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Dynamics of remittance utilization by Nigerian households

William M. Fonta

West African Science Service Centre on Climate Change and Adapted Land Use (WASCAL), Ouagadougou, Burkina Faso
Center for Demographic and Allied Research (CDAR), Department of Economics, University of Nigeria, Enugu State, Nigeria

Elias T. Ayuk

United Nations University Institute for Natural Resources in Africa (UNU-INRA), University of Ghana, Accra, Ghana

Jude O. Chukwu

Center for Demographic and Allied Research (CDAR), Department of Economics, University of Nigeria, Enugu State, Nigeria

Onyukwu E. Onyukwu

Institute for Development Studies, University of Nigeria, Enugu Campus, Nigeria

Cletus C. Agu

Center for Demographic and Allied Research (CDAR), Department of Economics, University of Nigeria, Enugu State, Nigeria

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Innocent O. Umenwa

Center for Demographic and Allied Research (CDAR), Department of Economics, University of Nigeria, Enugu State, Nigeria

Abstract: Nigeria is currently ranked as the world's top 10 remittance destination country with estimated official inflows of about US$10 billion. However, very little is still known about the end-use dynamics of these large inflows into Nigeria. Understanding these dynamics is central to any attempt to minimize the negative effects of migration, while optimizing its development potentials in the country. Using a new dataset involving 697 end-users of remittances collected at money-operating facilities in the country between March 2011 and December 2012, the study finds that the bulk of remittances flowing into Nigeria are primarily used to subsidize households' consumption, education and health expenditures (74.3 per cent). However, intriguingly, when sources are disaggregated, the study finds that remittances originating from within Africa are driven by 'pure altruism', whereas those originating from the rest of the world are mostly driven by 'purely selfish' motives.

Key words: Nigeria, remittances, end-uses, development impact, altruism and self-interested motives

I Introduction

Nigeria is one of the world's top 10 remittance receiving countries. In 2003, the total remittance inflows to Nigeria stood at a little over US$1 billion. Since the mid-2000s, remittance in Nigeria has become a significant source of external finance (Nwosu *et al.*, 2012). Data compiled by the *Migration and Remittances Factbook* (World Bank, 2011) show that total remittance inflows to Nigeria in 2007, 2008, 2009 and 2010 were, respectively, US$9.2, US$9.9, US$9.6 and US$9.9 billion. The same *Factbook* indicates that the number of Nigerian emigrants expressed as a percentage of the population stood at over 0.6 per cent, while the top destination countries are USA, UK, Ghana, Chad, Cameroon, Italy, Benin, Côte d'Ivoire, Spain, Sudan and Niger (World Bank, 2011).

Although our level of awareness and understanding of the remittances–poverty–growth nexuses have improved significantly over the last few years, little is still known concerning how these large inflows are typically utilized by Nigerian households. Understanding the end-use dynamics of remittances is central to any attempt to minimize the negative effects of migration, while optimizing its development potentials. Although a number of studies have quantitatively examined the development impacts of remittances for several Latin American, Caribbean and Asian countries and conclude that remittances impact positively on national development for some of these countries,[1] very few studies have attempted to address this issue in Nigeria. Rather, the academic discussion on remittances in Nigeria has been dominated largely by studies of (a) the impact of migrants' remittances on poverty and income inequality (i.e., micro-level analysis); (b) the macroeconomic effects of remittances, mostly highlighting the transmission mechanisms through which remittances affect poverty, growth and financial sector development (macro-level analysis); and finally (c) transferring channels, transferring costs or policy options for reducing these transaction costs.

Given the huge gap on the dynamics of remittances utilization in Nigeria, this article seeks to make a modest contribution to the academic literature on the end-use dynamics of remittances in Nigeria, including the source motivations for remitting. It intends to do so using a new dataset involving 697 end-users of remittances collected at money transfer operators (MTOs) between March 2011 and December 2012. This is important for several reasons. First, many studies on remittances are based on national household surveys, which often ask respondents to recollect certain information about remittances such that associating migrants' remittance decisions to its development impact may not be robust. Second, to be conservative, more than 60 per cent of Nigerians are considered as being poor in absolute terms (CBN, 2008). If these large inflows are primarily directed to subsidize households' consumption expenditures, then remittances should be seen as having development implications in Nigeria. Third, if substantial portions of these additional funds are equally spent on health and education rather than on unproductive activities, then remittances may be contributing to human capital accumulation in Nigeria.

The rest of the article is divided as follows: In Section II, we present a brief review of existing literature on remittances and national development in Nigeria. Section III highlights some theoretical debates on remittances and development relevant to the paper while Section IV describes the data. This is followed by an overview of diaspora bonds and remittance-matching schemes in Section V. Section VI reports the empirical findings and discussions while Section VII concludes the article with the potential policy implications of the findings.

