. Economic wellbeing, in this study, is measured in terms of the perception of consumption, income and investment. The respondents were asked whether they thought that remittances lead to better economic conditions of the households or not. However, in the case of assessment of social wellbeing (SWB), two indicators were selected in the study, namely the education

of the children in the households and access to health care facilities in the households. The respondents were asked whether they considered that remittances lead to better access to education of the children in the households in the first case; and in the second case the respondents were asked whether they considered that remittances lead to access to better healthcare facilities in the households.

#### 4.4.1 Consumption pattern

Table 4.5.1 shows the percentage change in the consumption pattern of respondents. Out of the total population sample 135 individuals (84.4%) agreed that there has been a change in their consumption pattern over time due to the remittances they received. And 25 respondents (15.5%) said remittances have not changed their pattern of consumption.

**Figure 4.12: Presentation of change in Consumption Pattern.**



**Source:** field study

**Table 4.4: Presentation of changes consumption pattern according to the quarters**

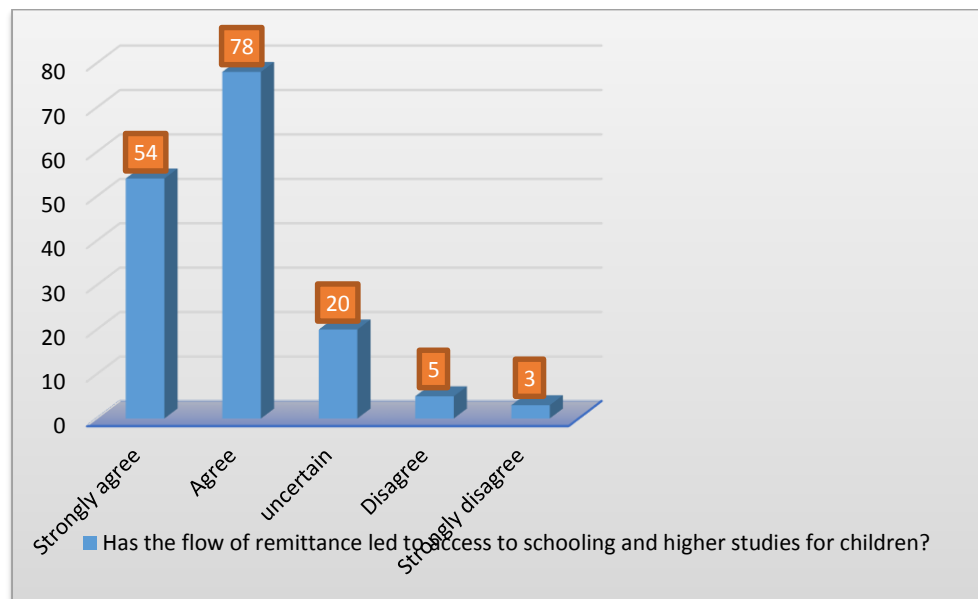
| quarter of the respondent | Responds options | Frequency | Percent |
|---------------------------|------------------|-----------|---------|
| Molyko                    | Yes              | 78        | 86.7    |
|                           | No               | 12        | 13.3    |
|                           | Total            | 90        | 100.0   |
| Muea                      | Yes              | 32        | 76.2    |
|                           | No               | 10        | 23.8    |
|                           | Total            | 42        | 100.0   |
| Bomaka                    | Yes              | 25        | 89.3    |
|                           | No               | 3         | 10.7    |
|                           | Total            | 28        | 100.0   |

**Source:** field study

#### 4.4.2 Education Pattern

Figure 4.13 shows the percentage change of access to schooling and higher studies. From the total sample 75 respondents (48.75%) agreed that remittances has increased access to education, meanwhile 54 respondents (33.75% ) strongly agreed being remittance beneficiaries have improved on the access of education of children. In addition, 20 individuals (12.5%) were uncertain if money transfer from abroad has led to a change in schooling. On the other hand, 5 persons (3.125%) disagree that remittances have not led to an increase in schooling. Lastly, 3 respondents strongly disagreed that remittances have not led to increasing the access of education over the years.

