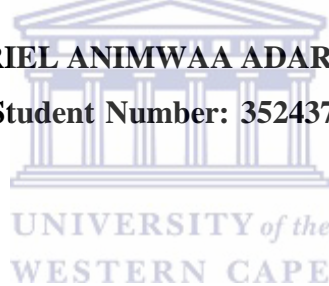**THE COUNTERCYCLICAL NATURE OF REMITTANCES: A CASE STUDY OF THE 2009 GLOBAL FINANCIAL CRISIS IN CAMEROON, CAPE VERDE, NIGERIA AND SENEGAL**

BY

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A MINI THESIS SUBMITTED IN PARTIAL FULFILLMENT OF THE
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May, 2017

DECLARATION

I hereby declare that this mini thesis entitled The countercyclical nature of remittances: A case study of the 2009 global financial crisis in Cameroon, Cape Verde, Nigeria and Senegal is my own work and that I have not previously submitted it to any university for a degree or examination. All sources used have been indicated and duly acknowledged

Muriel Animwaa Adarkwa

Signature: …………………………….

(Student)

Dr. Coretta Jonah

Signature: ……………………………

(Supervisor)

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DEDICATION

This thesis is dedicated to my parents, Mr. Kwaku Adarkwa Dwamena and Mrs Christiana Danquah and siblings Mayfair and Michelle for their unconditional love and moulding me into the individual I am today.

ACKNOWLEDGEMENTS

ABSTRACT

Remittances inflows have gradually become one of the major sources of external financial inflows to developing countries. As a result, research abounds on the developmental effects of remittances in the home countries of migrants. At the micro level, recipients of remittances are more likely to have better access to quality health care, education as well as start-up fund for their own businesses. On the other hand at the macro level, remittances inflows can help increase the credit worthiness of countries by enabling them to use future remittances inflows as collateral for loans. Additionally, remittances inflows as a source of foreign exchange can be used by countries to fund import bills. Although there has been a surge of scholarship on remittances, this scholarship seems to be concentrated on the economic study of migration instead of the macroeconomic aspects of remittances. Furthermore, comparative studies on these macroeconomic aspects of remittances especially on African countries are under-researched and remains at the backwaters of academic study.

Using quantitative time series data, this research seeks to do a comparative study on the countercyclical nature of remittances in four selected West African countries (Cameroon, Cape Verde, Nigeria and Senegal). The research used descriptive trend analysis, autocorrelation and an ARMAX model analyse the research problem. After critical analysis on whether remittances are countercyclical or not using the 2009 global financial crisis as a reference year in these four countries, it was found that, remittance inflows to Cameroon, Cape Verde, Nigeria and Senegal were pro-cyclical in nature. Moreover, in analysing the relationship between remittances inflows and gross domestic product (economic growth) the research revealed that there was a positive relationship between remittances inflows and economic growth for the four countries (Cameroon, Cape Verde, Nigeria and Senegal) observed. One recommendation given from this study is that, there is the need for remittances inflows to be invested in productive activities. This is because even if remittances continue to increase, without its investment in productive sectors, it cannot have any meaningful impact on economic growth in these countries.

Keywords: *Foreign Direct Investment, Gross Domestic Product, Home Country, Host Country, Migration, Net Official Development Assistance, Remittances Inflows, Remittances Outflows*

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ACRONYMS AND ABBREVIATIONS

ADB	African Development Bank
Cam	Cameroon
CPV	Cape Verde
Diff	Difference
GDP	Gross Domestic Product
IFAD	International Fund for Agricultural Development
IMF	International Monetary Fund
IOM	International Organization for Migration
Nig	Nigeria
OECD	Organisation for Economic Co-operation and Development
Rem	Remittances
Sen	Senegal
UNECA	United Nations Economic Commission for Africa
UNDP	United Nations Development Programme
US$	United States Dollar

<div align="center">**Chapter One**</div>

<div align="center">**Introduction**</div>

1.0 Chapter Overview

This chapter presents an overview to the research. It focuses on the background and contextualisation of the research, the statement of the problem, research questions, the aim and specific objectives, the rationale behind the research and the hypothesis. It concludes with an outline of the various chapters in the mini- thesis.

1.1 Introduction

Since time immemorial, people have migrated from place to place however, with the continuous and increasing rate of globalisation; the movement of people, goods, and services across international borders have been made easy in the 20th century. This is because of the fewer restrictions placed on transit. People may migrate from a developing country to another developing country (South-South migration); from a developing country to a developed country (South- North migration); from a developed country to another developed country (North- North migration) or from a developed country to a developing country (North- South migration). There are many reasons why people migrate. Reasons include but not limited to the quest for greener pasture, work, education, and/ or political strife.

Although in recent years the numbers of migrants have been rising steadily, research shows that, between 2000 and 2010, the number of migrants increased rapidly. Between 2000 and 2010, the number of migrants increased at an average of 4.6 million annually in comparison with an average of 2.0 million annually from 1990 to 2010 and an annual increase of 3.6 million between 2010 and 2013. (International Migration Report, 2013). The impact of migration on 'host' and 'home' country could be positive or negative; however, one the positive impacts of migration on the 'home' country of migrants are remittances.

Remittances sent by migrants have gradually become a source of external capital to developing countries. After the global financial crisis which hard- hit high income countries, capital market inflows as well as foreign direct investments to developing countries fell

sharply while migrants' remittances to developing countries continued their steady growth (Martin, 2006). Currently, remittance inflows to developing countries are the second largest source of external financial inflows to these economies (World Bank, 2014a). Official remittances received by developing countries from their nationals abroad have gradually risen over the past decade reaching an estimate of US$404 billion in 2013 surpassing official development assistances (World Bank, 2014b). It should be noted that, remittances received through informal and unofficial channels are omitted from official records because of the difficulty in capturing and recording such transactions (World Bank, 2014a).

The rise in remittance inflows can be credited to the increasing numbers of people travelling to and settling abroad as well as the increasingly easier, faster and cheaper means of transferring money (Imaw, et al., 2012). There are many benefits of remittances to developing countries. Firstly, countries with high remittance inflows tend to have a lower poverty index (Odozi, Awoyemi & Omonona, 2010). This is usually attributed to the fact that people who receive remittances may either choose to spend it on their basic needs- food, water, clothing, shelter and health care or use it for investment purposes. Remittances can also create the multiplier effect as the inflow of remittances provides extra income which might result in more spending by individuals and households which in turn leads to the creation of more income. Most importantly, remittances as external financial flows do not need to be paid back and/or have any conditionalities attached. Further, remittances inflows help developing countries to deal with foreign exchange shortages which are sometimes urgently needed by governments to defray import bills (Siddique, 2010). Furthermore, remittances help to create entrepreneurial spirit in the migrants' households and home countries (Yang, 2008). This is because remittances allow for funds to be available for investment that might not have been available due to credit constraints and high business start- up cost.

Although there are many benefits accrued to remittances inflows, some scholars and researchers (Stahl, 1982; Lipton, 1980) argue that remittances inflows can be disadvantageous to the home countries of migrants. According to Stahl (1982), remittances tend to increase the inequality gap since those who usually undertake migration tend to be relatively well- off. When remittances inflows goes to those who are relatively well- off in the home countries of migrants, there is a further increase in the already unequal income gaps between the rich and poor thus; remittances make the poor more poor. Further, other research done in the area of migration and development has shown that, too much monies being

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remitted has the potential to cause inflation in home countries of migrants (Martin, 2006). Due to these mixed reactions as to whether remittances have a positive or a negative impact on home countries of migrants, it becomes imperative to justify these advantages and/or disadvantages with evidence. Hence, this is what this research seeks to achieve. This research will investigate the assertion that, remittances are counter- cyclical in the period of financial crisis. It does this by using the 2009 global financial crisis as the base line to find out if official remittances inflows to Cameroon, Cape Verde, Nigeria and Senegal were counter-cyclical. Using quantitative techniques, the research will find out if remittances increased or decreased during the 2009 global financial crisis.

1.2 Background/ Contextualisation

Research on remittances has surged in recent times because of the increasing evidence that, remittances positively impacts the economies of many developing countries. Notwithstanding this, evidence shows that remittances sent by migrants from sub- Saharan African countries have been increasing at a slower pace in comparison to other regions in the world (World Bank, 2014a). Despite this major setback, the contribution of remittances to the sub- region has been positive. Remittances are motivated by migration. Migration outflows from sub-Saharan Africa has been unstable in contrast to other parts of the world however, migration outflows from the West African region has shown to be the least volatile recording positive growth rates within the sub- Saharan region (Tolentino & Peixoto, 2011). Many reasons account for why people migrate from sub- Saharan Africa. These include the search for better jobs, educational purposes, health reasons, political instability, ethnic/ religious/ regional conflicts among others ((Nyamwange, 2013).

In 2013, sub- Saharan Africa saw a rise in its remittances by 3.5% despite the fact that the region is the most expensive place to remit monies through official channels (World Bank, 2014b). The rise in remittances inflows in 2013 within the region was not evenly distributed. Whereas East African countries saw a rise in their remittances inflows particularly Kenya and Uganda with a 10% and 15% increase respectively in official remittances inflows; West African countries experienced a rather moderate rise particularly due to a decrease in official remittances inflows to Senegal, Ivory Coast and Nigeria (World Bank, 2014b). In spite of the above, organizationally, the Economic Community of West African states (ECOWAS) places second behind the Southern African Development Community (SADC) when remittances inflows to the various regional blocs are ranked-ordered (UNECA, 2013).

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When countries in sub- Saharan Africa are ranked in descending order based on official remittances inflows, Nigeria occupies the first position both within the West African region and sub- Saharan Africa as a whole (World bank, 2014b). This can be attributed to the fact that, the country is the most populous in the sub- region and hence, most likely to have the largest diaspora. Research demonstrates that, between 30- 60% of the total inflows of remittances to sub- Saharan Africa go to Nigeria (ibid). Coming behind oil exports, remittances inflows serve as the next largest foreign exchange earner for the country (Oluwafeni and Ayandibu, 2014). Even though Nigeria is the largest recipient of remittances inflows received through formal channels, many Nigerians usually access cheaper modes of transferring monies such as remitting through a friend or relatives going back home hence, there are relatively large sums of monies remitted but unrecorded (ibid).

Remittances to Nigeria have many advantages. It has helped to decrease the level of poverty within the country. In a research administered by Odozi, Awoyemi & Omonona (2010), findings revealed that, households who received remittances were better off than those who did not receive any. Remittances also help to increase the per capita income of individuals and households. When these monies received are used for consumption purposes, it can spur the drive of producers to increase production (Sanni, 2007).

Remittances to Senegal have been growing steadily over the past decade. Between 2002 and 2008, remittances rose from US$ 344m to US$1,288m (Cisse, 2011). This steady growth accounts for why Senegal ranks fourth in the sub- region, however like Nigeria, the country also experience a lot of remitted monies entering the country through informal channels which cannot be traced, tracked and recorded. In Senegal, remittances contribute between 6-11% to its gross domestic product (GDP), occasionally out-ranking some exports products and other sectors of the economy (Cisse, 2011).

Studies shows that, remittances inflows to Senegal differ based on educational level, gender, and financial product ownership. Men receive approximately more remitted monies than women and students in middle schools receive much more than those in the primary schools (Orozco, 2009a). According to Orozco, Burgess and Massardier (2010), in every ten households in Senegal, seven of them have a relative living abroad and three out of the ten receive an estimated US$300 eight times per annum. This shows that remittances inflows can have a significant impact on the Senegalese economy if appropriate measures are put in place to harness these financial inflows for development. Remittances inflows also promotes

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development and economic growth as migrants' associations in the various countries abroad tend to contribute and comeback home (Senegal) to undertake philanthropic activities (Orozco, Burgess & Massardier, 2010).

As one of the countries that forms part of the top ten remittances inflows recipients in sub-Saharan Africa, the Cape Verdean economy relies heavily on remittances. This is evidenced by the high percentage of remittances inflows' input to their economy's gross domestic product (GDP) (Pop, 2011). Official records shows that, about a third of the Cape Verdean population live abroad albeit scholars such as Carling (2002) and Pop (2011) have argued that, the number might be higher than official records and that, the figure for emigrants might even out-number the overall population residing within the country.

Unlike many sub- Saharan African countries, the flexibility of foreign exchange regulations and controls coupled with its relatively stable macro- economic indicators has enabled most of the remittances inflows to Cape Verde to be done through official channels (Pop, 2011). Most emigrants from Cape Verde are skilled workers and according to a report by the World Bank (2011a), about 67.5% of college educated Cape Verdeans travel abroad. On the average, remittances inflows account for approximately 40% of the country's foreign exchange earnings (IMF, 2005).

"Bush Falling" is the term used for international migration in Cameroon. There are a lot of factors that account for international migration from Cameroon. These include but not limited to the structural adjustment programme in the 1990s, corruption and the fall in the prices of primary goods in the late 1980s and early 1990s (Atekmangoh, 2011). These factors among others serve as a 'push' factor in motivating Cameroonians to emigrate (ibid).

Remittances to Cameroon have been relatively stable however, many of the migrants who travel abroad are the active working populace and the literate; this can have a lot of adverse ramifications on its economy. According to Molua (2010), remittances play a significant role in the rural areas and the agricultural sector where an estimated 70% of Cameroonians live and work; this has significantly impacted the agricultural sector and the rural areas. Remittances sent by migrants to Cameroon differ with regards to gender. Female migrants tend to send more monies home than male migrants (Atekmangoh, 2011). Remittances also help to reduce poverty and foster entrepreneurial businesses in Cameroon as start- up capital is made available (ibid). Despite this, because the financial sector is not well developed in the country, it becomes difficult for migrants to send monies home through official channels.

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Thus, in order for the country to maximize the benefits of remittances inflows, it becomes imperative for the financial sector to develop (Molua, 2010).

1.3 Justification the study

Although many authors (Ratha & Maimbo, 2005; Martin, 2006; Yang & Choi, 2007; Tolentino & Peixoto, 2011; World Bank, 2013) would argue that remittances inflows are countercyclical in periods of financial crises, few usually back up this statement with evidence. Further, the few studies (Lake, 2006; Yang & Choi, 2007; Yang, 2008) done to verify or disprove this statement is concentrated on Asia and Latin America. Statements arguing that remittances inflows are countercyclical without taking into consideration differences in the context make conclusions problematic. Thus, this research hopes to bridge the gap in current literature. It does this by investigating whether remittances are counter-cyclical or not in periods of financial crises using the 2009 global financial crisis as the reference point. It does this by using the 2009 global financial crisis as the base line to find out if remittances inflows to Cameroon, Cape Verde, Nigeria and Senegal are counter-cyclical or not.

Nigeria, Cape Verde and Senegal were chosen because these countries rank among the top ten recipients of remittances inflows to sub- Saharan Africa (World Bank, 2014a). Cameroon was chosen because it is the only bilingual country within the sub- region. Hence, having English, French, Portuguese, and a bilingual country within the analysis will make the research more encompassing. Further, official remittances inflows to Nigeria are the second largest foreign exchange earner to its economy and whether remittances increase or decreases during a financial meltdown could have a lot of ramifications on its economy. For Cape Verde, on the average, official remittances inflows account for approximately 40% of the country's foreign exchange earnings and contribute about 9% to the country's gross domestic product (World Bank, 2014b). Further, in Senegal, remittances contribute between 6- 11% to its gross domestic product (GDP), occasionally outranking some exports products and other sectors of the economy (Cisse, 2011). Lastly in Cameroon, remittances plays a significant role in the agricultural sector and in the rural areas where 70% of the population live and work because, a sizeable part of the remittances is invested into that sector (Molua, 2010). Hence, noting the significance of remittances inflows to the economies of these countries, knowing whether or not remittances inflows increase or decrease during a financial crisis

becomes important as it will help these countries put in place adequate measures to safeguard their remittances inflows during these difficult times.

1.4 Problem Statement and Research Questions

From the previous section, it can be noted that, remittances inflows have numerous benefits to migrants' home countries. However, some scholars (Stahl, 1982; Lipton, 1980) argue that remittances can lead to inflation, widen the inequality gap within the country and serve as a disincentive for recipients to find work or be productive. Moreover, the recent outburst in the growth of scholarship on remittances seems to be concentrated on the economic study of migration instead of the macroeconomic aspects of remittances. Thus, this research hopes to bridge the gap in current literature. It does this by investigating whether remittances are counter- cyclical or not in the period of financial crisis using the 2009 global financial crisis as the reference point. The research will primarily answer the following questions:

- What has been the trend of foreign aid, foreign direct investment and remittances inflows from 2005 to 2013 in Cameroon, Cape Verde, Nigeria and Senegal?

- Was there any difference between remittances inflows and remittances outflows from 2005 to 2013 in the four countries understudy?

- What has been the effect of remittances inflows on economic growth (gross domestic product) from 1980 to 2013 in the four countries understudy?

- Has remittances inflows been countercyclical or pro- cyclical from 2009 (the year of the global financial crises) to 2013?

1.5 Aim of the research

The main aim of this study is to comparatively investigate the notion of the countercyclical nature of remittances in Cameroon, Cape Verde, Nigeria and Senegal using the 2009 global financial crisis as a reference point. This study will add to the existing body of scholarly evidence on the relationship between migration, remittances and development.

1.5.1 Specific objectives

The specific objectives of this research is to

- Investigate the trend of foreign aid, foreign direct investment and remittances inflows to Cameroon, Cape Verde, Nigeria and Senegal from 2005 to 2013.

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- Compute the difference, if any, between remittances inflows and remittances outflows from 2005 to 2013 in Cameroon, Cape Verde, Nigeria and Senegal.

- Comparatively examine the effect of remittances inflows on economic growth (gross domestic product) from 1980 to 2013 in the countries understudy.