II Remittance and national development in Nigeria: A review of existing literature

As indicated earlier in Section I, there are three sets of literature that examines the impact of remittance income on national development in Nigeria. That is, micro-level evidence, macro-level evidence and studies on remittance-transferring channels, transferring costs or policy options for reducing these transaction costs. In the first instance, two methodological approaches have been generally followed. The first approach is to calculate poverty with and without remittance income and to simulate the likely effects of a percentage increase in remittance income, all else being equal, on household poverty. The second approach is to calculate the Gini coefficient with and without remittance income as well as decomposing inequality by income sources to obtain the percentage change in inequality due to percentage change in each income source. As noted in Lopez-Feldman *et al*. (2007), comparing indexes with and without remittance income provides useful insight into whether the elimination of this income would increase inequality and/or poverty.

There are three outstanding peer-reviewed works at the micro level in Nigeria. The first by Chukwuone *et al*. (2008) is based on a large, nationally representative household survey, the 2004 Nigerian National Living Standard Survey (NBS, 2004). Using the propensity score matching (PSM) technique, the authors found that both internal and international remittances reduce the incidence, depth and severity of poverty, although the poverty-reducing effect of international remittances was more pronounced. In the second, based on poverty and Gini decomposable techniques, Fonta *et al*. (2011) observed that when remittances are included in poverty calculations, household poverty declines across all the geopolitical zones in Nigeria and that a 10 per cent increase in remittance income, other things being equal, decreases the Gini coefficients of total income inequality by 0.02 per cent in rural Nigeria compared to a 0.1 per cent decrease in the urban area. The third study by Waheed *et al*. (2013) also employed the NBS of 2004. The authors found that poverty is reduced more when domestic remittances rather than international remittances are included in household income and that a 10 per cent increase in internal remittances decreases the poverty incidence, gap and severity measures by as much as 1.8 per cent, 1.6 per cent and 1.6 per cent, respectively. Other minor studies that found a strong positive influence of remittance income on household poverty and inequality in Nigeria include the works of Ajayi *et al*. (2009), Odozia *et al*. (2010), Babatunde and Martinetti (2011) and Olowa and Shittu (2012).

On the macroeconomic level, although the literature appears rich, the empirical findings are quite mixed. Agu (2009), for example, found a very weak link between remittances and the real sector including other components of aggregate demand with the exception of private consumption, for which the impact was marginally significant. Whereas Oduh and Urama (2012) found a negative correlation between remittances and the current account balance, a study by Ojapinwa (2012) found a strong positive effect of remittances on real GDP, labour market situation and population growth. Other important macro-level analyses in Nigeria include study by Ojapinwa and Odekunle (2013), which found a strong positive effect of remittances on fixed capital formation; Kure and Nwosu (2008), Uadiale *et al*. (2011) and Udah (2011) found some strong positive effects of remittances on financial development and economic growth through loanable funds, human and material investments, respectively.

On transfer channels, transferring costs or policy options for reducing remittance transaction costs, the literature is quite scanty. Very few studies have examined the remittance environment and its regulatory regime in Nigeria. In fact, a review of the peer-reviewed literature suggests that there are less than three or so peer-reviewed documented studies. These include the works of Hernandez-Coss and Bun (2007), Orozco and Bryanna (2007) and Fonta *et al*. (2013). In Hernandez-Coss and Bun (2007), the authors identified the weakened Nigerian banking structure as a major obstacle for facilitating remittances. The main recommendation of the authors is to encourage the use of formal remittance systems, through four main methods: (a) by increasing competition in the remittance market and facilitating the entry of more competitors like the postal service and telecommunications providers, (ii) by making regulations affecting remittances more transparent and predictable, (iii) by encouraging banks to go beyond the role of being money-transfer agents and to become more proactive and finally (iv) by building confidence in and capacity of formal financial institutions (de Haas, 2007a). In Orozco and Bryanna (2007), the main finding was that the competitive environment for money transfers in Nigeria is highly constrained due to a near-monopolistic hold on the market by one money transfer organization (MTO). In Fonta *et al*. (2013), failure by the Central Bank of Nigeria (CBN) to strictly enforce circulars (BSD/DIR/CIR/GEN/VOL.2/017 of 20 November 2008 and BSD/DO/CIR/GEN/V.2/012 of 17 December 2008) that articulate general guidelines on electronic banking, including remittances, in Nigeria were identified as being partly responsible for the high remittances transaction costs in the country.