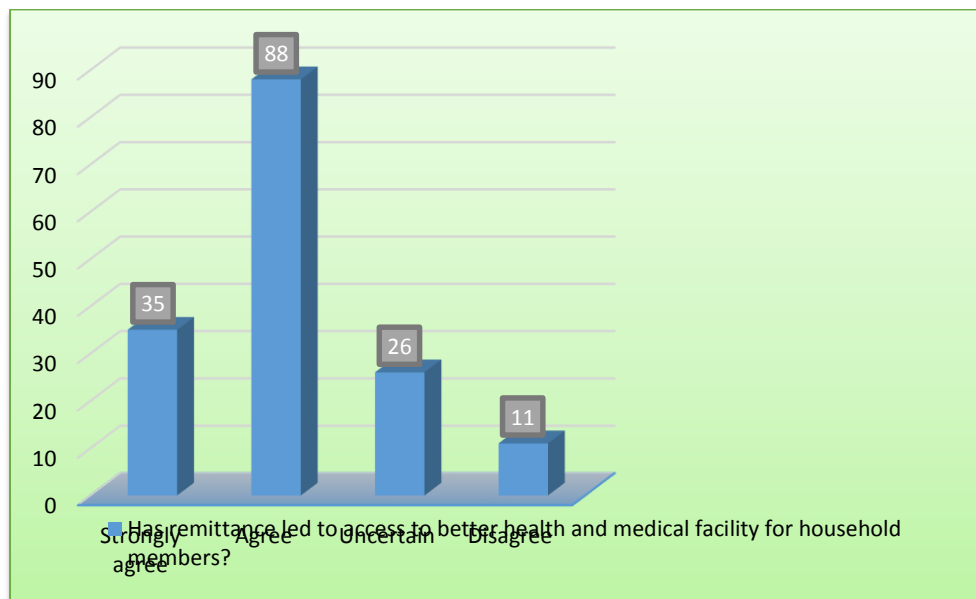
**Figure 4.13: Presentation of Access to schooling and higher studies for children**



#### **4.5.3 Health pattern**

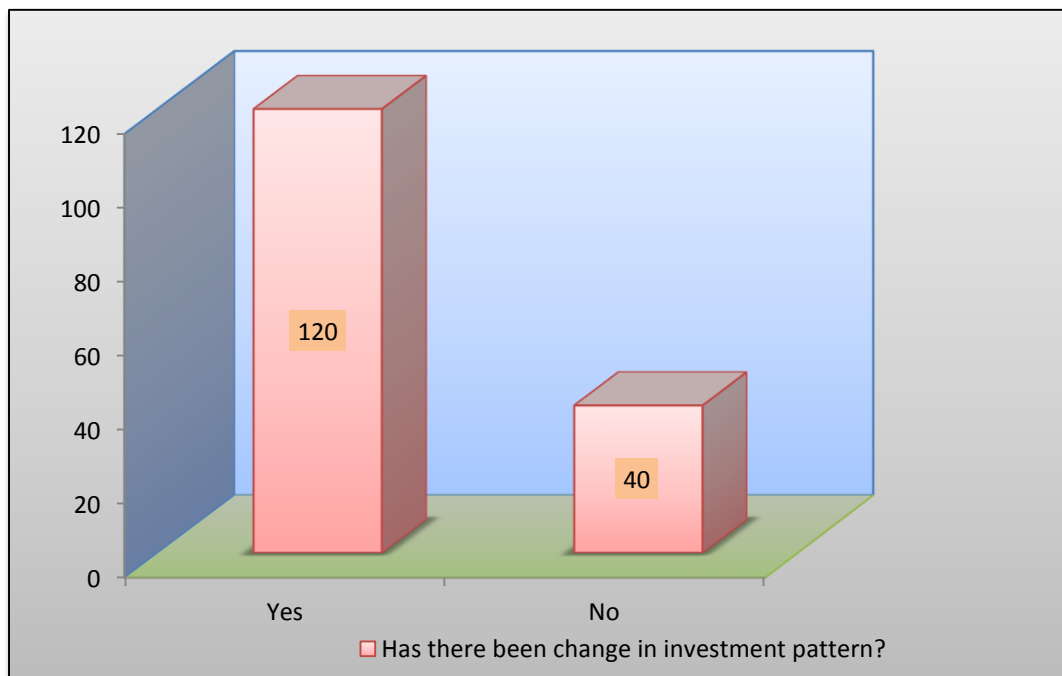
Figure 4.14 presents the responses of individuals who receive remittances to understand if it has led to better medical facilities or not. Out of a total sample of 160 households, 88 (55%) respondents agreed that that money transfer from abroad has brought about better healthcare facilities for them. Contrarily, 35 individuals (21.875) strongly agreed that remittances have improved their access to better health and medical facilities. Whereas, 26 respondents (16.25%) were uncertain if their access to better health and medical was due to remittances. Lastly, 11 persons (6.875%) disagreed that remittance have improved health and medical facilities.