- Comparatively investigate the nature of remittances inflows (countercyclical or pro-cyclical) in home countries of migrants during a global financial crisis

- Make recommendations to governments, policy makers and other principal stakeholders on the possible ways of harnessing remittances inflows for national development

1.6 Hypothesis

In this research, the relationship between external financial flows (foreign aid, foreign direct investment, remittances inflows) and global financial crisis (year 2009) were analysed. Thus, the following hypothesis was tested

➢ Official remittances inflows are counter- cyclical in the period of financial crisis.

1.7 Significance of the study

According to Yang (2008), although remittances inflows are important sources of external financial flow, they are somewhat poorly understood. However, over the past two decades, scholarship on remittances, migration and development have escalated. This can be attributed to the increased evidence of the importance of remittances to the home countries of migrants (Martin, 2006; Yang, 2008; Imai, Gaiha & Kaicker, 2012; Oluwafemi & Ayandibu, 2014). Despite this, Prof Jeffery Frankel (2010) argues that, the recent outburst in the growth of scholarship on remittances seems to be concentrated on the economic study of migration instead of the macroeconomic aspects of remittances. Further, the few studies available on the macroeconomic aspects of remittances are concentrated on Latin America and Asian countries (Lake, 2006; Yang, 2008).

In sub- Saharan Africa, comparative studies on remittances as well as studies on the macroeconomic aspects of remittances within the region are limited and few. Thus, this research will provide a comparative understanding of the importance of the remittances inflows as an external source of finance during a global financial crisis in four countries-

Cameroon, Cape Verde, Nigeria and Senegal. Through this research, relevant information will be provided in weighing the advantages of remittances inflows to developing countries and thus, contribute to programmes and policies aimed at making remittances inflows available and easily accessible to recipients and home countries of migrants.

1.8 Tentative Chapter Outline
This study is organized into six chapters

Chapter one is the introductory section. It outlines the background and contextualisation of the study; research problem and research questions; aims and specific objectives; as well as an overview of chapters for the entire research.

Chapter two presents a comprehensive literature review on the subject matter, tracing the interplay between migration, remittances and development from the global context to the regional level and further narrowing it done to their interplay within the various countries under study

Chapter three provides the theoretical/ conceptual framework underpinning the study. The study is underpinned by the three main theories of migration and development namely the Developmentalist, the Structuralist and the Pluralists views. These theories coupled with the two main reasons why people remit (Altruism and Self-interest) was explored to explain the counter- cyclical nature of remittances.

Chapter four provides a discussion of the research design and methodology. It presents a detailed elucidation of the research process, methods, data and assumptions used for the study.

Chapter five provides a discussion on the findings against the postulations of the theoretical framework that was be used in the research. The discussion also utilized the works of other scholars in the field. Further, the limitations of the research were also discussed.

Lastly, *chapter six* provide a brief summary of the entire research as well as the conclusions drawn and the recommendations suggested by the researcher. Direction for the future studies in the field was suggested based upon the conclusions drawn from the research.

Chapter 2

Literature Review

2.0 Chapter Overview

In this chapter, a review of the relevant literature is done. Focus will be made on the links between migration, remittances and development; the importance of remittances inflows to Africa narrowing the analysis to importance of remittances in the four countries under study- Cameroon, Cape Verde, Nigeria and Senegal. Finally, the chapter concludes by identifying the gap within the literature this research aims to fill.

2.1 Migration, Remittances and Development

In the last decade, the numbers of migrants around the world have increased rapidly. This can be attributed to various reasons ranging from war and internal conflicts in home countries, lack of job opportunities, natural disasters such as floods, climate change; low birth rates which have drastically reduce the labour force in some host countries among others (Migration & Remittances Factbook, 2016). By the year 2013, the estimated number of migrants living in countries outside of their country of birth was 247 million people- approximately, 3.4% of the world's population (Migration & Remittances Factbook, 2016). Despite this rapid increase in the number of migrants from 175 million migrants as at 2000; for the past 15 years, the number of migrants worldwide has remained fairly constant at a little over 3% of the world's population (ibid).

The top countries migrants immigrated to in the year 2013 included the United States of America, Germany, Saudi Arabia, United Arab Emirates, Russia, and the United Kingdom (Martin, 2006; Migration & Remittances Factbook, 2016). From the pie chart below, it can be observed that in the year 2013, about 46% of the total migrants immigrated to the United States, 15% immigrated to Saudi Arabia, and 11% immigrated to Germany and the Russian Federation respectively. In addition, about 8% of the migrants immigrated to the United Arab Emirates and the United Kingdom duly and the remaining 1% immigrated to other countries around the world apart from the countries mentioned above.

Figure 1: Pie Chart showing the top immigration countries as at 2013
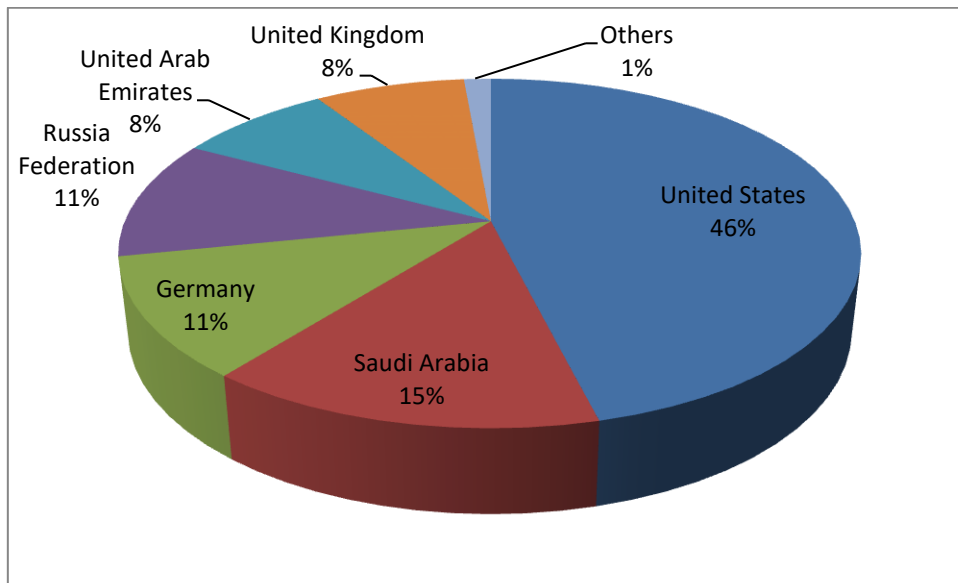
Officially in descending order, the principal migration corridor (the main route through which people migrate to and fro) is the Mexico- United States corridor followed by the Russia-Ukraine corridor and the Bangladesh- India corridor for the year 2013 (Migration & Remittances Factbook, 2016). Although South- South migration has only gained impetus in the 20th century, in the past decade, it seems that South- South migration has gradually surpassed South- North migration. South – South migration chalked an estimated 38% of the total international migration figure for 2013 in comparison with the 34% chalked by South-North migration that same year (Migration & Remittances Factbook, 2016).

The increased numbers of migrants appears to have translated directly into higher level of remittances. According to a report by the World Bank (2016), by the year 2015, remittances inflows sent by migrants to their families and friends in home countries increased to over US$601 billion with US$441 billion going into the economies of developing countries. This is estimated to be three times more than the value of official development assistance and excludes large amounts of remittances inflows that pass through unofficial channels to many developing countries. Further, remittances inflows to developing countries more often than not exceed foreign direct investment once China is obviated. India, China, Mexico, the Philippines and France are among the top recipients of remittances inflows. However, when the size of the economy- measured by remittances inflows as a percentage of gross domestic

product (GDP) is taken into consideration, poorer and smaller countries receive large amounts of remittances inflows.

According Martin (2006), developing countries that have a relatively large proportion of remittances reflected in the their gross domestic product include labour exporting countries such as Lesotho; transitioning countries from communism to capitalism such as Moldova and island countries such as Tonga. On a per capita basis and in terms of volume, Latin America and the Caribbean is the top recipient of remittances inflows (Acosta, Fajnzylber & Lopez, 2008). Information provided by Brown (2016) and the Migration and Remittances Factbook (2016) revealed that, small developing countries are more apt to be highly dependent on remittances inflows and thus, these countries would need to improve their human capital in order to cushion themselves against external turbulence.

At the regional level, remittances inflows differ. In 2015, due to the economic crisis experienced by Russia coupled with the depreciation of their currency (Rumble), remittances to the commonwealth of independent states from Russia fell sharply leading to an overall fall of remittances inflows to Central Europe (World Bank, 2015). The revival of the US economy allowed remittances inflows to Latin America to increase with the Central America and Mexico benefitting the most. Moreover, in spite of the declining prices of oil in the Gulf Cooperation Council countries, remittances inflows to South Asia continued to grow whereas in sub- Saharan Africa, North Africa and the Middle East, remittances inflows stagnated (World Bank, 2016).

Over the years despite the growing amount and importance given to remittances inflows, the cost of transferring remittances worldwide continues to remain high. It is highest in the Pacific Island countries and sub- Saharan Africa (World Bank, 2014a; Migration and Development Brief, 2016). For example, to send US$200 from South Africa to Zambia and Botswana, one has to pay around 19% and 17.4% of the money remitted respectively whereas sending the same amount from Australia to Vanuatu; one has to pay around 20% of that amount (Migration & Remittances Factbook, 2016). However in the third quartern of 2015, globally, the average for remitting money through official channels was around 8% although this percentage was far- removed from the 3% standard set within the sustainable development goals.

According to Martin (2006), development resulting from migration is stimulated in the home countries of migrants through three channels: remittances, recruitment and returns. Under

remittances, transfers of monies are made between the migrants and families and friends in home countries. These monies represent the earnings that migrants would have earned in home countries had they not embarked on migration in the first place (Martin, 2006). Concerning the second channel-recruitment, Martin (2006) argues that, prospective migrants from developing countries are most likely the youth. This is because they are usually the people who have not invested much into their careers and jobs back home. The author contends that, the youth are more likely to regain investments made towards travelling abroad as they would have enough time to do so. It should be noted that, although the demand conditions present in host countries is the most principal factor driving recruitment, the human capital expertise and social networks of migrants play significant roles too. In the last channel representing returns, it is assumed that returned migrants would implement ideas to expand businesses, start new businesses and/or use their acquired skills to raise productivity (Martin, 2006). The assumption underlying returns is that the migrant will return home after a few years abroad however, development through the returns channel is lost when migrants establish permanent residency abroad and/or return to their home countries to retire and rest from active work.

2.2 Evidence of the Effects of Remittances on Growth in the Home countries of Migrants.

In the past, research on immigration policies presumed that, when migrants settle in host countries, they integrate and more often than not disregard their ties with their home countries. However, this perception is changing due to the advantages of globalisation that has rendered it possible for migrants to stay connected with their families and friends in home countries (Page & Plaza 2006). According to Page and Plaza (2006) because of the vast economic and demographic differences between developing and developed countries, the authors predicted that worldwide migration pressures were likely to rise. With the increasing numbers of migrants in the world today, one important contribution they make towards development is remittances.

According to Kapur (2004), remittances are "financial resource flow arising from the cross-border movements of nationals of a country". It can also be defined as the income acquired or earned by non- nationals of a country that are transferred back to their country of origin (International Organization for Migration, 2011). For the World Bank, remittances are classified as "current private transfers from migrant workers resident in the host country for

more than one year, irrespective of their immigration status, to recipients in their country of origin".

In this research, remittances will be defined as financial resources mainly private transfers from nationals of a country residing in another other than their country of origin or birth. Remittances inflows are frequently underestimated because of two reasons. First, most remittances originating countries do not take into consideration "small" transactions when putting together their official statistics on remittances- remittances sent through the exchange bureaus, post offices, and agents of money transfer institutions are often excluded from official records; second, official data on remittances inflows does not capture monies sent through the informal channels as these are often hard to trace (Ratha, 2005; Page & Plaza 2006; Migration & Remittances Factbook, 2016). Remittances inflows to developing countries have been increasing steadily in comparison to other external inflows to developing countries which tend to react to variations in interest rates in developed countries as well as the possibility of growth in developing countries; thus, remittances inflows are more stable and less elusive than other external financial flows (De, et al., 2015).

The increasing flows of remittances to developing countries are as a result of an amalgamation of factors. These include: the reduction in transfer cost and network expansion by transfer operators; rise in the number of migrants worldwide as well as an increase in their income; value depreciation of the dollar that has in turn increased the dollar value of remittances inflows in migrants home countries' currencies; improved measurement tools for recording remittances; and lastly, increased scrutiny of monies crossing international borders after the September 2001 terrorist attacks (Sander & Maimbo, 2005; Martin, 2006; Ratha, 2006). Evidence of the developmental effects of remittances inflows to migrants' home countries can be analysed at the macro and micro level.

On the macro level, studies on the effects of remittances inflows on the gross domestic product (GDP) of countries are mixed. Using time series data from the World Bank from 2000 to 2010 and conducting regression analysis on the data, Adarkwa (2015) found that, remittances inflows had a positive relationship with GDP in Senegal and Nigeria; and remittances inflows had a negative relationship with GDP in Cameroon and Cape Verde. Adelman and Taylor (1990) found out that, for every one dollar brought home by Mexican migrants themselves or sent through other channels, gross national product (GNP) in Mexico increased between US$2.69 and US$3.17 subject to the income brackets the receiving

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household falls within. This is emphasized by Massey and Parrado (1998) who found out that, for every US$2 billion remittances inflows into Mexico, there was a resultant US$ 6.5 billion or more production surge in services, manufacturing and agriculture.

Chami et al (2003, 2005) however disagrees that remittances can have any positive relationship with economic growth. Using data from 113 developing countries, the researchers found that, remittances inflows had a negative influence on economic growth. They further asserted that, remittance receiving households tend to lower their participation in the labour force of their countries, limit their employment search efforts and reduce their savings rates. Ratha (2006) also argues that, remittances inflows can have a negative effect on growth because it might induce recipients to reduce their labour efforts and engage in more leisure activities. For example, Amuedo- Dorantes and Pozo (2006) in their research on the impact of remittances inflows on the labour supply of women and men in Mexico found out that, remittances receiving households reduced their female labour supply thereby leading to a reduction in women engaged in non-paid work and work in the informal sector in the rural areas. The authors also established that, remittances inflows tend to lower the possibility of remittance receiving households to own a business in the Dominican Republic. According to them, this can be attributed to the fact that most of the remittances receiving households in the Dominican Republic use remittances inflows for consumptive purposes and\or to supplement incomes; thus, remittances are used to provide for basic needs such as food, water, shelter, clothing and health care.

According to Serieux (2010), remittances can cause reverse capital flow thereby affecting the growth of the economy. This is because if recipients spend a large percentage of remitted monies on consumables, it could lead to inflation which in turn weakens the purchasing power of the home country's currency thus dwarfing growth (Vacatlores et al, 2012). Further, Rodrik (2007) asserts that, since remittances are usually denominated in foreign currency, it could potentially cause the "dutch disease". This is because remitted monies being denominated in foreign currency could potentially cause the recipients country's currency to appreciate which could in turn led to a decline in net exports as they become seemingly expensive. Similarly, like all other external financial flows such as official development assistance, hefty and sustained inflows of remittances can result in real exchange rate appreciation which in turn, makes the production of tradable goods less competitive on the global market and possibly making the manufacturing of low cost goods unprofitable.

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Furthermore, sustained remittances inflows to developing countries can increase their accessibility to the international capital market as sustained flows helps enhance their creditworthiness (International Monetary Fund, 2010; World Bank, 2013). Remittances can improve a country's risk rating. Ratha (2006) contends that, when remittances are included as a denominator in the ratio of debt- to - exports (a key indebtedness indicator) a country's creditworthiness can be greatly improved. For example, using the debt- to -export ratios that adds up remittances in the denominator illustrates that, Lebanon improves its creditworthiness assessment ratings by two notches (Ratha, De & Mohapatra, 2011). Correspondingly, creditworthiness ratings of countries can also be improved when future remittances inflows are used as collateral. For example, countries such as Mexico, Brazil and Egypt have been able to secure long- term and cheaper interest rate capital from the international financial market via using future remittances inflows as security (Ghosh, 2006; Ratha, 2006).

Moreover, using data covering a hundred developing countries, Guiliano and Ruiz- Arranz (2009) found out that, remittances helps to boost growth especially in countries where financial institutions are less developed. This is because remittances inflows provide a substitute for financial investment by helping to ease liquidity and credit constraints. It does this by allowing local investors and entrepreneurs avoid the high interest rates and provision of collateral required before funds are made available by formal institutions such as banks. This helps to increase economic growth by helping to re- allocate capital.

Remittances can help to enhance the national savings of a migrant's home country as well as strengthen its balance of payments. This is because in migrants' countries, remittances inflows are usually viewed as small monies and thus, these transfers do not affect their external terms of trade. Hence, if a country is more susceptible to short- term capital retractions which are a common feature in most developing countries' open capital accounts, then remittances inflows can help to counterbalance the volatility associated with these short- term capital flights thereby decreasing the pressures on government to repay external financial flows such as loans since remittances inflows are not repaid (Ratha et al, 2011; Brown, 2016). However, it should be noted that, remittances inflows can only supplement countries' account when there are good macroeconomic policies in place and the financial sector is well developed.

Remittances inflows also help to create new community services and assets (Ghosh, 2006). Studies show that remittances from migrants within diaspora organisation have helped to finance social assets such as hospitals, schools, community centres, irrigation projects among others. Diaspora organisations often pool the resources of their members together in order to finance these projects. These social services and assets provided have contributed immensely towards the betterment of lives of the people living within their home countries. In addition, these social services provided by diaspora organisation helps to enhance social cohesion which overtime weakens as a result of divisions and new forms of inequalities that remittances inflow would have otherwise created (Ghosh, 2006).