III Some theoretical debates on remittances and national development

Theoretically speaking, the development outcome of remittances has been a subject of acrimonious, intense and inconclusive debates. On one side of the debate was the 'migration optimists' that dominated the scene in the 1950s and 1960s. This group of scholars were of the view that the flow of remittances as well as the experience, skills and knowledge that migrants would acquire abroad before returning home would greatly help in the economic take-off of many developing countries (e.g., de Haas, 2007a). On the other side, the 'migration pessimists', championed by scholars like Lewis (1986) and Lipton (1980), lasted till the late 1980s. This group viewed remittances as the outcome of withdrawn human capital from traditional, stable village communities and economies, which will eventually break-down for remittance overdependence and lack of productivity. However, the most influential debate concerning the development outcome of remittances was championed by the New Economics of Labour Migration (NELM) School, pioneered by prominent scholars such as Lucas and Stark in their famous seminar article (Motivations to Remit: Evidence from Botswana, *Journal of Political Economy*, 1985), Stark and Bloom (The New Economics of Labor Migration, *American Economic Review*, 1985), Stark (*The Migration of Labor*, Blackwell, 1991) and Poirine (A Theory of Remittances as an Implicit Family Loan Arrangement, *World Development*, 1997). For this group, remittance is simply the outcome of a household risk-spreading strategy in the form of migration, to secure and increase income and acquire investment capital in order to overcome local development constraints (de Haas, 2007b).

One important outcome of the NELM School, which has dominated much of the remittance literature today, is the motivations for remitting. In their seminar article, Lucas and Stark (1985) argued that migrants' remittances may be driven by several motives. One is the so-called 'pure altruism', in which case the migrant is motivated to remit in order to care for those left behind. The other is the 'self-seeking' or 'self-interested' motive, which is driven by purely selfish reasons. When driven by the self-interested motive, a migrant may remit for three possible reasons. The first is to maintain favour in the line of inheritance back at home. The second is to invest in asset holdings (such as land, buildings, cattle etc.) back at home and to ensure their careful maintenance. The third is the intent to return home, in which case the migrant is motivated to remit for the erection of an imposing residential building to enhance prestige or influence in the society (Lucas and Stark, 1985). Still in line with Stark (1991), Poirine (1997) argued that remittances may also represent an 'implicit loan agreement' between the migrant and non-migrant family members (Brown and Ahlburg, 1999).

Although many empirical studies on remittances draw extensively from the work of Lucas and Stark (1985), many scholars are of the view that a sizeable portion of remitted funds are equally spent on conspicuous consumption or what some critiques called non-productive investments. However, this notion has been greatly criticized on grounds that (a) consumption/spending especially on education and health constitute human capital accumulation that eventually increases long-term productivity (see, for example, Acosta *et al.*, 2007a; Bansak and Chezum, 2009; de Hass, 2007a, 2007b; Hassan *et al.*, 2013; Ngoma and Ismail, 2013; Ponce *et al.*, 2008; Yang, 2004); (b) consumption/spending on food, building, housing and small businesses, for example, can have positive multiplier effects and increase local economic activities, which equally transcends to non-migrant households (de Hass, 2005); and (c) consumption/spending helps alleviate poverty through the redistribution of income (Acosta *et al.*, 2007b; Adams, 2004; Adams *et al.*, 2008; Chukwuone *et al.*, 2008; Fonta *et al.*, 2013; López-Feldman *et al.*, 2007; Taylor *et al.*, 2005; Yang and Martinez, 2006).

IV Beyond remittances' income: Diaspora bonds and remittance-matching schemes

Given that remittances sent home by migrants to developing countries are equivalent to more than three times the size of official development assistance, how can governments harness its development and welfare potentials? First, emigrants' for example, could contribute to overall development by investing in a debt instrument issued by their home land governments' but marketed overseas (i.e., Diaspora Bonds). Successful country experiences such as India and Israel that led to attempts by Sri Lanka, Philippine, Jamaica, South Africa, Ghana and Ethiopia have confirmed diaspora bond as viable capital development financing and wealth-creating strategy. It is on record that Israel was the curtain raiser in diaspora bond issuance in 1951. Faced with imminent financial crisis, India mobilized about US$1.6 billion in 1991 through diaspora bond issuance, which is its second attempt. India also launched her second and third diaspora bonds in 1998 and 2000 worth US$4.2 billion and US$5.5 billion, respectively. Other case studies are Sri Lanka and Ghana that successfully issued bonds worth US$500 million and US$550 million to their diaspora populations, respectively. Just recently, the Federal Government of Nigeria through the Federal Executive Council approved the sum of US$300 million worth of diaspora bonds for Nigerians abroad. With a teeming diaspora population that competes favourably with other developing countries, market already exists and seems rosy for Nigeria to benefit from migrants' savings. It has been observed that Nigerians remit over US$100 million annually through Western Union, Money Gram and so on (Awofolaju, 2013). It does appear that the viability of diaspora bonds in Nigeria is not in doubt. Diaspora bonds have the advantages of first minimizing the risk of mismanaging monies sent by migrants; second, minimizing the cost of sending monies; third, creating window of opportunity for long-term investment, wealth creation, infrastructural development; fourth, improve a country's foreign exchange earnings; and fifth, inject investment capital and so on.