**Figure 4.14:** Presentation of access to better health and medical facility.



#### 4.5.4 Investment pattern

**Figure 4.15:** Presentation of Investment Pattern according Neighbourhoods



**Source:** field study

**Table 4.5: Presentation of Change in Investment Pattern according to Neighbourhoods**

| quarter of the respondent | Responds options | Frequency | Percent |
|---------------------------|------------------|-----------|---------|
| Molyko                    | Yes              | 67        | 74.4    |
|                           | No               | 23        | 25.6    |
|                           | Total            | 90        | 100.0   |
| Muea                      | Yes              | 28        | 66.7    |
|                           | No               | 14        | 33.3    |
|                           | Total            | 42        | 100.0   |
| Bomaka                    | Yes              | 25        | 89.3    |
|                           | No               | 3         | 10.7    |
|                           | Total            | 28        | 100.0   |

**Source:** field study

#### **4.5.3 Remittance and socio economic well-being**

Theories on remittances based on the NELM approach, state that remittances reduce poverty and credit constraints of households receiving them and have also enabled them to invest in small businesses, financed education of children and medical care. Economic wellbeing, in the study, is measured in terms of the perception of consumption, income and investment. The respondents were asked whether they thought that remittances lead to better economic conditions of the households or not. However, in the case of assessment of social wellbeing, two indicators were selected in the study, namely the education of the children in the households and access to health care facilities in the households. The respondents were asked whether they considered that remittances lead to better access to education of the children in the households in the first case; and in the second case the respondents were asked whether they considered that remittances lead to access to better healthcare facilities in the households. Income allows people to satisfy their needs and pursue many other goals that they deem important to their lives. Moreover, increases in income have been associated with improvements in other dimensions of well-being, such as life expectancy, educational attainments, etc. The importance of economic well-being to overall well-being has been recognised by almost all the institutions producing measures of well-being.

**Table 4.6: Presentation Cross Tabulation on receiving Remittance from abroad and Increase in Family Income**

|                                              |     |                | Has remittance led to increase family income? |       |           |          |                   | Total |
|----------------------------------------------|-----|----------------|-----------------------------------------------|-------|-----------|----------|-------------------|-------|
|                                              |     |                | Strongly agree                                | Agree | uncertain | Disagree | Strongly disagree |       |
| Do you receive money from abroad frequently? | Yes | Count          | 62                                            | 50    | 17        | 6        | 2                 | 137   |
|                                              |     | Expected Count | 55.7                                          | 53.1  | 18.8      | 7.7      | 1.7               | 137.0 |
|                                              | No  | Count          | 3                                             | 12    | 5         | 3        | 0                 | 23    |
|                                              |     | Expected Count | 9.3                                           | 8.9   | 3.2       | 1.3      | .3                | 23.0  |
| Total                                        |     | Count          | 65                                            | 62    | 22        | 9        | 2                 | 160   |
|                                              |     | Expected Count | 65.0                                          | 62.0  | 22.0      | 9.0      | 2.0               | 160.0 |

**Source:** field study

### Chi-Square Tests

|                              | Value               | df | Asymp. Sig. (2-sided) |
|------------------------------|---------------------|----|-----------------------|
| Pearson Chi-Square           | 10.490 <sup>a</sup> | 4  | .033                  |
| Likelihood Ratio             | 11.470              | 4  | .022                  |
| Linear-by-Linear Association | 6.701               | 1  | .010                  |
| N of Valid Cases             | 160                 |    |                       |

a. 4 cells (40.0%) have expected count less than 5. The minimum expected count is .29.

The cross-tabulation in Table 4.6 above indicates that 137 respondents confirm that they receive money from abroad frequently, in which 63 strongly agree that the remittance has increase family income, 50 respondents agreed, while 17 respondents were uncertain on the issue. On the other hand 6 of the respondents disagreed that remittance lead to increase family income and 2 strongly disagreed that remittance lead to increase family income.

On the part of respondents who do not receive money from abroad frequently had a total count of 23, and out of the 23 respondents 3 of the respondents strongly agreed that remittance increase family income and 12 respondents agreed that remittance increases family income while 5 respondents were uncertain if remittance lead to an increase in family income. On the other hand 3 of the respondents disagreed that remittance leads to increase income while no respondent strongly disagreed the fact.

The Chi-square test has a value of 10.490 which shows that there is a relationship between the receiving money from abroad and increase in the family income of receiving households it is statistically significant at 0.05 levels at two tailed test because the p-value (.033) is less than 0.05.

### **3.2 LIMITATION OF THE STUDY**

The researcher could not get in touch with some of the caretakers or residents of the student hostels because at the time of data collection the rooms of hostels that had not paid their taxes were sealed by the taxation inspectors.

## **CHAPTER FIVE**

### **SUMMARY OF FINDINGS, CONCLUSION AND RECOMMENDATION**

In this chapter, a summary of the findings of the study are presented. The conclusions of the study along with certain recommendations for both policy as well as further research are also presented.