Additionally, remittances induce investment. It does this directly through the importation of semi-finished goods, machines and equipment and indirectly through the rise in the consumption levels of recipients of remittances which in turn might lead producers to increase production through investment in capital and human resource (Brown 2016).

Lastly, remittances inflows can help with the development of rural areas in developing countries. Usually, most rural areas lack effective demand thus, the migration of low skilled migrants from rural areas helps to boost the rural economy as remittances sent back to friends and families living in the rural areas are mostly used to pay for locally manufactured goods and/or services (Ghosh, 2006). For example in Pakistan, the large scale migration of low skilled workers from the rural areas to the Gulf states led to the transformation of the country's rural economy in the 1980s (ibid). This is because remittances received increased the purchasing power of recipients which translated into an increase in demand. This in turn provided the needed impetus required by producers to increase production.

At the micro level, research on remittances and development tend to focus on whether or not remittances inflows impacts on productivity and investment on migrants' home countries. According to Rempel and Lodbell (1978), remittances inflows tend to increase expenditure on housing and encourage greater finance consumption thus, remittances inflows reduces investments. This point is emphasized by Martin (2006) who argues that, since remittances are usually used for consumptive purposes, breadwinners of families are most likely those who migrate. As such, remittances are only a substitution for domestic earnings. On the other hand, Stark (1991) asserted that, remittances inflows are fungible and hence, even if monies received are not immediately invested, investment may increase.

Further, Yang (2008) argues that remittances can increase entrepreneurial activity in the households of migrants in their home countries. This is because remittances allow for funds to be available for investment that might not have been available due to credit constraints and high start- up cost. In contrast, according to Stahl (1982), remittances tend to increase the inequality gap since those who usually undertake migration tend to be already well- off. Thus, remittances make the poor more poor.

Research (Sanni, 2007; Orozco, 2009b; Molua, 2010; Odozi, Awoyemi & Omonona, 2010) has also shown that remittances inflows have the tendency of promoting investment in agricultural machinery, education, health care, consumption and housing. For example, household surveys revealed that in El Salvador, the school dropout rate was much lesser for remittances receiving households than non-remittances receiving households. In addition, babies born to remittances receiving households in Sri Lanka have higher birth weights implying that, these households were in a better position to afford health services- all other things being equal (Ratha, 2006). In another research, Amuedo- Dorantes and Pozo (2006) found out that, remittances receiving households have a higher probability of increasing their spending on quality health care. In study conducted by these researchers in Mexico Amuedo-Dorantes and Pozo (2006), noted that, an increase in remittances inflows by one (1) peso resulted in a twenty- one (21) percent increase in the health care expenditures of households within the bottom income brackets and a four (4) percent increase in the health care expenditures of households in the upper income brackets. Thus, remittances played a major role in determining the health care expenditures of households in Mexico.

Furthermore, in a research conducted by Adam and Page (2005) on the nexus between remittances, international migration and poverty using data from 71 developing countries, findings revealed that, all other things being equal, a 10% increase in the number of international migrants from a given country results in a corresponding 2.1% decrease in the number of people living on 'less than one dollar per person per day'. In comparison, they argue that, an increase in official remittances inflows by 10% leads to a resultant 3.5% decrease in the number of people living in poverty. Thus, remittances inflows and international migration leads to a reduction in the level, severity and depth of poverty in developing countries.

Again, Page and Plaza (2006) argues that, depending on the economic conditions within the migrants' home countries, remittances can behave countercyclically. Surveys done by the

authors revealed that migrants tend to send more monies home when there is an economic downturn or negative shocks to their home countries' economy. They also observed that, relatively rich migrants often look at the dynamics in exchange rates before remitting.

Remittances also help reduce poverty. Because remittances are direct transfers from migrants to people in the home country, these monies remitted are more likely to reach the poorest households, credit- starved rural areas, and the poorest communities that short- term capital flows, foreign aid and private portfolio are unable to reach (Brown 2016). Remittances inflows help to reduce poverty because it aims better at the needs of the households and recipients. Remittances do not have conditionalities attached; usually do not have a payback clause and; are important safety nets administered by the family, friends and communities of the migrants instead of governmental institutions (Brown 2016). In a research conducted by De and Ratha (2006) on the relationship between remittances inflows and poverty in Sri Lanka, the authors found out that between 1999 and 2000, remittances inflows helped to reduce poverty by enabling households within the third to the eighth income brackets move up their income ranks when remittances was received.

Regardless, Taylor (2006) doubts that remittances inflows help to reduce poverty in the country of origin of migrants. According to him, it is the very poor households who would have the motivation to send migrants abroad as it will allow them to benefit from remittances inflows from higher incomes earned rather than low wages and salaries migrants would have earned at home. However, he argues that since migration is very costly and risky; the very poor do not usually undertake migration. On the other hand, the very rich who have the resources and networks to migrate do not want to undertake the venture. Hence, those who really embark on migration are usually those who are within the upper- middle income brackets. This the author asserts, makes it difficult to judge the potency of remittances inflows in reducing poverty within the home countries of migrants.

Given the points above, it should be noted that although migration and its attendant-remittances can have a positive impact on the home countries' of migrants, this should not be taken for granted. This is due to the inconclusive nature of evidence from current research. The importance of remittances inflows is country-specific and as such it would be detrimental for any country to rely solely on it for development. As an illustration, small developing countries are more apt to be highly dependent on remittances inflows and thus, these countries would need to improve their human capital in order to cushion themselves against

external turbulence. Further, although migration may have many benefits to the home country including remittances inflows and skills transfer, the immigration of many skilled workers from their home countries especially developing countries can have adverse effects on the delivery of basic services (Migration & Remittances Factbook, 2016). Thus, when countries decided to resort to migration and remittances inflows as a major development strategy, they would have to 'tread with caution'.

2.3 Remittances in Africa

According to Sander and Maimbo (2005), migration and its attendants have always been part of the history of Africa. During colonial times, family heads had to travel from the rural areas to the urban areas in order to work and gain wages. These wages were in turn remitted to families and friends back home as well as used to pay colonial dues and taxes. Since then, migration and the practice of sending remittances back to those left behind have persisted albeit because of economic reasons (Sander & Maimbo, 2005). For example in the Southern region, people migrated to South Africa in order to work on the farms, to the West and East Africa, migration was to work in the tea and cotton fields. Notwithstanding this history, remittances inflows to Africa have received little attention. This can be attributed to the fact that, remittances sent by migrants from sub- Saharan African countries have been increasing at a slower pace than other regions in the world; the comparatively high levels of within country and within region migration as well as the wide distribution of African emigrants-most especially those from sub- Saharan Africa (Sander & Maimbo, 2005; World Bank, 2014b).

Of the total amount of official remittances inflows to developing countries globally, sub-Saharan Africa received less than 10% from year 2007 through to year 2014. Recent data from the World Bank (2016) revealed that, the sub- region received 9.3%, 8.9% and 8.0% of the total amount of remittances inflows to developing countries in 2007, 2010 and 2014 respectively (see table1 below). Although over the past decade remittances inflows to sub-Saharan Africa have been increasing steadily, these increases pale in comparison to other regions in the world.

Table 1: Remittances inflows (US$ billions)

	2006	2007	2008	2009	2010	2011	2012	2013	2014
Inward remittances to sub- Saharan Africa	23.5	26.1	28.7	27.4	29.7	33.6	34.1	33.2	34.5
Total inflows to developing countries	228.6	279.5	324.8	302.9	335.7	377.9	400.7	416.2	431.1
Inward remittances inflows to sub- Saharan Africa as a percentage of total inflows to developing countries	10.3%	9.3%	8.8%	9.05%	8.8%	8.9%	8.5%	8.0%	8.0%

Source: Author's computation with data from the Migration and Remittances Factbook, 2016 p.53

Transfer of remittances to families and friends of migrants from Africa has gradually gained the attention of actors and agencies of development as its significance to economic development becomes more and more self- evident and data on inflows become more readily available (see table 1 above). On the African continent, remittances inflows are not equally distributed among the sub regions. In descending order, North Africa ranks first, followed by Southern Africa, East Africa, West Africa and Central Africa. The constant inflows of remittances to North Africa can be attributed to the different migration patterns between migrants from North Africa and those from sub- Saharan Africa. Whereas sub- Saharan African migrants tend to emigrate within the continent - moving domestically or intra-regionally with a few moving internationally to mainly Western Europe; North African migrants move overseas specifically to the Middle East and Europe (Sander & Maimbo, 2005; Ratha et al, 2011). About 65% of total emigrants from sub- Saharan Africa stay within the sub- region- this accounts for the largest South- South migration movement in the world as well as the largest intracontinental movement; in contrast, more than 90% of emigrants from North Africa move outside Africa (Ratha et al, 2011). This can help explain the vast differences in remittances receipts received by both sub- regions as within continent

remittances receipts are far lower than those received from outside the continent. Hence, it is not always true that high emigration rates equal large amount of remittances receipts.

Moreover, migration from Africa is mainly driven by political and economic insecurities as well as the pursuit for better livelihoods for the migrants and their families and friends left behind. African migrants primarily migrate because of economic reasons nevertheless in recent times, because of political insecurities or war, political reasons are gradually gaining impetus as the primary reason for emigration. Within Africa, the main host countries for migrants include South Africa, Cote d'Ivoire, Nigeria, Kenya, and Ghana. Outside the continent, host countries include high income countries within the Organisation for Economic Cooperation and Development (OECD) such as the United Kingdom, United States, Canada, Germany, Australia and Saudi Arabia (Ratha et al, 2011; Migration & Remittances Factbook, 2016).

In 2015, countries on the continent that were frontrunners in remittances inflows were Nigeria, Egypt, Morocco, Tunisia, Ghana, Senegal, Kenya, Algeria and South Africa; among these, only Nigeria and Egypt featured in the top ten remittances receiving countries in the world as at 2015 (Migration & Remittances Factbook, 2016). According to Ratha et al (2011), the cost for the transfer of remittances to sub- Saharan Africa is the highest among developing countries. Even among African countries, formal remittances transfer from one African country to the other can be as high as between 5 to 15 percent of the amount transferred whereas in other developing countries region, such as South Asia and the Gulf Cooperation Council, transfer cost within region can be as minimal as a dollar (Ratha et al, 2011). Reasons attributed to the high transfer cost of remittances to Africa include the limited number of money transfer companies on the continent and the low level of development in the financial sector (Beck & Martinez Pena, 2009; Orozco, 2009b). Due to these developments, transfer through informal channels is relatively high on the continent.

In Africa, there are three broad patterns of remittances inflows. Firstly, transfer of remittances among African countries as well as domestic or within country remittances transfers are largely received via informal channels (Ratha et al, 2011). Here, remittances are received by hand delivery made by migrants and friends during visits or through transport companies. Secondly, international remittances received by African households are usually transferred through a few international money transfer agencies such as MoneyGram and Western Union who have dominated the market by having exclusive agreements with local banks and postal

services (IFAD, 2009). This in turn makes formal transfers more expensive and unattractive to migrants. Lastly, there has been the introduction of some innovative and cheap modes of transferring money that has made it easier and cheaper for domestic migrants to transfer money to their friends and families left behind; one prominent innovation is the use of mobile money (Aker & Mbiti, 2010). Mobile money transfer on-going within the continent includes the M- Pesa in Kenya, Orange Money in Senegal and Mali and MTN Money and Airtel Money in Ghana. Although this has been effective due to its low cost, transfer across borders cannot be done due to concerns over money laundering activities expressed by the various countries on the continent (Ratha et al, 2011).

2.3.1 Developmental Effects of Remittances to Africa

In Africa, the developmental impacts of remittances is highly underestimated because remittances are usually under- reported. Nevertheless, even with the under- reported official data on remittances, evidence of its power and potential is evident.

At the macroeconomic level, remittances inflows constitute an important financial flow to the region. Africa is the most- aid dependent region in the world however, the increasing volume of official remittances being recorded without taking into consideration the large volume of remittances inflows going through unofficial channels signifies that remittances inflows does indeed serve as an important financial flow (Sanders & Maimbo, 2005; Ratha et al, 2011). In 2013, official remittances inflows to sub- Saharan Africa was US$33.2 billion, this figure increased to US$34.5 billion by the year 2014 (Migration & Remittances Factbook, 2016).

Remittances inflows also forms a significant part of the gross domestic product (GDP) of many African countries sometimes surpassing traditional export products and sectors (Cisse, 2011). For example, remittances as a share of GDP in 2010 was 11% in Senegal, 9.9% in Cape Verde, 4.5% in Nigeria and 0.9% in Cameroon (World bank, 2015).

Further, remittances inflows often react counter cyclically during periods of macroeconomic shocks to the migrants' home countries thereby serving as insurance to help sustain investment and consumption (Ratha et al, 2011). Since remittances are personal transfers to migrant's friends and families in migrants' home countries, it is less affected by priorities changes within donor agencies (World Bank, 2006). Research (Singh, Haacker & Lee 2009; Gupta, Pattillo & Wagh (2009) shows that, remittances to Africa have remained stable over the years in comparison to equity flows, private debt and foreign direct investment which has responded to economic shocks and priority changes by donors. For example, the rapid decline

in net official development assistance to Nigeria since 1998 can be attributed to the new priorities areas identified by donors such as the Asian countries as a result of the 1998 Asian financial crisis (Yang, 2009).

Furthermore, future remittances inflows can serve as security for African firms and banks to gain better access to the international financial banks (Ratha et al, 2011). This can serve as an important mechanism for development as capital gained can be used for financing long- term developmental projects such as infrastructure. This avenue has been facilitated by the African Export- Import Bank which has aided several African countries to secure loans by using future remittances as security. For example, in 1996, using future remittances inflows as security; a developmental bank in Ghana received a medium- term loan amounting to $40 million backed by its receivables through Western Union (Rutten & Oramah, 2006). Although this looks promising, Ratha, et al., (2011) argue that, for remittances inflows to serve as security for loans there is the need to encourage and improve the inflows of remittances through formal channels and implement legislations as this will help improve record keeping.

In contrast, it should be noted that analysing the macroeconomic effects of remittances inflows to Africa can be masked by aggregate figures. However, survey findings and case studies can emphasize the usefulness of remittances inflows to receiving households and recipients (microeconomic effects). The following paragraphs illustrate the microeconomic effects of remittances to African countries.

Firstly, remittances inflows directly augment the income of recipients particularly the poor thereby helping to reduce poverty (Ratha et al, 2011). When most African households receive remittances, they tend to increase their demand which in turn increases their employment opportunities and wages. For example, a rise of 10% in official remittances inflows as a percentage of gross domestic product (GDP) resulted in a 2.9% decrease in the number of people living in poverty in some thirty- three (33) African countries for the period 1990-2005 (Anyanwu & Erhijakor, 2010). Conversely, Gupta, Pattillo and Wagh (2009) argue that although remittances inflows to Africa reduce poverty; this reduction is small in comparison to other developing countries. They further argue that, this is the situation because poverty in and of itself is an incentive for people to migrate and hence increased remittances.

Secondly, remittances in Africa are beneficial because it encourages investment in entrepreneurship and physical capital. Household surveys reveals that, a notable proportion of

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remittances inflows to Africa is spent on businesses, land purchases, farm improvements, building a house, acquiring agricultural equipment among others (Ratha et al, 2011). From the above listed investments, their share as a percentage of total remittances received was 57.0% in Nigeria, 55.3% in Kenya, 36.4% in Burkina Faso, 20.2% in Uganda and 15.5% in Senegal (ibid).

Thirdly, remittances help to increase household expenditure on education in Africa thereby helping to reduce the use of child labour (Odozi, Awoyemi & Omonoma, 2010). Although this is helpful because in many countries on the continent, enrolment rates are low, Ratha et al (2011), argues that when an adult member migrates, pressure might be mounted on children left behind to perform supplementary roles. These roles entail working on farms which can significantly reduce the time spent in acquiring education. In spite of the above concern, evidence from surveys conducted in various countries reveals that this is not the case in Africa. On the contrary, remittances inflows have a positive correlation to education. For example, in Egypt, girls between the ages of 15 to 17 years are more likely to go to school and they perform less domestic chores if they are from a remittance- receiving households than their counterparts from households who do not- in addition, enrolment at the university is more likely to occur if an individual is from a remittance- receiving household than non- receiving ones (Elbadawi & Roushdy, 2009).

Next, remittances inflows to African countries has led to an improvement in health through enabling recipients to have access to better health care services (Ratha et al, 2011). In most African countries, basic health care delivery is non- existent and if available at all, it's very poor thus; remittances enables recipients to have access to quality health care services usually provided by private individuals and institutions which tend to be expensive. For example, using panel data from 1993 to 2004 from the Kwa-Zulu natal province in South Africa, Nagarajan (2009) asserts that, a large share of the budgets of remittances- receiving households was dedicated to health services. The research confirmed that, remittances inflows served as an enabler for poor households to have better access to modern health care services.

More, remittances inflows can also serve as an insurance against negative shocks such as famines, droughts and other natural disasters that affect the incomes of recipients (Ratha et al, 2011). When adverse circumstances take place in the home countries' of migrants, remittances received can help serve as compensation in these circumstances until recipients

are able to cater for themselves again. For example, in Ethiopia, during periods of food shortages, remittance- receiving households are less likely to dispose- off their productive assets such as livestock; and in Ghana, remittance- receiving households are more likely to construct stronger and resilient houses using concrete- all other things being equal than non-receiving households (Mohapatra, Joseph & Ratha, 2009).

Moreover, remittances inflows to Africa help to improve recipients' access to information communication technology. Studies reveal that, 60% of recipients of international remittances in Burkina Faso have access to mobile phones in comparison to only 41% of non- recipients (Ratha et al, 2011). Further studies also reveal that, in these households, the likelihood of owning an electronic communication device such as radios, televisions and computers is higher for recipients than non- recipients (ibid).