Second, home governments can directly involve migrants' in community-based development projects by introducing remittance-matching schemes such as the Mexican *Tre por uno* (three for one) scheme. Under the *Tre por uno* scheme, for every dollar put up by a Mexican migrant association in the US, the Federal, State and Local Government Areas (LGAs) in Mexico matches it up with an additional dollar, thus tripling the funding made available by remittances for development projects back home. The *Tre por uno* scheme has therefore supported a host of community development projects in Mexico in the areas of water, infrastructure, sanitation, rural electrification and so on (Taylor, 2006). Given the volume of remittances inflow into Nigeria and the stock of emigrants with the top destination countries being USA, UK, Chad, Cameroon, Italy, Benin Republic, Côte d'Ivoire, Spain, Sudan and Niger Republic, respectively, introducing the Mexican-type programme will certainly have a significant impact on national development. As noted in Mughal (2012), one major advantage of the *Tre por uno* scheme is its transparency and built-in accountability, which can ensure best return on the investment.

V Data

Before presenting the data used for the analysis, it may be necessary to first define remittances as used in the survey. According to the International Monetary Fund (2006), remittances broadly consist of (a) workers' remittances, from workers who have lived abroad for more than one year; (b) compensation of employees or labour income, including wages and other compensation received by migrants who have lived abroad for less than one year; and (c) migrants' transfers, the net worth of migrants who move from one country to another. Thus, by remittances, this study refers to the international transfers by the migrants' to home country through official channels from the country where they work or live.

One of our goals in collecting new data on remittances was to get a clearer picture of how this foreign inflow is used by Nigerian households, in order to more precisely evaluate its potential impact on development in the country. However, this particular component was a subset of a larger project on the 'Development Impact of Remittances in West Africa', involving three West African Countries (i.e., Nigeria, Ghana and Cote d'Ivoire), under the Globalization, Growth and Poverty (GGP) programme of the International

Development Research Centre (IDRC). As part of the larger research plan, it was therefore agreed that two states or regions in each country be selected for the administration of an exit survey capturing end-users of remittances at money transfer facilities. The basic premises of the selection were based on the volume of remittances as gleaned from migration statistics reported in the NBS (2004) and other statistical databases. In Nigeria, the two selected states were Enugu and Anambra states.

These two contiguous states are among the five states that make up the Southeast geo-political zone of Nigeria. Enugu state is largely rural with over 50 per cent of the population living in rural areas, while Anambra state is more urbanized with an estimated 62 per cent of the population living in urban and semi-urban areas. Anambra is also one of the most commercialized states in the country. A large proportion of the population are engaged in commercial activities, particularly trading and transportation. The Southeast in general has a very highly mobile population; because of the scarcity of land and a high population density, its people tend to migrate to other places in and outside the country in search of economic opportunities. It has been well documented that next to the indigenous population in any part of Nigeria, the South-easterners are the next most significant population (CBN, 2008). This mobility of the population and engagement in commercial activities make local money transfers and foreign remittances important sources of income for this part of the country.

The survey instrument (written questionnaire) was developed by the International Institute for Advanced Studies (IIAS), Accra, Ghana, with technical inputs from IDRC and key stakeholders during pre-inception workshops held at the three different countries. The questionnaire covered a wide range of issues, including information about the recipients' socio-economic and demographic characteristics, remittances and their end-uses[2] as well as the recipients' perceptions of poverty. The actual field survey lasted for the entire duration of the project and consisted of three phases. The first phase covered a total of 200 end-users conducted during the months of October, November and December of 2011. The second phase covered a total of 300 end-users during the months of May, June and July of 2012, while the last phase that lasted from October to December of 2012 covered a total of 197 end-users, which amounted to a total of over 697 end-users of remittances in the two sampled states.