Taking into consideration the advancement of studies on impact of remittances in different developing countries and the research gap that exist in literature on remittance in the Cameroonian context, this study was an attempt to understand the opportunities and challenges of remittances as a development finance in the case of real estate development and socio-economic well-being.. It was a study in three neighbourhoods in Buea that hub real estate development for commercial purposes, and adopting a mixed approach.

For achieving the first objective, both primary and secondary data sources were used to understand the flow international remittances to Buea. The second objective to get the role remittances have played in real estate development for commercial purposes was attained through informal conversation, semi structured interview guide and questionnaire. The third objective on studying the impact of remittances on households receiving them was achieved through a household survey using a questionnaire. A total of 160 households was administered questionnaires.

#### **5.1 SUMMARY OF FINDINGS**

Majority of the households (61.3%) received remittances Money Transfer Companies which are agents of MoneyGram and Western Union. As for money transfer through the bank account of a migrant worker, it was registered not commonly. This could be due to difficulty obtaining legal papers as well as a fee paid by the migrants to banks for operating that account monthly or travelling to the nearest branch. Thus wealthier people tend to have better access to bank accounts than poor migrants. However, informal money transfer is not that much preferred amongst respondents because most family member abroad do not trust the friend or relatives to deliver the remittance.

Analysis of secondary data obtained from Delta software within the period of nine years showed that remittances were sent for construction, school fees, family helps and others. And during the 2008 financial crisis that affected the whole world, remittances for the various

purposes instead increased which explains the counter cyclical nature of remittances. This means remittances increase during economic downturns at the macro, micro and meso levels. Although averagely the amount of remittance for construction is greater than that for any other purpose from secondary data, only a few beneficiaries receive this because investment in real estate is capital intensive. Whereas, from primary data most remittance recipients use the money for school fees and only a few respondents use these funds for construction of buildings.

Multiple uses of remittances had been observed in the three neighbourhoods. The different uses of remittances were grouped in terms of consumption, school fees, real business and medical expenses. It was observed that academic expenses was the important uses in terms of percentage in the total sample population. This could be because this study was done in neighbourhoods that are student residential areas and most of the respondents were students whose remittances were mainly for educational purposes. And also with respect to their ages and the lack of the ability to manage large sum of money for investment purposes. Another reason might be that the amount of the remittance is just to take care of their immediate needs or probably because remittances were not their main source of income. However, the second most important use of remittances had been for consumption which could probably be because remittances are not the main source of income of the respondents who equally have financial assistance from family members within the country and have other sources of livelihood. The third most important uses of remittances had been for healthcare. Lastly, only a small number of respondents did use remittances to invest in real estate business and from this study most of the hostels that predominate the real estate business have been built by those within the country who are either big business, hold important positions in parastatals, those who take loans from financial institutions and work in government offices running budgets. Another reason why only a few respondent use remittances for real estate business could be because the business environment has not been able to attract enough funds from abroad for this sector or it might be as a result of the small size of remittance that is sent to contribute for mostly basic needs of family members back home.

According to this study, financial institutions record most students do save a part of the money since the remittance is mostly sent for their semester allowances; as such they save to manage their consumption pattern. The elderly or old persons hardly save may be because the money comes with a purpose which is either for building, family help in particular situations

like death and to remove their container from the sea port. Again most of the elderly people probably do not have remittances their primary source of income.

Furthermore, a chi square test for social economic wellbeing of the households due to remittances, measured in terms of the respondent's perception about improvement in access health services, schooling of children and improvement in consumption pattern also showed a positive relationship ( $p = 0.03$  less than 0.05).

Similarly, the chi square result for the impact of diaspora remittances and real estate development measured in terms of views of residents or care takers of hostels respondents and contractors from different neighbourhoods about the types of buildings own by migrants for commercial purpose showed a positive relationship ( $p = 0.20$  less than 0.05). This signifies remittances has contributed to real estate development for business purposes but it is not the major contributor since most of the hostels and structures have been built by those in the county.

## **5.2 CONCLUSION**

From the findings of the study although remittances benefit many households in Molyko, Bomaka and Muea as it is seen in their multiple uses, very few beneficiaries use remittances for real estate development for commercial purpose. The channel mostly used by remittance beneficiaries though formal deals with the two giant money transfer operators in Africa (MoneyGram and Western Union). And it has been observed, though generally the cost for remitting has reduced, migrants remitting to their country of origin in Africa still pay high fees which robs them of the amount sent as well as the developmental impact.

Generally, the impact of remittances can be said to be dependent on household and personal characteristics of migrants and different uses of remittances at the origin. Also, remittances lead to better economic and social conditions of the households as a result of increase in income which upgrades the consumption pattern and increase investment as well as lead to better access of education and health care for the members of the migrant households.