Lastly, in many parts of Africa, remittances inflows specifically international remittances are the only means through which the poor can come into contact with the formal financial system (Ratha, et al., 2011). Remittances inflows received through formal financial institutions such as banks, savings, cooperatives and microfinance institutions are more likely to have a percentage saved by recipients with that financial institution for future use (Gupta, Pattilo & Wagh, 2009). According to Ratha, et al., (2011), most remittances inflows received by recipients via money transfer institutions are more likely to have their balances saved at a formal financial institution rather than kept under a mattress. Further, some financial institutions use the steady flow of remittances by recipients as a criterion for assessing the creditworthiness of recipients of loans and other financial products (Ratha, 2007).

From the above, it can be noted that, the effects of remittances on growth is varied. According to Ratha (2007), these discrepancies can be attributed to the fact that, the positive effects of remittances on physical and human capital can only be realized over a long period of time. Moreover, remittances response to growth sometimes appears to be countercyclical which implies that there is a causality between growth and remittances when in fact; there is a negative correlation between the two variables. Notwithstanding the fact that remittances inflows can help the home countries of migrants develop and grow, this should not be taken for granted as heavy reliance on remittances can make the economies of the home countries of the migrants very vulnerable to change as remittances tend to be volatile (Ghosh, 2006).

2.4 Remittances to Nigeria

In 2015, Nigeria received US$20.8 billion in official remittances inflows placing it in the fifth position among all remittances receiving developing countries and ranking in first place on the African continent (Migration & Remittances Factbook, 2016). Nigerians can be found on almost every continent in the world and as such, Oluwafemi and Ayandibu (2014) have described them as the most itinerant population in sub- Saharan Africa. This could help explain why the country receives a lot of remittances inflows to the extent of remittances inflows ranking second as the largest foreign exchange earner after oil exports (Chukwuone, 2007; World Bank, 2014a). Since 2007, official remittances inflows to Nigeria have surpassed foreign direct investment; this has made remittances inflows an essential external capital flow to the country (Agu, 2011; Oke, Uadiale & Okpala, 2011).

Among African migrants, Nigeria ranks third as the preferred country for emigration (the process of leaving one's country to settle in another); on the other hand, Nigerians usually emigrate to South Africa, the United Kingdom, United States of America and the Gulf countries (de Haas, 2006a; Migration & Remittances Factbook, 2016). Research (Chukwuone, 2007; Mbutor, 2010; Oke, Uadile & Okpala, 2011; Oluwafemi & Ayandibu, 2014) argues that, remittances to Nigeria are often unstated in official records as many remitted monies arrive into the economy via informal channels. Nonetheless, Agu (2011) contends that, the steady rise in remittances inflows to Nigeria can be attributed to improvement in the data collection and measurement techniques contrary to actual value increases in official inflows of remittances.

Lagos is the main destination for remittances inflows to Nigeria. It receives about 60 percent of total official inflows of remittances followed by Abuja which receives 15 percent. Olowa and Awoyemi (2012) assert that, these destinations may not be the end point of remittances inflows as it is not unusual for recipients from the rural areas to travel to these large cities in order to collect remittances. In Nigeria, the central bank has granted the banks and other money transfer operators the option of paying out remittances inflows in US dollars; consequently, remittances inflows are paid out in US dollars and the Naira (Agu, 2011). Western Union is the main money transfer agency in Nigeria. This is due to their high cost as well as the frequent economic crises in the country that have led to many local banks closing their branches abroad thus; many Nigerians prefer to remit money through informal channels (de Haas, 2006a; Oluwafemi & Ayandihu, 2014).

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There many reasons why Nigerians migrate. These include the quest for "greener pastures", ethnic and tribal conflicts, search for job opportunities and the quest for quality education. Although there is a link between migration and remittances inflows, this link is not linear. Resultantly, there are many reasons that account for why migrants remit. According Mbutor (2010), one of the most important determinants of remittances inflows to Nigeria is the country's economic prosperity which he measured as a positive growth in national income. The author argues that, when the exchange rates falls, migrants from Nigeria are usually reluctant to send money home as a depreciation of the naira signifies that things are not going well back home. Moreover, when inflation rates rises, Nigerian remitters send more money back home as they would like to ensure that the purchasing power of recipients is maintained.

There are many advantages and disadvantages that the inflows of remittances to Nigeria bring about. Oke, Uadiale and Okpala (2011) analysing data from 1977 to 2009 on remittances inflows to Nigeria in order to explore the relationship between remittances and financial development argue that, remittances significantly and positively stimulate financial development. They further assert that, remittances inflows is used to augment liquid liabilities rather than loanable funds in Nigeria. As such, this meant that remittances inflows were used for consumption purposes rather than for investment and productive purposes.

Further, using data from the Nigeria Living Standard survey (NLSS) collected from year 2003 to 2004 in a research aimed at finding the relationship between remittances and household poverty and inequality. Odozi, Awoyemi and Omonona (2010) found out that, whereas 5 percent of households in the survey received remittances through international channels, 95 percent of remittances- receiving households received remittances via informal channels. The authors further argued that, remittances inflows helped to reduce poverty headcount in Nigeria by 20 percent and equalized income inequality at the household level by 25 percent.

Furthermore, Olubiyi (2014) using data from 1980 to 2012 found out that, remittances inflows does affect economic growth in Nigeria as there was a unidirectional causality between remittances inflows and gross domestic product (GDP). The author stressed that, since this resultant economic growth was spurred by the demand side of the economy, there was a probability that remittances inflows could eventually led to inflationary pressures on the economy. Thus, policies should be aimed at productive investment in order to enhance the growth effects of remittances.

Moreover, remittances to Nigeria help compliment incomes of recipients. This enables recipients to meet their basic needs such as food, water, housing, clothing and health care. For example, in South- East Nigeria, about 50 percent of the spending of households is funded by the contributions of Nigerian migrants residing outside the African continent (Nwajiuba, 2005).

Lastly, Oluwafemi and Ayandibu (2014) argue that although Nigeria is the largest recipient of official remittances inflows to sub- Saharan Africa, remittances inflows had not impacted positively to its development. They asserted that corruption, bureaucracy, ineffective business climate, political instability, high dependence on natural resources especially oil and inadequate remittances programme policy formulation and implementation were some of the factors that negatively affected the developmental impact of remittances to Nigeria.

2.5 Remittances to Senegal

In recent years, Senegal has gradually moved from being a country of immigration to a country of emigration (IOM, 2014; Randazzo & Piracha, 2014). Other West African countries are the main destinations for most migrants from Senegal attracting about 53 percent of the total migrants, the rest move outside the continent specifically to Europe- France, Italy, Spain, Germany and most recently the United States of America (Randazzo & Piracha, 2014; Perregaux, 2015). In spite of this, a larger portion of remittance inflows are from the European Union (Cisse, 2011).

Many reasons account for the incidence of migration in Senegal- economic reasons, the desire to help and/or support one's family, pursuit of a "better life" and the desire to gain financial independence from parents (Jung, 2012). However, the paramount reason tends to be the quest for employment and the need to better one's living conditions (Ndiaye, et al., 2016). Youth unemployment is quite high in the country and many young people rather than stay at home, would emigrate with the hope of getting employment in host countries and eventually sending remittances back home to help alleviate financial difficulties.

With Senegal featuring among the top 10 recipients of official remittances inflows to sub- Saharan Africa, it is not wrong to assume that this could be the results of increase in the volume of amount received. Shaw (2007) however argues that, the current rise in official remittances inflows to Senegal can be attributed to a number of factors. Firstly the author contends that CFA Franc fell against the French Franc (around 50%) which in turn doubled up the value of remitted monies; secondly, the influx of new money transfer operators and

agencies has made the process of transferring monies faster, safer and reliable and lastly, new regulations implemented on cross- border money transfer after the September 11 terrorist attack in the United States have all facilitated the rise in inflows.

According to Orozco, Burgess and Massardier (2010), the value of remittances received by recipients in Senegal varies based on educational attainment, gender and ownership of financial product. The authors argue that, recipients who have a middle school education tend to receive more remitted monies in comparison to recipients with primary school education. They also noted that, microfinance patrons receive more remitted monies than non- patrons and men received more remitted monies than women.

In Senegal, remittances inflows is either through formal channels such as the banks, money transfer agencies, micro- finance institutions and post offices or informal channels such as transfers made by the migrants themselves and/or sent through friends and relatives as well as other intermediaries (Bruzzone, et al., 2006). Informal transfer of remittances to Senegal has declined over the past five (5) years in comparison to transfer through formal money transfer agencies which has quadrupled their market base within the same span of time (African Development Bank, 2009; Cisse, 2011).

"Fax" is the popular name given to 'hawala' in Senegal. "Fax" is a form of informal transfer of remittances where transfers are allocated at one point (a home or a store) and subsequently, the sum is redistributed to the beneficiaries in the country of origin of migrants by a trader after identification is confirmed (African Development Bank, 2009). According to Perregaux (2015), when Senegalese migrants remit monies via informal channels particularly through friends and other relations, they tend to send less money home. This, the author argues could be the result of the senders' distrust of the carrier and/or the time lapse the money spends in transit before reaching recipients.

Research conducted by Orozco, Burgess and Massardier (2010) indicates that, out of every ten (10) households in Senegal, seven (7) of them have a relation living abroad and about three (3) of these households receive about US$300 roughly eight (8) times a year. This research is backed by Land and Fourier (2012) who argue that approximately 70 percent of all households in Senegal have either one or more family relative who lives abroad or have moved from their usual place of residence to another region within Senegal.

Using evidence from the migration and remittances survey carried out by the World Bank in 2009, Ndiaye, et al., (2016) found out that, in Senegal remittances receiving households were less motivated to join the labour market than non- remittances receiving households. This is because remittance- receiving households who participate in the labour market receive fewer remittances. When senders perceive that the recipient is actively employed, the desire to remit diminishes. Further, the authors argued that, notwithstanding the relatively low levels of expenditures of households with migrants, these households spent more on health care and education than households without migrants and/or receiving no remittances.

Next, research done by Jung (2015) on Senegalese migrants in Cape Verde suggests that, the motives for sending remittances back home to Senegal is to help those left behind meet their alimentation. Through the provision of their basic necessities- food, clothing, shelter, water and health emphasis is placed on the fact that, remittances inflows does serve as a safety net for families and friends in home countries of migrants if these monies are remitted during periods of crises.

Using propensity score matching (PSM) and ordinary least square (OLS) on a survey data from the African migration project conducted by the World Bank in 2009, Randazzo and Piracha (2014) found out that, international remittances to Senegalese households had a strong positive impact on education, investment and durables. In contrast, domestic transfers by migrants within Senegal had a strong negative relationship with food expenditures of migrants' households left behind. This means that, as international remittances inflows increases, monies allocated by recipients for investment, education and durable goods increases. However results from domestic transfer were inconclusive.

Furthermore, there is a positive relationship between remittances inflows and savings in Senegal. Recipients of remittances are more likely to save than those who do not receive any inflows (Ratha, et al., 2011). It should be noted that, savings by recipients of remittances tend to be informal as remittances service providers (RSPs) and money transfer agencies (MTAs) do not provide any financial product that could enhance the saving culture of recipients in Senegal.

Finally, Senegalese migrants' associations remit monies back home in order to engage in philanthropic and investment activities (Orozco, Burgess & Massardier, 2010). The activities of these associations are usually co- financed by other institutions such as the Senegalese government and local authorities, non- governmental organizations (NGOs) and agencies

within the European Union. Building health care centres, schools and in some areas agricultural development projects are some of the developmental activities these associations engage in. When these developmental projects and activities are completed, the entire community benefits as use of the projects are not limited to only those households and individuals with migrants abroad.

2.6 Remittances to Cape Verde

As one of the top recipient countries for remittances inflows to sub- Saharan Africa, the size of remittances inflows to Cape Verde are similar to and in some years more than the value of official development assistance (Pop, 2011). Due to its thriving tourism sector that has helped facilitate economic growth, Cape Verde has become one of the preferred destination of emigration for migrants in Africa specifically, countries within the Economic Community of West African States (ECOWAS). Despite the improvement in economic growth in Cape Verde that has served as the propelling force for other West Africans to move into that country, Cape Verdeans continue to emigrate. Cape Verde is one of the countries with a high rate of emigration in the sub- region.

In this context, authors such as Akesson (2008); Carling and Akesson (2009) have argued that, the quest to migrate is not simply motivated by the quest to gain material things (economic reasons) but the perception held by Cape Verdeans that migration is an important milestone in one's life (cultural and social reasons). To emigrate is to continue a deep- rooted custom in Cape Verde (Akesson, 2008). High emigration rates make it difficult to estimate correctly the number of Cape Verdeans living abroad. Although the World Bank (2011) asserts that about a third of the populace reside abroad, other scholars such as Carling and Batalha (2008) and Pop (2011) contend that, the number of Cape Verdean diaspora far exceeds the resident population. This would imply that the country benefits significantly from remittances inflows as a source of external financial flow.

In spite of the above, Adarkwa (2015) argues that between 2000 and 2010, remittances inflows to Cape Verde has been increasing at a decreasing rate. Reason for this development has been given by Amuedo Dorantes and Pozo (2010) who assert that, remittances inflows have been falling in recent years because of the government's robust economic programmes and policies that have helped develop the economy and enabled the government to raise the incomes of recipients residing in the country. This has helped to relieve the pressure to remit on Cape Verdeans living abroad. Remittances inflows to Cape Verde are usually received

from Portugal, the Netherlands, France, Luxembourg, Angola and the United States (ADB, 2012). High emigration rates among Cape Verdeans is prevalent among college educated people and according to the World Bank (2011), the rate stands around 67.5 percent.

Unlike other sub- Saharan African countries where large sums of remittances inflows enter the countries via informal channels; the development of the financial sector, the flexibility of foreign exchange regulation on the buying and selling of foreign currencies, along with macroeconomic stability resulting from a sound exchange rate peg encourages large amounts of remittances inflows through formal channels (Pop, 2011; ADB, 2013). Cape Verdean diaspora has been providing a steady flow of remittances into the country's economy since independence. This is because of migrants' vote of confidence in sound economic programmes and policies undertaken by successive governments as well as their love for the homeland (ADB, 2012).

Remittances react in several ways to macroeconomic indicators in Cape Verde however, Ronci, Castro and Shanghavi (2008) argues that, the relationship between exchange rate and remittances inflows is not clear- cut. The authors argue that this occurs because of two reasons. Firstly, a depreciation of the Cape Verdean currency serves as an added incentive for emigrants to provide for their friends and families. Secondly, with a depreciating currency, the emigrant needs less money to remit to friends and families to help cover their consumption expenditures. The resulting effect is that less money is sent. Hence, the relationship between remittances inflows and the exchange rate is not clear-cut.

Moreover, remittances inflows form a significant part of the gross domestic product (GDP) of the Cape Verdean economy in comparison to other African countries. On the average, remittances inflows constitute about 2 percent of the GDP of developing countries and 2.6 percent of most countries in sub- Saharan Africa (Pop, 2011). On the other hand, remittances inflows to Cape Verde make up between 8 to 12 percent of GDP annually. For example in 2010, remittances inflows constituted 9.9 percent of the GDP of Cape Verde (World Bank, 2013).

Further on average, remittances inflows has accounted for about 40 percent of export earnings since 2000 and bank deposits owned by non- resident Cape Verdeans are around 40 percent of total deposits (IMF, 2005). This has consequently helped in the development of the country's financial sector and encouraged investment especially in real estate. The thriving economy of Cape Verde has culminated to investment opportunities serving as the main

driver for remittances inflows and thus making it pro-cyclical. This has consequently reduced the value of remittances inflows serving as a shock absorber aimed at smoothing consumption expenditures as large sums are directed at investment products (Ronci, Castro & Shanghavi, 2008). This also means that remittances inflows are now largely influenced by investment opportunities instead of altruistic motives.

Furthermore, because most remittances inflows to Cape Verde enters the country via formal channels, remittances inflows has been used to finance the country's current account deficit (Ronci, Castro & Shanghavi, 2008). As a major source of external financial flow in the mid-1990s, remittances inflows helped to finance the balance of payments account of the country (Pop, 2011). Although in recent times revenue from the tourism sector has outpaced remittances inflows as the leading source of finance, remittances inflows continues to play a major role in the country's accounts.

Additionally, in a research aimed at exploring how differences within family structures interact with remittances distribution and how this consequently affect social stratification in Cape Verde, Akesson (2009) found out that, changes in family structures have lessen the possibility of remittances exacerbating inequality. The author argues that, because of the unstable relationship between men and women and the increasing trend of family ties being hardly based on conjugal relations; when Cape Verdeans migrants send home remittances, the money is distributed among several households (ageing parents and young children). Consequently, the value of money each household receive reduces and this helps to reduce the potential risk of remittances inflows widening income inequality.

Lastly, using household survey conducted in Cape Verde to analyse the impact of remittances inflows on school attendance, Dos Santos (2013) found out that, there is a strong positive relationship between remittances inflows and education at all levels. He emphasizes that, this strong positive relationship becomes more pronounced as the level of education increases. This is especially important for non- mandatory schooling at the higher level which requires more money since it tends to be more expensive in Cape Verde.

2.7 Remittances to Cameroon
In Cameroon, transcontinental migration is termed as "bush falling". "Falling bush" signifies going to harvest, hunt or gather at the bush meaning that, one will inevitably bring something back home on return (Pelican, et al., 2008). It should be noted that migration from Cameroon to other African countries is not termed as bush falling; only migration to Western countries

are termed as "bush falling" (ibid). According to Ewina (2010), many skilled as well as unskilled Cameroonians are immigrating outside the country particularly to Europe, the United States and neighbouring African countries. Top destination countries for Cameroonians include: the United States, France, Italy, Germany, the United Kingdom, Belgium and Switzerland. Within the sub region, countries that border their homeland are preferred destination for emigration and these are Gabon, Chad, Central African Republic, Nigeria and Congo (Mberu & Pongou, 2012).