The survey was based on the simple random sampling (SRS) technique. The main cities in the two states where the interviews were conducted and banks operating either Western Union or Money Gram money transfers were identified.[3] Since it was difficult to establish a sampling frame for this purpose, interviewers then selected respondents randomly from among those who came to the banks to receive their remittances. Ten graduate students' from the Department of Economics, University of Nigeria, Nsukka, were used to generate the required information after a two-day training programme, which was followed by pre-testing of the questionnaire. The findings of the pre-test were used to refine and finalize the survey instrument. Prior to the actual survey, an official letter was dispatched to the bank branch manager introducing the interviewer and the overall purpose of the survey. Interviews were only carried out at the consent of the branch bank manager.

VI Empirical Results and Discussion

Recipients' profile, relationship with remitters and frequency of inflows

In this sub-section, we present preliminary statistics on the recipients' profiles, their relationships with the remitters, the frequency of receipts and the length of time that the recipient has been receiving remittances from the sender (or the duration of receipts) as captured in the exit surveys of remittance end-users. This sort of background information on remittances is important for several reasons. First, it qualitatively highlights many possible motivations to remit by migrants. For instance, if the inflow is highly skewed towards end-users who are mostly unemployed and if the frequency of receipts by this group is quite high, then it is likely that the funds are earmarked to start up/support small businesses or for consumption purposes. Similarly, if non-relatives constitute a substantial portion of the remitters, it is possible that 'loan repayment' or 'loan advancement' is the main motive for remitting. Second, the background statistics equally help to highlight other important determinants of the impact of remittances on development. For example, the duration of receipts has been found in many other studies to be highly correlated with the length of stay of the migrants. Thus, as the permanency of residence increases, the frequency or amount of remittances falls.

Starting with the profile of the recipients, out of the total of 697 end-users sampled, more than 51 per cent were males while about 49 per cent were females. This obviously has implications for the end-use dynamics of remittances in Nigeria. In most of the remittances literature that focused on gender-specific motivations for remittances, women have been observed to spend more on education and health, while men prefer to invest in assets such as land, buildings, cattle and so on (Göbel, 2013). In terms of educational attainment of recipients, 37 per cent had secondary education, 30 per cent had tertiary education and 10 per cent had primary education, while the remaining 23 per cent had no formal schooling. By age distribution, 25.7 per cent of the sampled end-users were above 40 years, while only about 2 per cent of the end-users were below 20 years. However, note that the bulk of the sampled end-users were between the ages of 21 and 30 (38.2 per cent) followed closely by those who were between the ages of 31 and 40 (23.5 per cent). Furthermore, more than 63.7 per cent of the end-users reported having regular wage employment, either in the public or private sector while only about 36.3 per cent reported having no regular employment. Of the employed group, 18.4 per cent were wage workers in private formal enterprises, 17.5 per cent were wage workers in government organizations and the rest, 27.8 per cent, were all self-employed.

Concerning recipients' relationship with remitters, siblings accounted for more than 42.7 per cent of the total. Next to siblings, non-relatives accounted for over 21.7 per cent of the total. There may be several explanations for this observation. The non-relatives may be remitting to repay back informal loans that were contracted prior to migrating or perhaps sending money back home through friends to invest in asset holdings (such as land, buildings, cattle etc.). A third possibility may be a form of 'loan advancement' by migrants so that friends might finance their own trips abroad. Closely following non-relatives were close family relatives such as nieces and nephews who accounted for 11.4 per cent of the total. Also, like in many previous studies, we uncovered large inflows from husbands to wives (7.1 per cent) and from children to parents (5.6 per cent). Surprisingly, remittances from wives, son/daughter-in-laws and parents were very insignificant at 4.1 per cent of the total.

Finally, in terms of frequency of remittance receipts and duration of receipts, 23 per cent of end-users reported receiving remittances at least once every month followed by those who receive remittances every three months (22 per cent). The rest of the end-users receive remittances infrequently; that is, it varied within a year, which may be quarterly or mid-year or even annually depending on the financial position of the migrant at the destination. Regarding duration of receipts, 58.4 per cent said they have been receiving remittances for 1–5 years, 24.6 per cent said they have been receiving remittances for 6–10 years, while only about 12.3 per cent said they have been receiving remittances for more than 10 years. An interesting observation here, just like in many other studies, is that as the permanency of residence increases for the migrant, the frequency or amount of remittances declines.