In addition to the above, remittances contributes to real estate development for commercial purposes but its contribution is insignificant. This could be because of the poor business environment for Diaspora investment in Cameroon. Thus most of the real estate investment for commercial purposes are owned by Cameroonians within the country.

Remittances lead to spill over effects (multiplier effect) from households to the local since with increase construction of buildings in the real estate sector does not affect only the builders but others companies such cement companies, carpenters, plumbers etc. are employed. In addition, investment of remittance by the migrant members into small businesses and also increase in trade activities due to increased consumption of the migrant households that benefit the non - migrant households. This also leads to more business activities in the local economy in terms of money transfer, which has been observed attracting more financial institutions. The business of real estate also comes with some challenges as it requires huge capital to buy land and construct such buildings. This has caused inflation in the price of land thus leading to high prices for hostels as well as apartments because these investors are out to make profit.

### **5.3 RECOMMENDATIONS**

1. As we have seen in this study formal money transfer agency play an important role in Buea where only few people use friends or relatives to send money. There is therefore need for technical assistance to financial institutions in designing and marketing financial products for remittance clients for this is a tool to leverage remittances. Financial literacy is also necessary to be done by financial institutions. This will help remittance clients know about financial products such as insurance, saving etc. they can use to their advantage. Since there is a relationship between owning a saving account and financial literacy, clients field work must also be done to understand what financial preferences exist and where clients' financial needs are. This will build the deposits of the institutions, increase credit to the local economy and significantly raises the business performing the work.
2. Systematic studies between migration stock and remittance flows should be undertaken so as to improve data on remittances in Cameroon. This is because reliable data on remittances are key to understanding their developmental impact. This could be done with the help of information obtained by BEAC from Money Transfer Operators, Banks and exchange houses.
3. Another recommendation is that investors involved in the construction part of the real estate for commercial purpose should especially hostels should be sentised by either their accountants or bailiffs about the portion of personal income and land tax they must pay that goes into the government coffers as well as the local community for further developmental purposes such as local markets and roads construction by the local council because taxes are the major sources of income in Cameroon.

#### **5.4 SUGGESTION AREA FOR FURTHER RESEARCH**

Literature on remittances and the financial sector development in developing countries are rare thus I will suggest further research should be carried out on the link between remittances and the financial sector.

In addition, research should equally be carried out to explore the enormous diaspora bond and securization of future remittances. Furthermore, research should be carried out on Home Town Associations and their developmental impact in migrants' home countries because literature on this is scarce except in some Asian countries like Philippines, Mexico and India that receive high remittances.

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## **LE CHAPITRE CINQ**

### **RÉSUMÉ DE CONCLUSIONS, CONCLUSION ET RECOMMANDATION**

Dans ce chapitre, un résumé des conclusions de l'étude est présenté. Les conclusions de l'étude avec certaines recommandations pour les politiques aussi bien que les recherches supplémentaires sont aussi présentées.

En prenant compte de l'avancement d'études sur impact des transferts de fonds des migrants dans les pays en voie de développement différents et l'intervalle de la recherche qui existent dans la littérature sur les remittances internationale dans le contexte camerounais, cette étude était une tentative de comprendre les opportunités et défis de remittance comme une finance du développement dans le cas de développement des infrastructures pour le but du commerce et le bien-être socio-économique. C'était une étude dans trois voisinages dans Buea qui prévaut dans le développement des infrastructures pour les buts commerciaux, et adoptant une approche mélangée.

Pour accomplir le premier objectif, les sources des données fondamentales et secondaires ont été utilisées pour comprendre les courants versements internationaux à Buea. Le deuxième objectif obtenir le rôle les remittances ont joué dans développement des infrastructures pour les buts commerciaux a été atteint à travers conversation non officielle, guide de l'interview semi structuré et questionnaire. Le troisième objectif en étudiant l'impact de versements sur ménages qui les reçoivent a été accompli à travers une étude des ménages en utilisant un questionnaire. Des questionnaires ont été administrés à un total de 160 maisons.

#### **5.1 Résumé de Conclusions**

La majorité des maisons (61.3%) recevait de l'argent au travers des Compagnies du Transfert de l'Argent des versements qui sont agents de Money Gram et Western Union. Comme pour transfert de l'argent à travers le compte bancaire d'un ouvrier migrateur, il n'a pas été enregistré communément. Ce pourrait être dû à difficulté qui obtient des papiers légaux aussi bien qu'un prix a payé par les saisonniers aux banques opérer ce compte mensuel ou voyager à la branche la plus proche. Donc les gens plus riches ont tendance à avoir le meilleur accès aux comptes bancaires que saisonniers pauvres. Cependant, le transfert de l'argent non officiel n'est pas beaucoup préféré parmi défenseurs parce que la plupart du

membre de la famille n'a pas confiance en l'ami ou parents pour délivrer le versement de l'étranger.