Mberu and Pongou (2012) argue that, the highly skilled and educated populace of Cameroon are usually those who chose to emigrate. This has raised concerns of brain drain in Cameroon as relevant but scarce professionals tend to migrate outside the country in search for better conditions of service. This is particularly true for doctors, nurses and academics. However for students who migrate to study abroad, because of the limited opportunities for work back home in Cameroon, many prefer to not return. Because of the high emigration rates among skilled migrants in Cameroon, Djifack, Djimeux and Bossicha (2012) shed more insight on the issue by arguing that, skilled migration has had a negative effect on productivity which far outweighs the positive impact accrued from the migration of unskilled people. They further asserted that, the current trend of emigration from Cameroon contributes a rise of 0.8 percent points in the number of poor people within the country.

Remittances inflows to Cameroon rose from US$ 76 million in 2003 to US$77 million in 2005; however since then, remittances inflows has taken a downward trend- falling to US$19.6 million in 2010 (Adarkwa, 2015). It should be noted that, the exact value of remittances inflows could be underestimated as some funds remitted through official and in most cases unofficial channels are not recorded (Zoukaleini et al, 2013). Also, the lack of appropriate institutional set up by the government could be another reason for the low level of remittances transfer to Cameroon.

According to Atekmangoh (2011), remittances inflows to Cameroon are motivated by non-economic factors such as class, gender and legality- that is, the documentation of migrants in host country. The author elaborates that, all other things being equal, being able to remit is by "sheer luck". Women were more likely to remit more than men, migrants with legal status are more likely to remit than those without and lastly, the class position of migrants from home country also influences remittances inflows.

There are many reasons that propel Cameroonians to migrate. These include the quest for greener pastures, employment opportunities, family unification among others. International migration in Cameroon gained prominence in the 1990s because of mainly political and socio- economic reasons that left most Cameroonians worst off. These socio- economic and political reasons include: the fall in agricultural products and oil prices in the late 1980s and 1990s, social ills such as bribery, corruption, nepotism and tribalism; and the structural adjustment programmes in the 1990s (Molua, 2009; Atekmangoh, 2011).

In Cameroon, money remitted is transferred through formal money transfer operators and agencies with Express Union, Western Union and MoneyGram dominating the market (Bourenane, Bourjij & Lheriau, 2011). Traders, travel agencies, transport companies and forex bureaus also offer money transfer services which are usually not captured in official statistics. Research (Zourkaleini et al, 2013) revealed that, out of every ten Cameroonian migrants living in developed countries, six of them sent home monies to friends and families whereas in every ten Cameroonian migrants living in developing countries, about five out of every ten migrants regularly remit monies back home. This means that, Cameroonian migrants living in developed countries remit more than those living in developing countries.

Remittances inflows to Cameroon tend to have a huge trickle-down effect on the populace than any other external financial flow such as foreign aid. Asek (2006) argues that, almost 70 percent of remittances inflows are used for infrastructure development by recipients. Some of these infrastructures include schools, clinics, roads to link farms to market centres, pipe-borne water construction and university hostels. These infrastructures do not only benefit the recipients but the entire community as a whole.

Further, remittances inflows help to improve the living standards of recipients particularly the poor. This is because remittances inflows tend to remain relatively stable during financial or economic downturns unlike other external financial flows such as foreign aid and foreign direct investment (Djifack, Djimeux and Boussicha, 2013). This enables remittances inflows cushion recipients and home countries of migrants.

Furthermore, remittances inflows help to develop the financial sector. The demand for financial services has surged due to the increasing flow of remittances to Cameroon. This has consequently increased employment in the financial sector as new jobs are created and has helped to reduce losses in foreign exchange resulting from balance of payment deficits (Ewina, 2010). Remittances inflows to Cameroon also play a major role in socio- economic

development. As an external financial flow, remittances inflows goes directly to recipients and this impact is felt largely in the rural areas and within the agricultural sector which employs around 70 percent of the total population (Molua, 2010).

Finally, in Cameroon, households with migrants who send them monies are more likely to spend more on food, health and education as well as have a higher percentage of their incomes set aside as savings than households without a migrant and receiving no remittances (Zoukaleini et al, 2013). For example, research shows that households with migrants spend about XAF 5,250 more on food expenditure than households without any migrants and receiving no remittances (ibid).

2.8 Gap in the Literature

With remittances inflows increasing to become the second largest external financial flow to developing countries, there has been a surge in research on the relationship between remittances and development. Despite this, only a few studies have been conducted in sub-Saharan Africa with majority of the research concentrated on Latin America and the Asian countries. The few studies done in sub- Saharan Africa tend to lay emphasis on the micro level- looking at the determinants of remittances inflows, the relationship between remittances and education, poverty, inequality among others or at the macro level- focusing on the impact of remittances on economic growth and financial development.

Most scholars argue that, remittances are countercyclical however; the evidence of this among sub- Saharan African countries is relatively unknown. Further, most of the research on remittances at the macro level mainly focuses on a specific country and as such limits cross country analysis and policy options. Comparative studies enhance analytical rigour and this study aims to fill this gap within research on remittances in Africa. This research is a comparative study of the countercyclical nature of remittances in four sub- Saharan countries (Cameroon, Cape Verde, Nigeria and Senegal) using the 2009 global financial crisis as a baseline.

2.9 Chapter Summary

This chapter gives a summary of the relevant literature on remittances and development. Empirical evidence reveals that, remittances to developing countries have a lot of advantages and disadvantages. The advantages include: helping to smooth out consumption expenditures, creating entrepreneurial activities, reducing poverty among others. On the other hand, the

disadvantages of remittances inflows include: widening inequality gap among recipients and non- recipients, increasing a country's balance of payment deficits when funds are used to purchase a lot of imported goods among others. Notwithstanding the mixed findings on the impact of remittances on developing countries, due to the fact that monies given to recipients usually trickle down to benefit non- recipients, there is a wide consensus among scholars that remittances inflows contribute positively to development in developing countries.

Chapter Three

Theoretical Framework

3.0 Chapter Overview

Although very few scholars and researchers will dispute the fact that remittances benefits the home country of migrants, whether or not remittances are countercyclical is another argument altogether. Diverse theories have emerged to explain the benefits or otherwise of remittances. However, since macroeconomics studies on remittances are limited, there are no available 'hard and fast' theories that can explain the countercyclical or procyclical nature of remittances. Hence this chapter will attempt to formulate a framework within which this study will be placed. It does this by combining the three major theories of migration and development as well as using two of the major reasons why people remit (altruism and self-interest) to explain whether or not remittances are countercyclical in the period of financial crisis. Triangulation of theories on migration and development as well as the reasons for remitting is done because it brings about neutrality and increases the rate of certainty of results thereby reducing bias (Karim, 2007). It does this by allowing for the analysis to benefit from the combination of two or more theories by counterbalancing the demerits of one theory with the other.

3.1 The Developmentalist/Neo- Classical View (Optimists).

In the aftermath of the Second World War, now developed countries particularly those in Western Europe depended heavily on migrant labour to promote their development. Policies aimed at encouraging temporal labour migration from developing countries were implemented to meet the industrial needs of Europe- particularly the quest for cheap labour (Hennings, 2013). Although migration of these temporary workers was believed to be beneficial to receiving/host countries since labour was scarce, and migrant labour provided a ready supply of cheap labour; sending/home countries were believed to benefit as well. Temporary workers earned wages and salaries to send home, acquired work- related skills and knowledge which was viewed as beneficial upon their return to home countries. Examples of sending countries that have benefited from the migration of its nationals include: South Korean, Pakistan, India, Brazil, the Philippines, Egypt, and Sri Lanka; receiving

countries that have also benefited from migration include the United States, United Kingdom, Saudi Arabia, Germany and Canada (Briggs, 1994). It was assumed that, the savings and remittances of these returned temporary workers would "theoretically" serve as the foundation for economic take- off in home countries (Hennings, 2013).

It was during this period that labour migration from developing countries to developed countries gained impetus. Many developing countries' governments started to earnestly encourage their citizens to emigrate since they assumed that migration was an instrumental factor needed to promote national development (de Haas, 2007). The belief was that, through industrialisation and large- scale capital transfer, developing countries would be able to accelerate their economic development and modernise (So,1990). These evaluations were aligned with the developmentalist and neo- classical school of thought. Proponents of the developmentalist view include: Todaro, 1969; Kindleberger, 1967; Beijer 1970, 1980; Adler, 1981; and Penninx 1982.

Arthur Lewis, a prominent economist theorist argued that, the emigration of unused labour from developing countries via the temporary labour programmes implemented by developed countries would led to labour scarcities in developing countries (Lewis, 1954). He further argues that, the effect of labour scarcities in developing countries (migrants' home countries) as a result of migration would lead to a new balance between labour and capital which will in turn attract the needed inflow of funds (remittances) to developing countries leading to economic growth (Hamilton & Whaley, 1984). Arthur Lewis' ideas are congruent with the process of 'factor price equalisation' in Economics popularly termed the 'Heckscher- Ohlin model' which argues that, once wages/salaries in home and host countries converge, migration will cease (de Haas, 2010).

In this perspective, free mobility of labour through migration is seen as an optimum way of allocating production factors particularly labour and capital for the benefit of migrants' home and host country. This theory operates under the assumption of "balanced growth" where the redistribution of labour from rural areas, the agricultural sector and developing countries as well as the redistribution of capital in the form of remittances inflows from urban centres, industrialized sector and developed countries is deemed as important conditions for economic growth and development (Todaro, 1969). The optimistic view has its roots in previous studies on rural- urban migration in the United States and Europe along with emigration to North America by people from Europe (de Haas, 2010).

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Developmentalists are of the view that, migration leads to the transfer of capital needed to boost investment and expedite the introduction of traditional communities to modern liberal values, democratic ideals and education (Coetzee, 2011). Thus, migrants who return home are seen as significant advocates of change, investment and innovation. It should be noted that, the general belief was that, remittances inflows coupled with knowledge, skills and experience of returned migrants would significantly aid in developing countries quest for economic take- off (Beijer, 1970).

Further, this perspective also reflects on the modernization theory where decolonized and developing countries were presumed to pursue the same path of development-industrialization, rapid economic growth and modernization as pursued and undergone by other western countries (de Haas, 2008). Under the premise that one of the major constraints developing countries face in their bid to develop was the availability of capital; optimists argue that, capital transfer (in the form of remittances inflows, foreign aid and loans and foreign direct investment) would help developing countries accelerate growth (de Haas, 2010).

Furthermore, in this theory, emphasis is laid on the benefits of remittances (Cotula, et al., 2004). According to the "optimists", remittances play several important roles in the home countries of migrants. Remittances provide the foreign exchange needed to fund import bills and forms a substantial component of the income of households (Englama, 2009). Goods sent by migrants such as spare parts, second- hand clothes, vehicles, fridges among others can help support the businesses of friends and families; and diaspora organisations sometimes channel their contributions into community development (Cotula, et al., 2004). Although developmentalists do not dispute the idea of brain drain due to the probability that many professionals might migrate, developmentalists believed that, the emigration of the populace as well as brain drain of professionals from migrants' home countries would be wholly or partially recuperated by the reverse flow of remittances, knowledge and ideas (Faist, Fauser & Kivisto, 2011).

Empirical evidence produced by scholars and researchers (Ghosh, 2006; Guiliano & Ruiz-Arranz, 2009; Odozi, Awoyemi and Omonona, 2010) that show the developmental impacts of remittances inflows validates this perspective. Such empirical evidence including remittances inflows encouraging investment in productive activities; spurring entrepreneurial spirit,

alleviating poverty, increasing expenditure on health and education among others further strengthens the arguments made by the developmentalists.

Many criticisms have been levelled against this perspective. Some critics such as de Haas (2008) has argued that usually the short- term impacts of migration to the home country of migrants is usually negative because of the immediate loss of manpower. Hennings (2013) also argues that, usually when migrants arrive in host country, they need time to settle down and look for secured employment before they can remit money back to their friends and families in home countries. Therefore, depending on the success or otherwise in host country, decision on whether or not to send remittances back home will be made. Thus, the relationship between migration, remittances inflows and development is not unidimensional. Migration does not necessarily equal remittances inflows and subsequently, development.

In addition to the above, proponents of the pluralist perspectives such as Lucas and Stark (1985) have argued that, the neoclassical theory does not recognise the need for human agency. Neoclassical theory tends to believe that remittances inflows equals development but this is usually not the case. For remittances inflows to contribute to development recipients have to use the funds obtained productively and the state must be able to put in place the needed infrastructure and policies aimed at harnessing remittances for development.

Further, Djajic (1986) argues that, developmentalists do not take into consideration the possible benefits non- migrants in home countries might gain due to migration and/or remittances inflows. The author asserts that, developmentalists assume that only migrant households and remittances- receiving households derive any benefits from migration and remittances inflows. However, this is not the case. Recent studies on migration and development (Karagoz, 2009) has revealed that, the benefits of migration and remittances inflows can have a "spill over" effect on other households within the community that may not have any migrant and/or receiving any remittances.

Lastly, even if migrants migrate to work, most of these migrants do not return to their home countries until later stages in life. Thus, the weight given to knowledge and skills transfer in the literature by developmentalists according to Hennings (2013) was overblown.

Regardless of this, it should be noted that, the attention drawn to remittances is well-deserved because as early as the 1960s, research (de Haas, 2010; World Bank, 2015) shows

that remittances inflows was one of the major source of foreign exchange earnings in most home countries of migrants.

In linking this theory to the nature of remittances in periods of financial crises; this theory will imply that remittances are countercyclical. This is because, if remittances are seen as beneficial to the home countries of migrants and are intended to bring about development, then in periods of financial crises which greatly affect the external financial flows of developing countries, migrants would be 'compelled' to send money home which can be harnessed by the governments of developing countries for development. Remittances inflows can make foreign currency readily available to fund import bills since during periods of crises, there are sometimes foreign currency shortages.

3.2 The Structural/ Dependency View (Pessimists)

In the 1970s and 1980s, the initial sureness of the positive relationship between migration and development was quickly discharged as many scholars and researchers began to critically examine the notion of development. Scholars such as Andre Gunder Frank and Immanuel Wallerstein provided the scholarly foundation upon which a much more analytical debate on the relationship between migration and development would be hinged through their seminal work on dependency and world system theory (Hennings, 2013).

Frank and Wallerstein's theories were grounded in the work of economists Raul Prebisch and Hans Singer who examined the declining terms of trade for developing countries in comparison to developed countries. This formed the foundation of the dependency theory which asserted that, the unfavourable terms of trade was a reflection of structurally entrenched positions of developing countries (periphery) dominated by developed countries (core) (Toye & Toye, 2003).

This in turn shaped debates on migration and development during the 1970s and 1980s. Proponents of the structuralists' view include: Frank, 1966; Almeida, 1972; Rhoades, 1976; Lipton 1980; Lewis, 1986; Rubenstein, 1992 and Binford, 2003. According to this view, migration is seen as a phenomenon that reinforces and/or sustains the problems of underdevelopment (Almeida, 1973; Lipton, 1980 as cited in de Haas, 2007). The theory stresses the problems that substantial migration creates. For them, migration decreases the size of the labour capital of developing countries and breakdown stable traditional

communities and villages as well as their economies (de Haas, 2008). This in turn leads to the development of non- productive, remittances- dependent and passive communities.

In this view, migration is seen as discouraging rather than encouraging self- ruling economic growth of the home countries of migrants (Durand et al, 1996). This view is in conformity with the historical structuralist paradigm's notion of development that regard migration as one of the many ways through which developing countries increase their dependency on the West- that is, those countries who control the world's political and economic systems (Frank, 1966). Migration is seen as a natural outcome of capitalist penetration that ruins traditional societies by uprooting their populations and distorting their economies (Taylor, et al., 1996). The 'pessimists' views capitalist penetration and its attendant effects such as migration as not only detrimental to the economies of developing countries but also as the core cause of the "development of underdevelopment" (Frank, 1966). According to Mrydal (1957), this is also closely linked to a process called 'cumulative causation' where the rising penchant for western countries to increase their economic core areas is inextricably linked to the depletion of labour and capital from peripheral countries. Migration and its attendant- remittances inflows are seen as undermining the development of the local, national and regional economies by taking away valuable but scarce labour from communities and increasing dependency on host countries thereby encouraging further out- migration (de Haas, 2010).

Further, pessimists believe that migration increases inequality in the home country of migrants. This is attributed to the fact that, those who migrate are usually those already employed, opened- minded, more entrepreneurial and educated (Adams & Page, 2005). It should be noted that, in order to overcome the costs and risks associated with migration, a certain amount of money is required. Since the very poor within the community more often than not are unable to raise the required amount, the relatively well- off within the community end up migrating. As such, the benefits of migration including remittances inflows will disproportionately be allocated to those already better- off within the community (Lipton, 1980). This helps to exacerbate the high inequality levels already prevalent in most home countries of migrants. In addition, contrary to the arguments made by the neoclassical theorists, structuralists argue that, the notion of migrants returning was very rare.

Furthermore, pessimists/structuralists argue that, although most empirical evidence does provide prove of the developmental effects (Brown, 2016) of remittances inflows, the "limited leakage" of such developmental impacts to other non- migrant households,

individuals and communities within migrants' home countries (Vacatlores et al, 2012) makes remittances a "bane" to development. They further argue that, remittances inflows only perpetuate inequality, poverty and above all increases dependency of home countries to the host countries of migrants. Remittances inflows are viewed as augmenting the spatial differences in development levels- either at the international, regional and national level (de Haas, 2007). From the neo- Marxist perspective, migration and remittances inflows only reinforce and reproduce the capitalist system which is hinged on inequality.