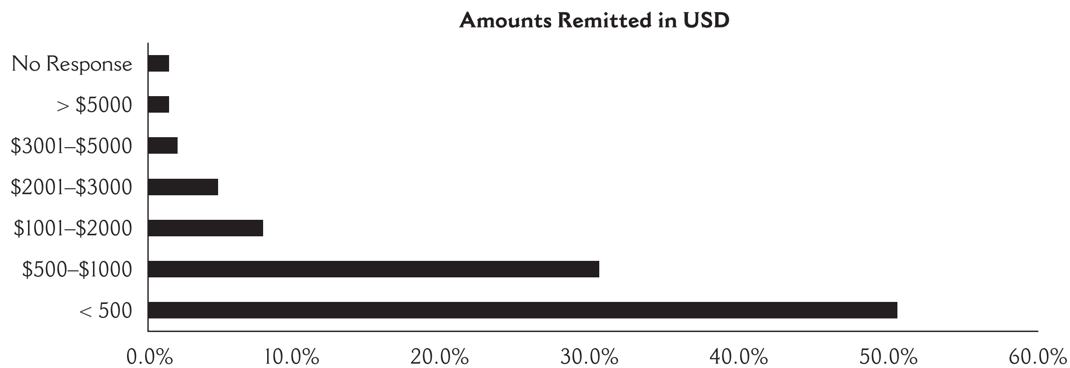
Continent of remittance origin and the quantum of inflows

There is a strong diversity in the destination countries of Nigeria migrants, and hence, the source of remittances. Both USA and Canada, the largest source countries of remittances, account for more than 48.7 per cent of the total remittance inflows coming through formal channels. The CBN reported a figure of about 60 per cent from these two countries (CBN, 2008). Closely following USA and Canada are remittances coming from the European Union (28.9 per cent) of which the top three originating countries are the UK (18.6 per cent), Germany (12.3 per cent) and Spain (6.6 per cent). Next to the European Union are remittances originating from Africa (12.7 per cent) of which the top six originating countries are Cameroon (23.4 per cent), Ghana (17.2 per cent), Togo (16.8 per cent), South Africa (13.3 per cent), Benin (8.6 per cent) and Niger (5.6 per cent). Less than 4.6 per cent of remittances into Nigeria originate from the continents of Asia and Australia.

The size of remittances received by recipients equally constitutes an important aspect for analysis on the study of remittances (e.g., Álvarez *et al.*, 2006; Hernández-Coss, 2005; Zachariah and Rajan, 2007). As shown in Figure 1, 50.5 per cent of the end-users received at most US$500 on each occasion, 30.4 per cent received between US$500 and US$1,000 (30.4 per cent), while 14.3 per cent received between US$1,001 and US$5,000, and less than 1.4 per cent received above US$5,000. Another interesting observation here is that as the remitted amount increases, the frequency of inflow reduces. This invariably implies that the frequency of remittances inflow to Nigeria is largely depended on the amount being remitted, and the lower the amount, the higher the inflows.

The economic importance of remittances

What are remittances used for in Nigerian Households? As indicated earlier, one of our



	< 500	$500–$1000	$1001–$2000	$2001–$3000	$3001–$5000	> $5000	No Response
■ Percentage	50.5%	30.4%	7.8%	4.7%	2.0%	1.4%	1.4%

Figure 1 Amounts remitted in US dollars

Source: IDRC/CDAR Field Survey.

goals in collecting new data on remittances was to get a clearer picture of how this foreign inflow is consumed or invested, in order to more precisely evaluate its potential impact on development in Nigeria. For this reason, end-users were specifically asked about the end-uses of remittances as explicitly specified by the remitters and as intended for use by the recipient household. This yielded precise information on the end-uses of remittances in Nigeria as shown in Table 1.

The second column in Table 1 reports end-uses of remittances as instructed by the migrants' whereas column 3 shows end-uses as intended by recipient households. As shown in Table 2, there are some significant differences in the end-uses of remittances between the recipient household and the wishes of migrant. The recipient households, for example, have greater use for remittances in the categories of consumption (0.4 per cent), education (0.6 per cent), health care (2.1 per cent) and

Table 1 Percentage distribution of end-uses of remittances

Purpose	*End-use as specified by the remitters (per cent)*	*End-use as intended by households (per cent)*
To subsidize household consumption	43.9	44.3
Education/tuition	15.1	15.7
Health care	12.2	14.3
Savings	6.9	5.6
Building/building repairs	5.9	6.0
Small businesses	3.4	3.4
Investment (e.g., land/shares etc.)	2.9	2.1
Marriage/funerals/donations	2.0	2.6
Travels (loans repayment/advancement)	5.2	2.6
Other uses	2.6	3.3

Source: IDRC/CDAR Field Survey.