Analyse de données secondaires obtenue de logiciel de Delta dans la période de neuf années a montré que les versements ont été envoyés pour la construction, les frais scolaires, l'aide pour la famille et autres. Et pendant la crise financière de 2008 qui a affecté le monde entier, les fonds des migrants pour les différents buts ont augmentés ce qui explique la nature non cyclique de fonds des migrants pendant la période des troubles économiques. Cela veut dire les versements augmentent pendant baisses économiques aux niveaux macro, micro et méso. Moyennement le montant de fond des migrants pour la construction est plus grand que pour tout autre but de données secondaire seulement quelques bénéficiaires reçoivent ceci parce que l'investissement dans la construction des bâtiments nécessite un capital intensif. Pourtant selon les données primaires la plus part des bénéficiaires de remittances utilisent cette argent pour payer leurs scolarités et sauf quel que personnes utilisent ces fonds pour la construction des bâtiments.

Les multiples usages de fonds des migrants avaient été observés dans les trois voisinages. Les usages différents de ces fonds ont été groupés quant à consommation, les frais de scolarités et dépenses médicales et l'investissement dans l'infrastructure. Il a été observé que la dépense la plus importante était pour les buts académiques quant au pourcentage de la population de l'échantillon totale. Ce pourrait être parce que cette étude a été faite dans les voisinages qui hébergent les étudiants et la plupart des remittances étaient pour leurs études. Et aussi en ce qui concerne leurs âges et le manque de la capacité de diriger une grande somme d'argent pour les buts de l'investissement. Une autre raison peut être que le montant du versement est prendre soin de leurs besoins immédiats juste ou probablement parce que les versements n'étaient pas leur principale source de revenu. Cependant, le deuxième usage le plus important de fonds des migrants avait été pour la consommation qui pourrait être probablement parce que les versements ne sont pas la principale source de revenu des bénéficiaires et qui également ont l'assistance financière de membres de la famille dans le pays. Le troisième usage le plus important de versements avaient été pour le soin médical. Pour finir, seulement un petit nombre de bénéficiaires de fonds des migrants ont utilisé ces versements pour investir dans la construction des bâtiments pour le commerce et de cette étude la plupart des mini cités qui prédominent dans la construction des bâtiments pour le but commerciale appartient a ceux qui sont dans le pays tel que les grands hommes d'affaires, ceux qui occupent places importantes dans parastatale, emprunte de l'argent aux infrastructures financières ou gèrent les budgets du gouvernement. Une autre raison qui

contribue au fait que sauf un petit nombre des bénéficiaires des remittance utilisent ces fonds pour investir dans la construction des bâtiments pour le but commercial pourrait être parce que le climat des affaires n'est pas assez convenant pour attirer un grand volume de ces fonds des migrants pour ce secteur ou ce peut être par suite du petit volume de ces fonds es migrants qui est envoyé pour contribuer pour besoins de base de membres de la famille à la maison.

D'après cette étude, des institutions financières affirment que les étudiants la plus part des étudiants épargne une partie de l'argent puisque que le versement est principalement envoyé pour leurs allocations du semestre, donc ils épargnent pour bien gérer leur modèle de la consommation. Les personnes assez âgées ou vieilles épargnent très peu peut-être parce que ces fonds est désigné pour un but précis soit pour la construction, l'aide de la famille, des situations comme le décès mort et enlever leur récipient du port de mer. Encore la plupart des gens assez âgés n'ont pas probablement le fonds des migrants comme leur source principale de revenu.

En outre, une épreuve du carré du chi pour bien être socio-économique des maisons dû aux versements, mesuré quant à la perception des bénéficiaires des remittance au sujet d'amélioration dans la santé, la scolarité des enfants et amélioration dans modèle de la consommation ont montré un rapport positif ( $p = 0,03$  moins que  $0.05$ ).

De la même façon, le chi carré de résultat pour l'impact de remittance de la diaspora et le développement de l'infrastructure mesuré quant aux vues des résidents des mini cités et entrepreneurs de voisinages différents au sujet des types de bâtiments possédez par les saisonniers pour le but commercial a montré un rapport positif ( $p = 0.20$  moins que  $0.05$ ). Cela signifie le fonds des migrants a contribué au développement de bâtiments pour les buts de l'affaire mais cette contribution est minime puisque la plupart des mini cités et structures a été construit par ceux dans le pays.