Pessimists argue that, although remittances inflows contribute significantly to the welfare and income stability of recipients in migrants' home countries; it does not undoubtedly suggest that remittances inflows help to alleviate poverty (de Haas, 2007). This is because migration is selective. Due to the risks and costs involved, migration as an activity is not undertaken by the poorest households and members within the community. Thus, the relatively well- off who migrate end up making their friends and households left behind more rich due to the inflow of remittances. Hence, remittances inflows only perpetuate and in some cases heighten already existing inequalities in migrants' home countries.

Empirical evidence produced by scholars and researchers (Ruark, 2011; Pettinger, 2016; Rubenstein, 2016) that show the negative relationship between migration, remittances inflows and development validates this theory. In this perspective, the dominant notion is that remittances as incomes for recipients and households left behind in home countries are used for consumption purposes and rarely used for productive purposes. According to Cotula, et al., (2004), remittances used for the purchase of land in home country can cause inflationary pressures and increase land prices which can weaken the local economy; thus, remittances increase the dependency of home countries on host country vis-à-vis recipients on migrants. On the social and cultural aspects, migration and remittances are seen to be detrimental. Scholars such as Lipton (1980), argues that the exposure of rural folks to the wealth of migrants can spur up changes in the rural taste of people and communities. This consequently leads to an increase in the demand for foreign- produced or imported goods which inevitably continues the virtual cycle of dependency. Accordingly, for the structuralists migration emanates from as well as results in underdevelopment (de Haas, 2010).

According to Lipton (1980 as cited in Van Dalen, et al., 2005) about 90% or more of the total amount of remittances inflows are used for consumption purposes which for recipients, have to reinforce high status. Such consumption expenditures include expensive funerals and

weddings, buying or building of luxurious houses, flashy cars among others. The author further argues that, even in cases where remittances inflows are used for investment purposes, those investments tend to be "consumptive" in nature such as the use of remittances to hire farm workers in instances where at first, one's family was used as labour. Thus instead of using remittances to create more capital by generating more farm output, remittances was used for labour replacing mechanization that yielded no extra capital (that is- replacing the labour provided by family members with other farm hands so family members can enjoy leisure) (Zachariah, et al., 2001).

Additionally, pessimists argue that, the unproductive use of remittances inflows weakens the local and national economies of migrants' home countries which increases dependency and ultimately leads to underdevelopment. For example, the rise in the consumption expenditure of remittance- receiving households could led to inflationary pressure; a situation where non-remittances receiving households are more likely to suffer. Secondly, most of the consumptive expenditures of remittances- receiving households such as television sets, flashy cars, fridges, stylish clothing among others are usually imported into the home countries of migrants. This means that, the local economy will suffer as demand for locally produced goods decreases. On the other hand, the economy of host countries of migrants where these goods are frequently imported from keeps growing due to increasing demand. This ultimately leads to asymmetric growth thereby further inhibiting the development of the home countries of migrants (de Haas, 2010).

In other respects, since this theory believes that remittances inflows are usually spent on consumables instead of productive ventures, the assumption is that, those left behind by migrants will see the lifestyle of remittances- receiving households and will be encouraged to migrate. This in turn according to the pessimists, robs the migrants' home countries of valuable labour usually the youth and skilled migrants needed for development (de Haas, 2010).

Notwithstanding the re-evaluation of the relationship between migration and development that the structuralist theory brought about, many criticisms have been levelled against the theory. Pessimists' argument that migration extirpates stable traditional societies is according to de Haas (2007) a "highly romanticized" view. According to the author, whether or not the changes brought about by migration and consequently remittances inflows are positive or negative depends on the viewpoint one decides to adapt in the community under scrutiny.

Whether to go along with the relative losers or winners within the community under study can give a completely different view on the idea that migration uproots stable communities.

Besides, there is no factual scientific way of finding out which form of inequality has worsened due to migration and/or remittances inflows. Measuring the effects of migration and its resultant- remittances inflows on inequality is a normative and ambiguous affair (de Haas, 2007). This is because, many traditional societies as well as some developing countries that use to deny certain sections of their population (including slaves, women and children) their basic human rights have improved access to these rights due to the exposure migration brings. Thus, rather than arguing that inequalities have increased as per the structuralists; a better argument is to say that, migration and its attendant- remittances inflows gives rise to new forms of inequality.

Moreover, some scholars such as Taylor (1999) and de Haas (2007) have argued that, the notion that remittances are not used productively as stated by the pessimists lack a strong empirical justification. According to the authors, studies tend to forget the fungibility of remittances inflows with other income sources of recipients. It is usually very difficult to identify and/or earmark funds received as remittances for definite expenditures.

Again, Hennings (2013) contends that, the idea of "brain drain" is a country specific phenomenon. This is because according to him, some countries such as Jordan and the Philippines train and send professionals abroad as an economic strategy. These countries deliberately encourage their professionals to emigrate so that subsequent remittances received by friends, families and communities can be harnessed for development.

Lastly, the argument that recipients of remittances in migrants' home countries use funds for personal consumption has been debunked by many studies. Considerable research (Rempel & Lodbell, 1978; Yang, 2008; Odozi, Awoyemi & Omonona, 2010) exists to validate the fact that remittances inflows encourages self-employment and raises recipients' investments in small scale enterprises.

Linking this theory to the nature of remittances in periods of financial crises, this theory will predict that, remittances inflows in periods of financial crises are pro- cyclical. This is because of the argument by structuralists that, the notion of remittances inflows increasing the welfare of recipients and households are untrue. The reason is because this perspective views remittances as dangerous and artificial- as a source of revenue, it is unstable and

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temporal (de Haas, 2007). If remittances causes underdevelopment of home countries of migrants- mainly developing countries, this is because during financial crisis, host countries- mainly developed countries tend to put in place stringent measures to prevent monies from leaving their economies. For example, the high transfer cost for remitting (transferring from Japan to China; Canada to Lebanon and Zimbabwe; South Africa to Lesotho, Zambia, Angola and Mozambique); and restricting certain categories of migrants from transferring monies outside host countries (South Africa preventing migrant students from remitting outside its borders) (Migration and Remittances Factbook, 2016). Thus, migrants are unable to send money home to their friends and families especially during periods of financial crises.

As conceptions about development changed in the late 1980s, the rigid explanations given by the developmentalists and structuralists begun to be questioned by other scholars- people argued that the theory did not take into consideration the "agency" of individual migrants to implement change. Thus in the 1990s another new perspective on the migration and development nexus emerged.

3.3 Pluralist Perspective- New Economics of Labour Migration (NELM)
This perspective emerged in the 1980s and the 1990s within the context of American research when debates on migration and development shifted from its deterministic and homogeneous nature to a more heterogeneous and hybrid approach taking into account structure (society) and agency (individuals) (de Haas, 2007). This perspective rekindled the debate on migration and development by repositioning the attitudes and behaviour of individual migrants at the centre of the broader societal context (de Haas, 2008). The perspective developed as a counter to the developmentalist and structuralist theory (classical theories) arguing that, these two theories were too deterministic and rigid and thus, fails to see the complex realities between migration and development (de Haas, 2010). This perspective gives a more elusive view on migration and development asserting that, the causes and effects of migration can be both positive and negative for the development of a country.

Advocates of this theory were largely influenced by a major shift in social theory stimulated by Giddens' structuration theory that sought to blend the structure and agency approaches. (de Haas, 2010). Structuration theory argues that, rules, structures and norms emerge as a result of people's daily actions and practices, both unintended and intended; these structures consequently shape and/or constrain the actions of people- not by obvious determination but within a range of possibilities (de Haas, 2010). In the migration and development studies,

interaction between the structure and agency was deemed important as it sought to make clear the diverse impacts of migration.

By so doing, this view recognised the importance of agency and structure as essential components and thus, enabled analysis to be carried out within a broad framework instead of placing the debate on migration and development within a 'straitjacket'. The fundamental question that this theory seeks to answer is not whether or not migration has positive or negative impacts on migrants' home countries. In contrast, it seeks to answer why migration impacts some home countries positively and in other home countries, impacts otherwise (de Haas, 2008). Proponents of the pluralist view include: Stark, 1978; Stark and Levhari, 1982; Bloom and Stark, 1985; Lucas and Stark, 1985; Taylor, 1986; Taylor and Wyatt, 1996; Taylor, 1999.

Uniquely, the perspective primarily focuses on the household rather than the individual migrants as the most suitable decision- making unit concerning issues of migration and remittances. In this paradigm, migration is seen as a "risk sharing behaviour" of recipients and households. Remittances of migrants serve as insurance for the family and households of migrants thereby providing a good response to income risk (Lucas & Stark, 1985 as cited in de Haas, 2007 p.12). This can then explain why many people might embark on migration without any sizeable income differentials. It should be noted that, this theory does not retreat individual migrants to the backburner in decisions concerning migration and consequently, the sending of remittances. The theory mainly seeks to shed more light on the fact that, decisions made by individuals to migrate and/or send remittances is taken within the broad framework of the family unit.

The New Economics of Labour Migration scholars argue that, in developing countries because risk facilities are not well developed as well as the existence of imperfect credit facilities, migration plays a significant role by providing probable avenues for investment capital (Stark, 1978). Developing countries usually have very weak markets which are often inaccessible to the non- elite groups within these countries. Accordingly, migration may enable households to invest in productive activities via remittances inflows and consequently, help improve livelihoods. Moreover, this theory criticized the weak methodological approach and poor empiricist nature of previous theories arguing that, there are complex albeit indirect positive impacts of remittances and migration to the migrants' home countries, households

and other non- migrants' households that are often ignored (Taylor, et al., 1996). Below outlines the merits and the demerits of the new economics of labour migration.

Both the structuralist and developmentalist theory assume that people especially the poor are just passive victims of migration due to the influence of capitalist forces however, this theory disputes that (de Haas, 2007). It does this by arguing that people always try to actively improve their conditions of living; and migration coupled with its resultant- remittances inflows are just one of those strategies. The theory highlights human agency and considers migration and remittances inflows as a way through which the individuals and households diversify, improve and secure their income sources and livelihoods (de Haas, 2010). This perspective drew attention to the relevance of migrants and their communities as active actors in the development process.

For example, research carried out in Burkina Faso (Wouterse, 2006) and Morocco (de Haas, 2006b) revealed that international migration by Moroccans and Burkinabes to other African countries was primarily done as a way to improve their livelihood security by diversifying their income. Intra- African migration usually does not allow migrants to acquire a lot of wealth, hence, the authors argued that, most Moroccan and Burkinabe households decide to move some of their members to other African countries in order to diversify and expand their income sources- that is, through remittances inflows.

Next, through this perspective's close link to the structuration theory by Giddens, a clearer interpretation of the debate surrounding migration and development is given. This perspective exposes the fact that, the impacts of migration and consequently remittances inflows are heterogeneous and intertwined. It draws attention to the fact that the impacts of migration and remittances inflows are not unidimensional. Further, the new economics of labour theory draws attention to the fact that, the desire by migrants to remit is largely dependent on the bargaining power and/or contractual agreement between and within the family/household (Hennings, 2013). Decision concerning when and how much to remit is not the sole decision of the individual migrants.

Critics of the pluralist perspective have asserted that the argument that, the decision to migrate by individuals and households are undertaken mainly as a livelihood strategy has been disputed by many researchers. For example, research undertaken by Akesson (2008) and Carling and Akesson (2009) revealed that, the quest to migrate by Cape Verdeans was not simply motivated by the quest to gain materials things or as a livelihood strategy aimed at

diversifying the income of the household (economic reasons). The decision to migrate was mainly driven by the perception held by Cape Verdeans that, migration is an important milestone in one's life (cultural and social reasons). In addition, de Haas (2006b) also found out that Moroccans who migrate from rural areas to European countries do it with the intention of becoming permanent citizens of host countries rather than as a livelihood strategy.

Linking this theory to the nature of remittances in periods of financial crises, this theory does not necessarily concern itself with whether remittances increase or decrease during periods of financial crises. On the contrary, the theory argues that, the effects remittances inflows will have on the home countries of migrants during period of financial crisis (countercyclical or procyclical) will depend on the decisions, programmes and policies that the government puts in place. Hence, this theory is concerned about the interplay between global financial crisis (structure) and the decisions, programmes and policies of governments (agency).

In conclusion the new economics of labour migration theory shifts the focus of analysis from whether or not migration and subsequently remittances inflows have positive or negative impacts on migrants' home countries. It rather highlights why migration and consequently remittances inflows contributes to the development of some migrants' home countries and less or in some cases negatively affects development in other migrants' home countries.

3.4 Why People Remit

Over the years, remittances inflows have grown to be the second largest external financial flow to developing countries (Schiopu & Sigfried, 2006; World Bank, 2016). Despite this, the debates surrounding the main motivations underlying why migrants remit to home countries remain controversial. There are many reasons that explain why people remit however; two of these reasons stand out in explaining the countercyclical or pro-cyclical nature of remittances. These are altruism and self- interest.

3.4.1 Pure Altruism

The motivation underpinning pure altruism is intuition. Here, the migrants' concern for the welfare of families and friends in the home country motivates them to remit (Bryn & Wets, 2006). The migrants derive satisfaction from the welfare of friends and families. Remittances sent to families and friends by migrants are seen as an act of love and the liability the migrant feels towards his/her family and friends. Here, sending remittances to family and friends to

cater for their welfare gives the migrant utility and hence, propels them to remit. There are a number of hypotheses underlying this model. The first states that, the money remitted increases as migrants' income increases; the second states that, money remitted decreases as domestic income increases and vice versa; and the last hypothesis states that, remittances will decrease as families'/friends' attachment weakens over time (International Migration Outlook, 2006).

Early research that found altruism as the main motivating force behind remittances inflows include: Johnson and Whitelaw, 1978; Lucas and Stark, 1985 among others.

In a study conducted by Alper and Neyapti (2006), the authors found out that in Turkey, the main motive behind remittances inflows from Turkish migrants was "consumption smoothing" (using remittances inflows to subsidize income meant for consumption expenditures). Lindley (2006) also adds that, Somalis received more remittances inflows when the migrants' family left behind experiences a downturn in their fortunes- relatives abroad tend to remit more to assist friends and families left in the rural areas during periods of crises. Agarwal and Horowitz (2002) also found out that in Guyana, altruism was the main driver for remittances inflows.

Linking this motive to remit to the nature of remittances during financial crisis, altruism will predict that remittances are countercyclical during periods of financial crises. This is because, if the motive of migrants is to see to the welfare of their families and friends, then during the period of financial crisis, where need is greatest, migrants would be compelled to send more money to their home countries.

3.4.2 Pure Self- interest
Here, migrants' remit because of their own self- interest usually economic or financial. The assumption is that, migrants in host countries save their monies from time to time and then, makes a decision regarding what assets they should acquire and in which country (home or host country) they should invest in. Englama (2009) argues that, usually the migrants decide to invest in their home countries. This is because; family members can oversee investment activities during the emigration period. Next, some high return investments in host countries are limited to nationals and lastly, most investment in host country that yield large interest are usually associated with high risk thus, most migrants would remit in order to invest in their home countries (Englama, 2009).

Remittances based on self- interest might be attributed to firstly; the aspirations of migrants to gain the inheritance of parents if the assumption is that, bequest are hinged on good behaviour (International Migration Outlook, 2006). Secondly, migrants may remit because they would like their assets left behind in home countries to be well- taken care of. Thirdly, a migrant' desire to return back home to the home country can encourage the sending of remittances for investment in financial assets, real estate, and public assets aimed at enhancing their political influence and prestige within the local community and/ or enhance migrants' social capital upon return (Bryn & Wets, 2006). Based on this, remittances are simply fiduciary and simply monies held in trust for migrants.

Usually remittances inflows motivated mainly by self- interest underpin the fact that, migrants view the family as a market within which they aim at accessing mutual benefits. Early works that have identified self-interest as the main motive for remitting was done by Lucas and Stark (1985) who found out that, in Botswana, remittances inflows was driven purely by the self- interest of migrants. Money sent by migrants was used for investment purposes in the name of the migrant by recipients.

Linking this motive to remit to the direction of remittances during financial crisis, this motive will predict that remittances are pro-cyclical. This is because, if the primary motive of migrants is to seek their own wellbeing or interest, then in times of crisis where finances are constrained both in home and host countries; migrants in seeking their own interest will be inclined to withhold their monies as sending the monies to home countries during this period will not be beneficial or profitable.

3.5 Chapter Summary

This chapter provided the theoretical framework within which this research will be analysed. It did this by examining three of the major theories (developmentalists, structuralist and pluralist perspective) that emerged as a result of the evolution of the migration and development debate. Furthermore, in order to enhance the validity of this research, these three theories was combined with the two main reasons why people migrate (altruism and self-interest) to find out if remittances are countercyclical or not during periods of financial crises. The main reason for the triangulation of theories was to enhance the validity of research findings.

Chapter Four

Research Methodology

4.0 Chapter Overview

This chapter presents the research design adopted for this study. The research design is relevant because it provides the step-by-step process adopted to answer the research questions and solve the research problem. This chapter provides a detailed explanation of the research methodology adopted, data collection tools, the focus area of the research and statistical model specifications.

4.1 Research Design

According to scholars (Aater, et al., 2001; Babbie & Mouton, 2001; Babbie, 2008; Craig, 2009), the research design provides the context within which the study will be carried out. It can also be defined as a plan or blueprint that details how a research will be conducted. It entails the operationalisation of variables, selection of an interest area, collection of data to test the given research question and/or hypothesis and finally, the analysis and interpretation of results (Thyer, 1993). In other words, the research design provides a detailed outline of how a research will be carried out.