Table 2 Percentage distribution of end-uses of remittances by origin

Purpose	*Africa (per cent)*	*Rest of the world (per cent)*
To subsidize household consumption	45.3	24.4
Education/tuition	14.7	11.3
Health care	8.3	5.2
Savings	1.0	1.8
Building/building repairs	16.3	32.2
Small businesses	7.3	1.2
Investment (e.g., land/shares etc.)	2.2	2.8
Marriage/funerals/donations	2.0	12.9
Travels (loans repayment/advancement)	0.9	4.0
Other uses	2.0	4.2

Source: IDRC/CDAR Field Survey.

marriages/funeral/donations (0.6 per cent) than the wishes of the migrant. Similarly, migrants have greater use for remittances in the categories of savings (1.3 per cent), investment in land, building/repairs, shares and other assets holding (0.8 per cent), including loans repayment/advancement (2.6 per cent), than the recipient households. An interesting observation here is that while the migrants are remitting to support those left behind as well as other 'self-interest' motives, the recipient households are mainly concerned about their basic welfare needs first, before other uses as instructed by the remitters. This observation may still require further interrogation.

Generally speaking, the results in Table 1 indicate that the bulk of remittances are mainly used by households for consumption purposes (44.3 per cent). This is not surprising as many other studies have uncovered similar findings. What should be the primary concern is whether these funds are expended on conspicuous consumption or not? There are two ways to answering this question. The first, which is more or less direct, is to ask recipients to list the types of food items purchased with remittances such that those considered as being conspicuous can be easily differentiated from those that are not considered as being conspicuous. The second approach, which has been favoured by many scholars, is to assess the poverty impact of remittances on household welfare. Most empirical findings from Nigeria based on the latter approach found that remittance income actually reduces poverty as well as income inequality (see, for example, Fonta *et al.*, 2013, for a detailed review of these studies).

Next to household consumption is spending on education, which ranks second and accounts for over 15.7 per cent of the total use of remittances in Nigeria. After health care spending (which ranks third at 14.3 per cent), housing/building repairs is the fourth most important use of remittances, accounting for 6 per cent of the total. Within this category, it is interesting to note that recipients prefer to spend more remittances than as specified by the remitters. This suggests that apart from households' most pressing needs on food, education and health care, an average Nigerian family would think first of shelter before saving for a household migrant. This invariably suggests some level of distrust, an issue that has not been fully exploited in many studies on remittances. Next to housing/building repairs is savings for migrants that accounts for less than 5.6 per cent of the total. A small number of remittances are concentrated in uses such as small businesses (3.4 per cent); investment in shares, land and other assets (2.1 per cent); marriage/funerals/donations (2.6 per cent); and travels encompassing loans repayment/advancement (2.6 per cent). Other uses absorb only 3.3 per cent of the total.

If we put our analysis within the general context of the NELM School or more aptly within the context of Lucas and Stark (1985), then the altruistic motive predominates in Nigeria, making remittances counter-cyclical, and responding very positively to adverse households' shocks and other local development constraints. If we equally X-ray our empirical findings through the capability framework lens of Sen (1999), which views development as a 'multidimensional concept', which puts improvements in people's actual capabilities and well-being first, then remittances have significant development impacts in Nigeria. If we also single out remittance spending on education and health alone in Nigeria, the contribution to human capital development is quite significant (30 per cent). This is higher when compared to other findings from countries such as Ecuador (25.7 per cent) and Guyana (15 per cent).

Does the continent of remittance origin matter?

For policy purposes, we felt it was also necessary to disaggregate the end-use of remittances by their origin or source (i.e., Africa and the rest of the world—Abroad). Interestingly, the comparative analysis produced some quite striking results as shown in Table 2. First, as observed (see also Table 2), the main motive for remitting by an international migrant living Abroad is to invest in building/building repairs (32,2 per cent) before supporting those left behind (24.4 per cent). This invariably implies that 'self-interest' motive for remitting principally predominates the motive of 'pure altruism' for migrants living Abroad. Second, we uncovered that an equal percentage of migrants who live Abroad remit more for marriages, funerals and donations (12.9 per cent) than for educational (11.3 per cent) and health care needs (5.2 per cent) of those left behind. This may be attributed to the desire to enhance prestige or influence in the society on return. Summarily, our finding indicates that while remittances originating from within Africa may be driven by a desire to care for those left behind (pure altruism), those originating from 'Abroad' to a large extent are partly driven by purely selfish motives. One possible explanation for this is based on the general notion about who is considered an 'international migrant'. For most African countries, one is considered an 'international migrant' so long as he/she lives outside the shores of Africa. Thus, in order to keep up with the notion, the migrant must erect an imposing residential building or make significant contributions to marriages, funerals or church donations and so on, to enhance prestige or influence in the society.