### **5.3 Recommandations**

1. comme nous avons vu dans cette étude que le transfert d'argent formel joue un rôle important dans Buea où seulement peu de gens utilisent des amis ou les membres de famille de pour envoyer de l'argent. Il y a le besoin pour l'assistance technique aux institutions financières dans concevoir et vendre des produits financiers pour les clients du versement pour ceci par conséquent est un outil pour influencer des versements. L'alphabétisation financière est aussi nécessaire d'être fait par les institutions financières. Cela aidera des

clients du versement à savoir au sujet de produits financiers tel que l'assurance l'épargne, etc qu'ils peuvent utiliser à leur avantage. Puisqu' il y a un rapport entre posséder un compte économe et alphabétisation financière, les recherches concernant les clients doit aussi être fait pour comprendre quelles préférences financières existent et où les besoins financiers de clients sont. Cela construira les dépôts des institutions, faire augmenter le crédit à l'économie locale et considérablement booster les activités dans les institutions financière.

2. Les études systématiques entre le stock de la migration et le volume de fonds des migrants devraient être entreprises pour améliorer les données sur les remittances internationale au Cameroun. C'est parce que les données fiables sur les versements sont clés à comprendre leur impact de développement. Cela pourrait être fait avec l'aide d'information obtenue par BEAC des Opérateurs du Transfert de l'Argent, les Banques et les maisons de l'échange.

3. une autre recommandation est que les investisseurs impliqué dans le secteur de construction des bâtiments pour le but commercial devez surtout les mini cités devraient être des sensibilisés par leurs comptables ou régisseurs au sujet de la portion de revenu personnel et impôt de la terrain qu'ils doivent payer car cela va dans les coffres du gouvernement aussi bien que la communauté locale pour contribuer d'avantage au développement tels que la construction des marchés locaux et des routes par la commune urbaine parce que les impôts sont les sources majeures de revenu au Cameroun.

## **5.2 Conclusion**

Des conclusions de l'étude bien que les versements bénéficient beaucoup de maisons dans Molyko, Bomaka et Muea comme il est vu dans leurs multiples usages. Mais très peu de bénéficiaires utilisent ces fonds pour la construction des bâtiments à usage commercial. Le canal principalement utilisé par les bénéficiaires est les deux opérateurs du transfert de l'argent géants en Afrique (Money Gram et Western Union). Et il a été observé que généralement le coût pour transférer de l'argent dès l'étranger a réduit mais les migrants qui transfèrent de l'argent à leur pays d'origine en Afrique paient les frais élevés par rapport aux autres migrants hauts prix qui les volent du montant envoyés aussi bien que l'impact de développement.

Généralement, l'impact de fonds des migrants peut être dit pour être dépendant sur les ménages et caractéristiques personnelles de migrant et usages différents de ce fond à l'origine. Aussi, les versements mènent à une meilleure condition économique et sociale des ménages par la suite d'augmentation dans le revenu qui améliore le modèle de la

consommation et investissement et améliore aussi l'accès à l'éducation et les soins médicaux pour les membres des ménages ayant des membres à l'étranger.

En plus, les remittances contribuent au développement des bâtiments pour les buts commerciaux mais sa contribution est insignifiante. Ce pourrait être à cause du climat des affaires qui n'est pas assez convenant pour l'investissement de la Diaspora au Cameroun. Donc la plupart des bâtiments pour les buts commerciaux est possédée par les Camerounais dans le pays.

Les remittances mènent à l'effet du multiplicateur de ménages à la communauté puis que la construction des bâtiments n'affecte pas seulement les massons mais autres compagnies telles que les compagnies du ciment, charpentiers, que les plombiers etc. De plus, l'investissement de versement par les membres migrants dans les petites entreprises et aussi dans les activités commerciales dû à la consommation augmentée des ménages migrants qui bénéficient des remittances vers les ménages non migrants. Cela mène aussi à plus d'activités commerciales dans l'économie locale en termes de transfert de l'argent qui attire des institutions plus financières. L'affaire de vraie propriété vient aussi avec quelques défis comme il exige le capital énorme acheter la terre et construire de tels bâtiments. Cela a causé l'inflation sur le prix de terrain qui est suivie d'une hausse des prix de location des chambres dans les mini cités et aussi bien que les appartements parce que ces investisseurs sont dehors pour faire le profit.

#### **5.4 Région de la suggestion pour recherche supplémentaire**

La littérature de fonds des migrants et le développement du secteur financier au pays en voie de développement est rare donc je suggérerai les recherches supplémentaires devraient être exécutées sur le lien entre versements et le secteur financier.

De plus, les recherches devraient être exécutées pour explorer l'énorme bond diaspora et la sécurisation de futurs versements. En outre, les recherches devraient être exécutées sur Associations de ville natale et leur impact de développement dans les pays d'origine des migrants parce que la littérature sur ceci est rare sauf dans quelques pays Asiatiques comme les Philippines, le Mexique et l'Inde qui reçoivent de grand volume de fonds des migrants.