There are two major research design traditions in the Social Sciences. These are the qualitative and quantitative research designs (de Vos, 1998). In the quantitative research design, a step-by-step outline is already laid out for the researcher to follow (de Vos & Fouche, 1998). This means that, the researcher's actions and choices are determined by the research design. On the contrary, in a qualitative research design, there are no fixed guidelines the researcher needs to follow. Rather, the choices and actions of the researcher determine the research design adopted (de Vos & Fouche, 1998). It should be noted that, these choices and actions undertaken by the researcher are not arbitrary but systematic and replicable. During the research process, the researcher creates the best research design suitable for the research.

This study used the quantitative research design, the choice of which was mainly driven by the nature of research problem. In this study, the research design enumerates the research methodology adopted; the focus area and tools of the data collection; the statistical model specification and the data analysis.

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4.2 Research Methodology

Generally, two (2) broad research methodologies exist in the Social Sciences. These are the qualitative approach and the quantitative approach. This research used the quantitative research methodology. A quantitative research design invariable relies on a quantitative research methodology to achieve its objectives. The quantitative research methodology stresses on numerical data, it highlights the measurements of variables by linking them to general causal statements and the testing of hypotheses (Neuman, 2000). The rationale for choosing the quantitative research methodology is the nature of the research problem under study. Since the research problem is quantitatively driven, quantitative methods adequately answers the research problem. Furthermore, quantitative methodology stresses on numerical representation and allows for observations to be manipulated and controlled for the purposes of explaining and describing the phenomenon that those observations reflect (Babbie, 2008). This was relevant to this research as it made it possible for variables such as remittances inflows, gross domestic product among other to be manipulated against time in order to observe the patterns these manipulations create.

4.3 Data Collection (Type and Source)

Data collection methods are the ways and means a researcher obtains data for the research. There are three major types of data that can be used in the research process. These are primary, secondary and tertiary data (Lewis- Beck, 2011). This research used secondary and tertiary data. Whereas secondary data is collected by other people and archived, tertiary data is data that has already been processed and analysed by the researcher who produced/created it or by a researcher working on secondary data (Blaikie, 2011). The secondary data used in this research was time series data obtained from the World Bank and the tertiary data used was mainly a review of relevant literature.

World Bank data

The time series data obtained from the World Bank which was used for this research spanned for the period of thirty four (34) years- from 1980 to 2013. These particular years were chosen specifically because the time period coincides with the years prior to and post the global financial crisis in 2009.

The World Bank online database was chosen as the preferred avenue for the data needed for this research because of a number of reasons. Firstly, many countries especially developing

countries do not have adequate institutional resources and personnel needed to gather data concerning the topic chosen (World Bank, 2014c). Secondly, collecting primary data at the country level for the research topic chosen could be costly and time consuming (Mouton, 1996) due to the need for historical data on selected variables. Lastly, variations in countries' accounting systems mean that they may have different ways of computing for remittances inflows and outflows, foreign aid and foreign direct investments. As such, to avoid discrepancies in the data used for this research, the World Bank was selected as the preferred institution for collecting the data as the institution has a set of standards applicable to all countries when collecting such data.

The data collected revolved around the following major themes (1) explaining the trend of remittances inflows/ outflows, foreign aid and foreign direct investment in the four countries under study, (2) identifying the differences if any, between remittances inflows and remittances outflows in the four countries under study, (3) assessing the impact of remittances inflows on economic growth (GDP), and (4) exploring the countercyclical nature of remittances inflows during a financial crisis in the four countries under study. This research also used literature review as another form of data collection tool.

Literature review

Another source of data (tertiary data) used in this research was literature review. Literature review enables the researcher to situate the research within existing body of knowledge as well as addressed the issues and concepts surrounding the topic. Further, it also ensures that the research has been placed within an appropriate theoretical and/or conceptual framework (Mouton, 1996). Literature review informs the researcher on what has already been done on the topic as well as the gap within the existing literature. This then allows the researcher to build on the existing body of knowledge and thus avoiding the problem of duplication (Babbie & Mouton, 2001). In this research, a review of relevant literature obtained from academic articles, journals, books, video and audio visuals as well as the internet was incorporated into the research.

Transformation of data obtained from the World Bank

Firstly, since the main aim of the research was to do a comparative analysis of the countercyclical nature of remittances, data obtained from the World Bank was converted from its nominal value to real value constant at a specific base year. The year 2011 was

chosen as the base year because of the relative stability attained by most countries after the 2008/2009 global financial crisis. Furthermore, figures were converted from nominal to real in order to eliminate the possibility of inflation distorting our figures and growth rate within the time series trends.

$$\text{Real values} = \frac{Nominal\ value}{Price\ index*100} \qquad ……….eqn\ 1$$

Where nominal values are actual values measured in current year and price index is the consumer price index constant at 2011 prices

Missing Values

There are a number of techniques in dealing with missing variables and based on the size of the data set and the cross country nature of the study, it was decided that missing values will be replaced with a measure of central tendency (either the mean or median) which would significantly change the underlying distribution of the data used for the research. The decision was made to do a mean substitution i.e. filled in by using the mean (average) across the data. Mean substitution is the most commonly practiced and at this level of analysis I consider it as more than appropriate (Rubin et al, 2007). Consequently, missing values present in the data used for the research was filled in by using the mean (average) calculated from preceding years.

4.4 Data Analysis

Data analysis entails reducing the data size to manageable proportion as well as identifying the different themes and patterns in the data (Majesky, 2008). It generally involves organizing, processing, describing, interpreting and presenting the findings in such a way that, it is understood by others. In this study, a comparative study was done by comparing the four countries involved. The aim of the comparative analysis was to find out if similarities and differences exist among the four countries when it comes to the trend and relationship between remittances inflows/ outflows, foreign aid and foreign direct investment during the global financial crisis. This in turn provided a more rigorous analysis in understanding the interplay between development, remittances and migration across the countries observed.

Data retrieved from the World Bank database was coded, imported and analysed using Stata 12 and Microsoft Excel- 2010. Furthermore, findings from the analysis were presented using

descriptive and inferential statistics. Descriptive statistics included graphs, charts and frequencies whereas inferential statistics will include regression, correlation among others.

4.4.1 Explanation of Variables

A variable is anything that can be measured, manipulated and controlled for the sake of research (Neuman, 2000). There are two main variables in a research. These are independent and dependent variables.

An independent variable is a variable within the research that can be controlled. The independent variable is usually controlled and manipulated by the researcher to see its effect on another variable. It should be noted that, although independent variables vary, their variation is usually known and/or taken into consideration by the researcher. The independent variable is usually the "cause". In this research, the independent variables include: remittances inflows, remittances outflows, net official development assistance and foreign direct investment.

On the other hand, a dependent variable is a variable that is neither manipulated nor controlled by the researcher. This type of variable is usually registered or measured by the researcher. Dependent variables usually vary in relation to independent variables. It is usually the "effect" and it varies at an unknown rate. In this research, the independent variables were gross domestic product (GDP) and economic growth.

Definition of independent variables and other keywords used

Remittances inflows: All monies officially transferred into an economy by its nationals residing outside that economy within a period of one year.

Remittances outflows: All monies officially transferred outside the economy of a country by foreign nationals living in that economy within a period of one year.

Net official development assistance (ODA): It comprises of the disbursement of grants and loans usually given on concessional terms (net of repayments of principal) by multilateral institutions, official agencies of the Development Assistance Committee (DAC) and by other non- DAC member countries aimed at promoting welfare and economic development in territories and countries on the Development Assistance Committee's list of ODA recipients

(World Bank, 2016). It comprises of loans made up of a grant constituent of a minimum of 25 percent (determined at a rate of discount of 10 percent).

Foreign direct investment: It entails all direct investment equity flows within the economy of any given country. It is the summation of all equity capital, reinvested profits as well as other capital. In this data, monies invested by foreigners within the local economy are termed foreign direct investment when the foreigner owes ten (10) percent or more of the ordinary shares of voting stock.

Economic crisis: This is a situation in which the economy of a country experiences a sudden downturn brought on by a financial crisis. During this period, the country's financial assets lose its nominal value. Example, the 2008/2009 global financial crisis.

Pro-cyclicality: This occurs when there is an influx of remittances into the migrants' home countries as a result of stability in the economy and/or rapid economic growth

Counter- cyclicality: this occurs when there is an influx of remittances into the migrants' home countries as a result of an economic crisis.

Definition of dependent variables

Gross domestic product: It is the total gross value of the goods and services produced by all resident producers within an economy- all product taxes are added to the total value whereas subsidies not included in the value of the product is subtracted (World Bank, 2016). In this research, raw data obtained from the World Bank took into account any deductions for the degradation and depletion of natural resources as well as the depreciation of assets.

Economic Growth: In this research, economic growth will be defined in terms of goods produced- that is increases in the gross domestic product of a country (GDP).

4.4.2 Statistical Model Specification
Below describes quantitatively the models adopted to meet each objective.

Measures of Relationship: Statistical measures were used to evaluate if there was a relationship between the variables (dependent and independent variables) under study. Here the two questions that was to be answered were:

(a) Does a correlation or association exist between the two variables under study? If yes, to what degree?

(b) Is there a causal relationship between the two variables under study? If yes, what degree?

The first question was answered using autocorrelation and the second question was to be evaluated using time series regression specifically- distributed lag model.

Autocorrelation: This can be defined as correlation between observations that have been ordered in space (as in cross section data) or in time (as in time series data) (Kendall & Buckland, 1971).

Symbolically, autocorrelation is given as

$$\sum(u_i u_j) \neq 0 \qquad i \neq j \qquad …………eqn\ 2$$

Where u_i and u_j are disturbances within the data

The assumption underlying autocorrelation is that, the disturbance term relating to any observation within a series is related and or influenced by the disturbance term relating to other observations within the series.

Autocorrelation was used as an analytical tool because of omitted variables which might not be included within our model and the ability of autocorrelation to capture these disturbances over time.
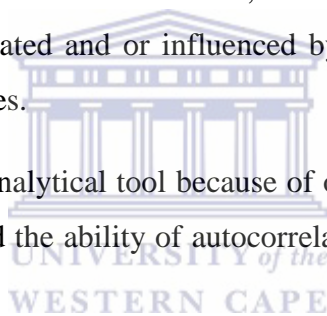
Distributed lag model: sometimes within analysis, the effect of the independent variable (x) on the dependent variable (y) is not contemporaneous but is distributed (spread out) over a given period of time. From the research, if the assumption is that y_t denotes economic growth and x_t denotes remittances inflows, both in the period *t* then a change in remittances inflows (x) will not only affect current economic growth (y) but future economic growth as well. This presupposes that, the current rate of economic growth y_t is not dependent on current remittances inflows x_t but also on other past remittances inflows.

This is written as:

$$y_t = B_o x_t + B_1 x_{t-1} + …….+ B_k x_{t-k} + u_t \qquad …………eqn\ 3$$

Where

y is the dependent variable,

x is the independent variable

u_t is the stationary error and

the individual coefficients *B* is the lag weights; that is, the lag distribution.

Distributed lag model was used as an analytical tool because when the effect of the independent variable on the dependent variable is taken into consideration with time, more valid inferences can be made about the effect of the independent variable on the dependent variable. Further, regression done without lags fails to take into account the relationship between the independent and dependent variable over time and in many instances, overestimates this relationship. The specific distributed lag model used is ARMAX. ARMAX is a bivariate distributed lag model. This is different from ARIMA which is a univariate distributed lag model

Selection Criteria for the best fit of ARMAX (time series regression) model

The following guidelines were used in the selection of the best fit for the ARMAX for this research.

- ➢ All variables used in the ARMAX model must be stationary.
- ➢ The log likelihood and the coefficient of the ar and ma components of the model would be given priority- the lower the log likelihood, the better the model.
- ➢ Further, depending on the whether the model exhibits more of an ar or ma component, the coefficient of the ar or ma components should be less than 1- that it, it should be significant at 1 or 5 percent.
- ➢ The value for the prob>chi2 should be significant- that is at 0.0000.

4.5 Chapter Summary

This chapter explained the research methodology adopted for this research. This research used quantitative research methodology. After time series data was collected from the World Bank database, the data was transformed from current prices to real values constant at 2011 prices. 2011 was chosen as the base year because of the relative stability most countries gained after the 2009 global financial crisis. The time series data was to be analysed using quantitative tools such as cross- correlation and distributed lag models.

Based on the methodological approach and tools discussed in this section, chapter five will present an analysis of the countercyclical nature of remittances inflows to Cameroon, Cape Verde, Nigeria and Senegal using the 2009 global financial crisis as the reference year.

<div align="center">**Chapter Five**</div>

<div align="center">**Results and Discussion**</div>

5.0 Chapter Overview

Over the years, scholars and researchers have been divided on the issue of whether or not remittances inflows have a positive or negative impact on the economic growth of the economies of receiving countries. Another bone of contention among researchers and scholars of migration, remittances and development is whether remittances are countercyclical or pro-cyclical during periods of crises. This chapter presents the results of the analysis done on the data collected from the World Bank. It seeks to answer the research questions as well as seeks to realise the objectives of this research as enumerated in the first chapter.

The main aim of this research is to examine the countercyclical nature of remittances during the 2009 global financial crisis in Cameroon, Cape Verde, Nigeria and Senegal. This chapter therefore focuses on exploring this aim with the data collected as well as linking findings with relevant literature and theoretical assumptions presented in previous chapters.

5.1 Trend of Selected Financial Inflows (2005-2013)

5.1.1 Trend of Remittances inflows, Foreign Direct Investment and Net Official Development Assistance to Cameroon

Figure 2 illustrates the trend of foreign aid, remittances inflows and net official assistances in Cameroon from year 2005 to 2013. The figure below reveals that, remittances inflows have been consistent albeit low in comparison to other external financial flows. During the 9 year period under study, remittances inflows were at its lowest in 2005 at approximately US$ 26 million and it peaked at its highest in 2013 at an estimated US$ 80 million. In the years prior to the 2009 global financial crisis, remittances inflows to Cameroon was inconsistent recording approximately US$ 26, 43, 56, and 54 million for the year 2005, 2006, 2007 and 2008. However, in the year of the global financial crisis, remittances inflows rose from US$ 54 million to US$ 61 million. This is in line with the altruistic motive of remitting which indicates that, in the period of crisis (in this case, the global financial crisis in 2009), where individual's left in home countries needs are great; migrants have more motivation to remit (International Migration Outlook, 2006; Bryn & Wets, 2006).

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Remittances inflows rising in 2009 is also in line with the arguments of the developmentalists who believe that migration leads to the transfer of capital needed to boost investment in the home countries of migrants (Coetzee, 2011). In 2010, the year right after the global financial crisis, remittances inflows took a sharp decline from approximately US$ 61 million to US$ 38 million. The reason for this could be attributed to that fact that, many developed countries and a number of developing countries where migrants emigrate to had to tighten their financial sector and prevent excessive outflow of capital in the aftermath of the crisis. Furthermore, many foreign nationals were laid- off and thus, might have resulted in declining amounts of remittances inflows to many developing countries (Rich, 2009; Wall, 2009). It can also be observed that, after the 2010, remittances inflows have been high and relatively stable in Cameroon

Figure 2: Trend of Remittances Inflows, Foreign Direct Investment and Net Official Assistance to Cameroon from 2005-2013 in real value constant at 2011 prices
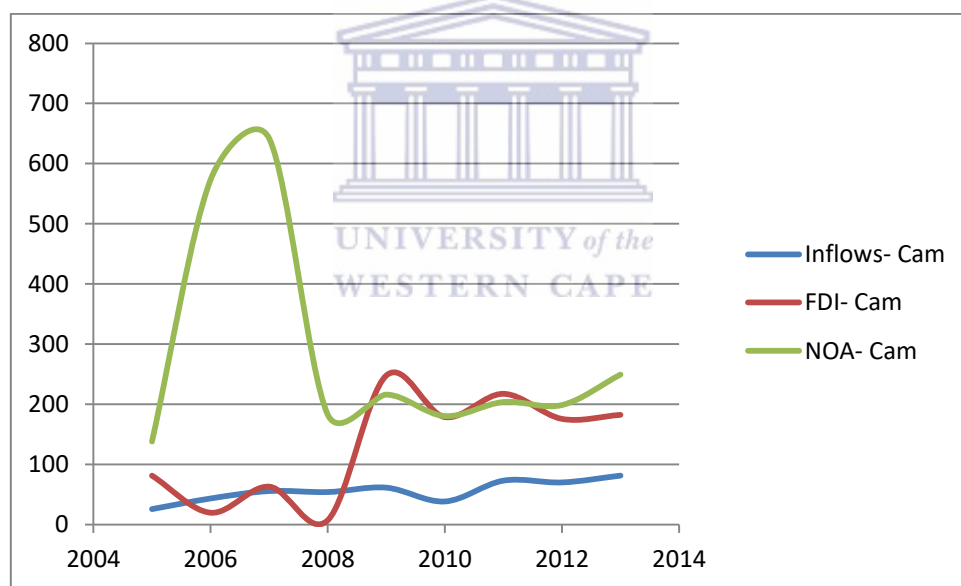
Source: Author's computation with Data from the World Bank 2017

On the other hand, foreign direct investment has been inconsistent in Cameroon throughout the 9 year period under study. It was at its lowest in 2008- a year prior to the 2009 global financial crisis with an estimated US$ 7 million. Surprisingly, within the period understudy, foreign direct investment was at its peak in 2009- the year of the global financial crisis with an estimated US$ 247 million. The reason for this is not clear-cut however, scholars such as Verick and Islam (2010) have argued that, because the crisis hard-hit many developed

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countries; many investors decided to move their capital into developing economies as they were the least affected by the crisis.