VII Conclusions and policy implications

The main conclusion arrived at in this article is that remittances flowing into Nigeria are predominantly spent by households on consumption, education and health, accounting for over 74.3 per cent of the total inflows. Since it can be argued that these categories of expenses have positive multiplier effects on the local economy as well as on human capital accumulation over time, then it can be concluded that remittances contribute positively to national development in Nigeria. However, despite its positive contribution to national development in Nigeria, the country's National Policy on Migration (NNPM), which is the overall platform for remittance regulation, is still at a draft stage pending approval by the appropriate authorities. This draft policy needs to be formally enacted into law in order to improve remittance environment in the country. When approved it is envisaged that an Agency for Migration, Refugees and Internally Displaced Persons will be responsible for implementing the policy and coordinating its activities with line ministries and other relevant bodies (FGN-EU CSP/NIP, 2008–13).

Similarly, the remittance environment could also be improved by strictly enforcing the CBN circulars (BSD/DIR/CIR/GEN/VOL.2/017 of 20 November 2008 and BSD/DO/CIR/GEN/V.2/012 of 17 December 2008) which articulate general guidelines on electronic banking, including remittances to all deposit money banks (DMBs) and international MTOs in Nigeria. Equally, DMBs and MTOs can improve remittances inflow through banks and MTOs by (a) making transfers simple to process, (b) reducing the cost of sending remittances/transfer charges, (c) hosting of banks' swift code on banks' websites for easy access to senders, (d) direct account lodgements like in the case of **RIA** money transfer facility, (e) removing restrictions on maximum amount an individual can receive, (f) ensuring prompt and efficient services to recipients, (g) ensuring network availability at all time, (h) ensuring new and better technology platforms for remittances such as mobile banking or E-transfer products, (i) integrating informal transfer organizations into the formal system and (j) supporting market access of domestic banks into corridors of high concentration of Nigerian diaspora either by opening overseas branches or through special financial products such as diaspora domiciliary accounts as obtainable in some Nigerian banks such as Ecobank, PLC and Fidelity Bank, PLC.

Furthermore, the Federal, State and LGAs in Nigeria could facilitate community-based development efforts by introducing similar packages such as the Mexican *Tre por uno* (three for one) programme. Given the volume of remittances inflow into Nigeria coupled with the stock of emigrants in top destination countries such as USA, Canada, UK and so on, introducing the Mexican-type programme would certainly have a significant impact on national development. Finally, with Nigeria being among the top ten remittance destination countries, tapping into the idea of 'Diaspora Bonds' financing will not only foster national, regional and community development initiatives, but will equally involve Nigerians in diaspora in the socio-political and socio-economic development of the nation. By introducing such financing strategy, the government of Nigeria can involve the overseas' Nigerian community in the country's socio-economic and political development as well as reduce its budgetary and credit constraints.

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Notes

1. See, for example, Bendixen (2003), Orozco (2005), Ponce *et al*. (2008) and Göbel (2013), for the case of Ecuador; Jadhav (2003) and Singala and Allamraju (2011) for India; Brown and Ahlburg (1999) for South Pacific; Rocha (2011) for Nicaragua; Siddiqui and Abrar (2003), De Bruyn and Kuddus (2005), De Bruyn (2006), Barai (2012) and Hussain (2014) for Bangladesh; Mughal (2012), Mughal and Anwar (2012) and Ahmed *et al*. (2010) for Pakistan; Agarwal and Horowitz (2002), Taylor and Mora (2006) and Woodruff and Zenteno (2007) for Mexico; Adams and Cuecuecha (2010) for Guatemala.
2. The general consensus arrived at was that the multiple uses of remittances documented in many previous studies be separated to suit the development priorities of the region being dealt with. Thus, accordingly, recipients' were asked to rank the uses of remittances in the order of importance based on (a) education; (b) health; (c) subsidization of household expenditure on consumption; (d) savings; (e) building/building repair; (f) investment on shares, land, assets and so on; (g) travel; (h) small business; (i) marriage/funerals/donations; and (j) other uses.
3. Nigeria has over 24 banks that all have branches in these states. However, because of cost constraints, only 14 banks were randomly selected in each state. These include Bank PHB (Platinum Habib Bank Ltd) operating Money Gram (MG) facility; Union Bank of Africa, Plc, operating MG, Vigo and Coinstar; Zenith Bank, Plc, operating Western Union (WU); First Bank Nigeria, Plc, operating WU; United Bank for Africa, Plc (UBA) operating MG; Ecobank, Plc, operating WU; Diamond Bank, Plc, operating WU; Wema Bank, Plc, operating WU; Guaranty Trust Bank, Plc, operating WU; First City Monumental Bank, Plc, operating WU; Fidelity Bank, Plc, operating WU; Afribank Nigeria, Plc, operating Coinstar; Access Bank Nigeria Ltd and Sterling Bank Nigeria Ltd operating WU.

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