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## APPENDIX

### Appendix1: Questionnaire used for the study

#### QUESTIONNAIRE

**Dear respondent,**

I am Kacum Mpame Ashu, a student of PAN AFRICAN INSTITUTE FOR WEST AFRICAN DEVELOPMENT (Buea) undertaking a master's Degree in accounting and finance. Currently am carrying out a study on the opportunities and challenges of remittances of Buea sub division as part of the requirements for an award of a Master's Degree in Sustainable development. This questionnaire is therefore intended to seek information on the above subject matter. The information is purely for academic purposes and all the answers will be handled with utmost confidentiality. I therefore humbly request that you complete this questionnaire correctly in the spaces provided or options given. (Please, tick the appropriate answers where options are given).

#### Section 1: Description of Respondents

1. Sex of respondent. a) Male ☐ b) Female ☐
2. To which age group do you belong: a) 15-20 ☐ , b) 20-25 ☐ , c) 25- 30 ☐ , d)30-35, ☐ e) 35-40 ☐ , f) 40 and above ☐
3. Marital status: a).Single ☐ b) Married ☐ c) Widowed ☐ d) Separated ☐
4. The highest qualification you have gotten in terms of education?  
a) Primary ☐ b) secondary ☐ c) High school ☐ d) University ☐ e) Others, please specify

#### Section 2: Migration, Remittance, Medium of transmission and challenges

1. Do you have anyone abroad? a) Yes ☐ b) No ☐
2. How long has the migrant been abroad? a) less than one year , b)1-5 ☐ , c) 6-10 ☐ , d)11-15, ☐ e) 15 and above
3. Have you ever received money from abroad a) Yes ☐ b) No ☐
4. If yes about how much a year a)Less than 50000 ☐ b) 51000 – 150000 ☐ c)151,000 – 300,000 ☐ d) 301,000 – 500000 ☐ e) 501000 and above

5. Medium of transfer of remittance a) Money transfer company b) Transfer to bank account c) Relatives e) Other, please specify
6. Does the medium of transfer satisfy you a) Strongly agree ☐ b) Agree ☐ c) Uncertain ☐ d) Disagree ☐ e) strongly disagree ☐
7. How often do you receive money from abroad a) Monthly b) Quarterly c) Twice a year d) Once a year e) Others. Please specify
8. Do you pay a fee on receipt? a) Yes ☐ b) No ☐
9. Which of the method is preferable? a) Formal channel b) Informal channel
10. Mark the things you spend money transfer from abroad on more often (multiple choice). a) Consumption b) Academic expenses c) Medical expenses e) Real estate

### **Section3: Remittance and Economic Wellbeing**

1. Has remittance led to increase in family income a) Strongly agree ☐ b) Agree ☐ c) Uncertain ☐ d) Disagree ☐ e) strongly disagree ☐
2. Is there a change in consumption pattern a) Yes ☐ b) No ☐
3. Has there been change in investment patterns a) Yes ☐ b) No ☐
4. Has the flow of remittances led to access to schooling and higher studies for children a) Strongly agree ☐ b) Agree ☐ c) Uncertain ☐ d) Disagree ☐ e) strongly disagree ☐
5. Has remittance led to access to better health and medical facilities for household members? a) Strongly agree ☐ b) Agree ☐ c) Uncertain ☐ d) Disagree ☐ e) strongly disagree ☐

### **Section 4: Remittances and Real Estate Development**

- 1) How long have you lived here?
- 2) Has there been significant changes in infrastructural development? a) Strongly agree ☐ b) Agree ☐ c) Uncertain ☐ d) Disagree ☐ e) strongly disagree ☐
- 3) If yes, specify the changes
- 4) What kind of building dominates? a) Hotels b) Hostels c) Schools d) Hospitals e) Residential houses e) others
- 5) Has money from abroad boosted the building sector in Buea? a) Strongly agree ☐ b) Agree ☐ c) Uncertain ☐ d) Disagree ☐ e) strongly disagree ☐
- 6) If yes, how has it change over the years?

## **Appendix 2: Interview Guide**

### **Interview Schedules for Other Key Informants**

#### **i Building Contractor**

1. How many contracts do you get in a year?
2. What kind of housing contracts do you get?
3. What are the changes that have affected real estate development?
4. How much labour is required for these?
5. Are these labourers from within Buea alone?
6. From where do you get the raw materials?

#### **ii Managers of Financial Institutions**

1. What is your opinion about remittances and development?
3. Does your institution offer any remittance customer services?
4. What are the challenges faced by your institution with respect to diaspora remittances?