With regards to the last external flow understudy- net official development assistance, the trend reveals that after the volume of net official development assistance rising since 2005, from 2008, the amounts of net official development assistance have been inconsistent. It fell sharply in 2008 (US$ 183 million) from its previous highest recorded estimate of US$ 642 million in 2007 for the period under study. Since then, the value of net official development assistance to Cameroon has been declining. Although there are many reasons that could account for this, many scholars (Carson & Clark, 2013) asserted that, the decline could be attributed to the Asian financial crisis which urged development partners to direct their focus and resources towards helping Asian countries surpass their crisis. Other scholars such as Moyo (2009) have also argued that the ineffective ways African governments had being managing net official development assistance over the years has discouraged donor partners from continuing to "plough back" net official development assistance into Africa.

5.1.2 Trend of Remittances inflows, Foreign Direct Investment and Net Official Development Assistance to Cape Verde

Figure 3 shows the trend of remittances inflows, foreign aid and net official development assistance to Cape Verde. Remittances inflows to Cape Verde have been consistent over the 9 year period. It did not taken any major dip or leap within the timeframe under study. It chalked its highest volume in 2012 with an estimated US$ 36 million and its lowest volume in 2005 and 2006 with an estimated US$ 27 million respectively. In the years preceding the global financial crisis in 2009, remittances inflows to Cape Verde was increasing. However, in 2009, remittances inflows fell to US$ 27 million from US$ 31 million in 2008. After 2009, remittances inflows took another dip in 2010 with an estimated US$ 26 million before gradually rising again in 2011 through to 2013.

With remittances inflows falling in 2009 and taking another decline in 2010, it can be clearly seen that remittances inflows to Cape Verde were likely pro-cyclical. This is in line with many scholars (Ronci, Castro & Shanghavi, 2008; Amuedo, Dorantes and Pozo, 2010) who argue that remittances to Cape Verde are mainly driven by self- interest (investment motive). If remittances inflows is mainly driven by the senders' self- interest, then the assumption is that during a financial crisis, senders will be compelled to reduce the amount sent and hence, the decline in remittances inflows in 2009. Moreover, this is in line with the structuralists' argument that says that migration and its attendant remittances inflows are detrimental to the

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development of developing countries. In the case of Cape Verde, a decline in remittances inflows in 2009 and 2010 could have badly affected their economy as remittances inflows contributes significantly to their gross domestic product and it is the second largest foreign exchange earner (Pop, 2011; World Bank, 2013).

Figure 3: Trend of Remittances Inflows, Foreign Direct Investment and Net Official Development Assistance to Cape Verde from 2005- 2013 in real value constant at 2011 prices
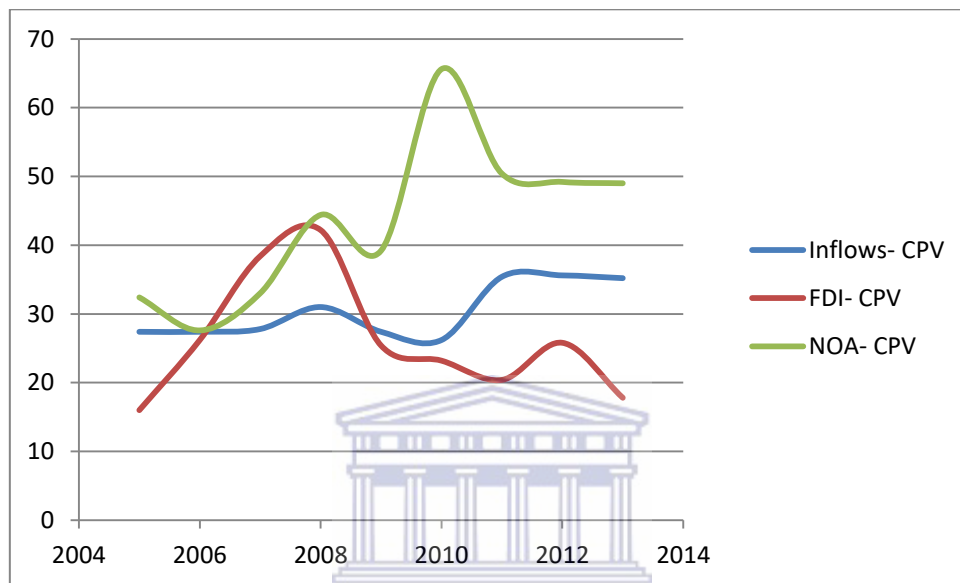
Source: Author's computation with Data from the World Bank 2017

In the years preceding the 2009 global financial crisis, foreign direct investment to Cape Verde was consistently rising- from US$ 16 million in 2005 to US$ 42 million in 2008. It should be noted that, foreign direct investment to Cape Verde had been increasing since the early 2000s because of the rapid economic growth experienced by their economy that encouraged foreign investors to invest (Carling & Akesson, 2009). However in 2009, foreign direct investment fell sharply to US$ 25 million and fell further to US$ 23 million and US$ 20 million in 2010 and 2011 respectively. The value of foreign direct investment in 2012 increased but dropped again in 2013. In this respect, foreign direct investment to Cape Verde can be said to be pro- cyclical. This is because in 2009 and the immediate years following the financial crisis (2010 and 2011), foreign direct investment declined. Further, due to the fact investors would like to safeguard their capital during a crisis, there is a high tendency for them to withdraw their investment as their profit tend to fall during crisis thus resulting in capital flights.

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Net official development assistance has been consistently high in Cape Verde in comparison to other external financial flows (remittances inflows & foreign direct investment). In the years preceding the 2009 financial crisis, net official development assistances was consistently rising from an estimated US$ 32 million in 2005 to an estimated US$ 44 million in 2008. It then fell to US$ 39 million in 2009. It should be noted that, the margin of decline was relatively minimal in comparison to the other two external inflows (remittances inflows and foreign direct investment). In 2010, net official development assistance picked up sharply rising to US$ 65 million- it's highest within the period under study. The reason for this could be attributed to the fact that with remittances inflows and foreign direct investment rapidly declining, more aid was needed to stabilize the economy in the aftermath of the crisis. After 2010, net official development assistance start declining slowly as remittances inflows began to rise again. It can be observed that, among the three external financial flows under study, net official development assistance was the largest source of external financial flow to Cape Verde from 2005-2013.

5.1.3 Trend of Remittances inflows, Foreign Direct Investment and Net Official Development Assistance to Nigeria

Figure 4 below illustrates the trend of remittances inflows, foreign direct investment and net official development assistance to Nigeria from 2005 to 2013. In comparison to other external financial flows (foreign direct investment and net official development assistance), the value of remittances inflows to Nigeria has been consistently high over the period under study. It sometimes amounts to between three to four times the values of other external inflows (namely foreign direct investment and net official development assistance) to Nigeria. This is in line with research carried out by Chukwuone (2007) and the World Bank (2014) which asserts that remittances inflows is the second largest foreign exchange earner in Nigeria after oil imports. Furthermore Agu (2011) also argues that since 2007, remittances inflows have surpassed all other external financial flows to Nigeria.

In the years prior (2005-2008) and post (2010-2013) global financial crisis in 2009, remittances inflows to Nigeria had risen consistently. However, in 2009 remittances inflows to Nigeria fell to US$ 1,667 million from US$ 1,746 million in 2008. Although remittances inflows did fall during the year of the crisis, the decline was not very steep. Moreover, immediately after the crisis, remittances inflows to Nigeria picked up again in comparison to remittances inflows to Cameroon and Cape Verde which experienced a further decline in remittances inflows one year after the crisis took place. Despite the fact that in 2009, the

decline in remittances inflows to Nigeria was not steep, remittances inflows can be said to have been pro-cyclical.

This is mainly because of the fact that remittances inflows declined during the crisis. The reason for the decline can be attributed to the fact that during the 2009 global financial crisis, the Nigerian economy was not doing well. As Mbutor (2010) asserts, an important motivation for remittances inflows to Nigeria is economic prosperity. The author argues that, Nigerians are reluctant to send more money home when they assume that the economy is not doing well. This is in line with self- interest as the main motivation for why migrants' remit. Hence, because of the crisis, Nigerian migrants were less motivated to send more monies home as the economy was presumed to have not been doing well (the economy contracted).

Figure 4: Trend of Remittances Inflows, Foreign Direct Investment and Net Official Development Assistance to Nigeria from 2005- 2013 in real value constant at 2011 prices
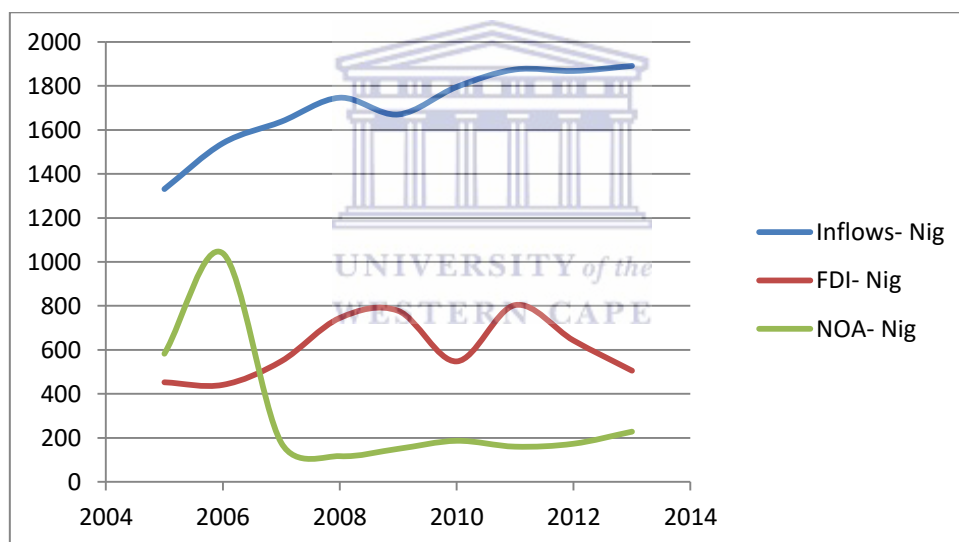
Source: Author's computation with Data from the World Bank 2017

On the other hand, foreign direct investment to Nigeria has been consistently low in comparison to remittances inflows. It rose from 2006 to 2009 (US$ 441 million to US$778 million) and took a slight decline in 2010 (falling to US$ 548 million), rose again in 2011 (US$ 804 million) then started declining again till 2013. Surprisingly, foreign direct investment to Nigeria exhibited a countercyclical nature in 2009 when it rose to an estimated US$ 778 million from its previous US$ 745 million during the global financial crisis. This indicates that, despite the fact many Nigerian migrants refused to send money home during the crisis in order to safeguard their capital, many investors firmly believed that the Nigerian

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economy was not doing bad and would eventually pick up after the crisis hence, the rise in the volume of foreign direct investment (Verick & Islam, 2010).

In this instance, foreign direct investment to Nigeria during the 2009 global financial crisis was likely countercyclical. It should be noted that remittances inflows to Nigeria is the highest among all four countries observed. This can be attributed to Nigeria being the largest economy on the African continent (in terms of population) as well as the fact that Nigerians are the most as the most itinerant population in sub- Saharan Africa (Oluwafemi & Ayandibu, 2014).

Net official development assistance to Nigeria rapidly dropped from US$ 1,039 million in 2006 to US$ 178 in 2007. Since then, net official development assistance has been increasing gradually albeit at a slower pace in comparison to remittances inflows and foreign direct investment. Net official development assistance to Nigeria has been declining in comparison to remittances inflows and foreign direct investment for a variety of reasons. Among these include the mismanagement of funds by the Nigerian government coupled with the Asian financial crisis that made Asia a priority area for donor partners instead of Africa between 2006 and 2008 (Carson & Clark, 2013). In 2009, the year of the global financial crisis, net official development assistance rose from an estimated US$ 117 million in 2008 to an estimated US$ 151 million. Since then, the value of net official development assistance to Nigeria has been increasing.

Due to the rise in the value of net official development assistance to Nigeria during the 2009 global financial crisis and a further increase in 2010; net official development assistance was likely countercyclical in Nigeria.

5.1.4 Trend of Remittances inflows, Foreign Direct Investment and Net Official Development Assistance to Senegal

Figure 5 below illustrates the trend of remittances inflows, foreign direct investment and net official development assistance to Senegal from 2005 to 2013. From 2005 to 2008, all three (3) external financial flows to Senegal namely, remittances inflows, foreign direct investment and net official development assistance were increasing annually. In 2009, all three external financial flows to Senegal dropped. However, the decline in the values of all three external financial flows to Senegal was the least in comparison to the other three countries-Cameroon, Cape Verde and Nigeria. In 2009, remittances inflows fell to approximately US$ 450 million from its initial US$ 492 million in 2008- less than US$ 50 million difference.

Foreign direct investment on the other hand fell from an estimated US$ 151 million to US$ 110 million in 2009. Net official development assistance fell from US$ 356 million to US$ 338 million in 2009. It should be noted that, taken all three external financial flows into consideration, the difference between the preceding year and 2009 (the year of the financial crisis) was less than an estimated US$ 50 million. This is the lowest difference between all the external flows in the year following the 2009 financial crisis in the countries observed (Cameroon, Cape Verde and Nigeria).

Figure 5: Trend of Remittances Inflows, Foreign Direct Investment and Net Official Development Assistance to Senegal from 2005- 2013 in real value constant at 2011 prices
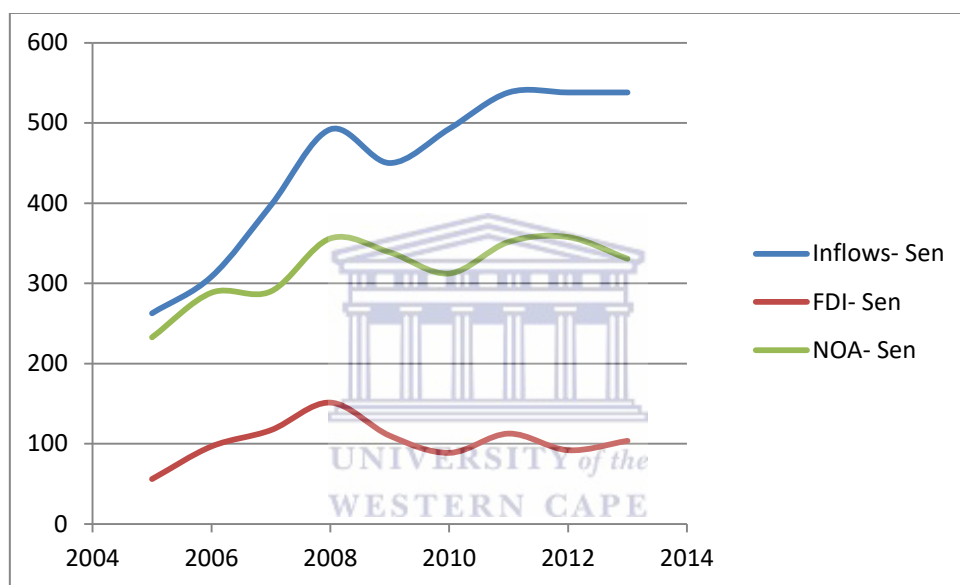
Source: Author's computation with Data from the World Bank 2017

Furthermore, from figure 5 above, it can be observed that remittances inflows are the highest source of external financial flows to Senegal. This could be explained by the fact that out of every ten (10) households in Senegal, seven (7) of them have a relation living abroad and about three (3) of these households receive an estimated US$300 roughly eight (8) times a year (Orozco, Burgess & Massardier, 2010). This has consequently contributed to making Senegal rank among the top ten (10) recipients of remittances inflows to sub- Saharan Africa for the past decade.

After the 2009 global financial crisis, net official development assistance to Senegal gradually increased annually hitting an all-time high of US$ 358 million in 2012 before it decline slightly in 2013 to an estimated US$ 331 million. On the other hand, the inflow of foreign direct investment to Senegal has been inconsistent after the 2009 global financial

crisis. From figure 5 above, it can be observed that, foreign direct investment has risen and decline in the aftermath of the 2009 global financial crisis.

5.1.5 Summary of the trends of remittances inflows, foreign direct investment and net official development assistance to Cameroon, Cape Verde, Nigeria and Senegal.

In summary, without taking into consideration the size of their economies as well as population, it can be observed that Nigeria had the highest volume of remittances inflows and foreign direct investment. Further, from the year 2010, remittances inflows to Cameroon, Cape Verde, Nigeria and Senegal has been consistently high. This validates the arguments made by scholars (Ratha, 2005; Sanders & Maimbo, 2005; De, et al., 2015) that, remittances inflows have gradually become one of the major sources of external financial flows to developing countries. Furthermore, apart from Nigeria that has seen a consistent rise in the volume of foreign direct investment to its economy since 2005, Cameroon, Cape Verde and Senegal experienced inconsistent flow with no clear direction as to whether foreign direct investment was increasing or decreasing. Additionally, within the time period understudy (2005-2013), Senegal received the highest volume of net official development assistance. This was closely followed up by Cameroon, Cape Verde and lastly, Nigeria.

5.2 Differences Between Remittances Inflows and Remittances Outflows in Cameroon, Cape Verde, Nigeria and Senegal From 2005 to 2013.

Table 2 illustrates the difference between remittances inflows and remittances outflows to Cape Verde, Cameroon, Senegal and Nigeria for the nine (9) year period under study. From the table below, it can be observed that remittances inflows for Cameroon exceeded remittances outflows in real value. It can also be observed that, from the year 2005 to 2008, the difference between remittances inflows and remittances outflows for Cameroon was increasing more than disproportionately. This means that between 2005 and 2008, although both remittances inflows and remittances outflows were increasing, the increase in remittances inflows far outpaced that of remittances outflows. Consequently, this resulted in the difference between remittances inflows and remittances outflows from 2005 to 2008 to increase.

The difference between remittances inflows and remittances outflows for Cameroon in 2009 and 2010 fell. The reason for this was that, although remittances inflows increased in 2009 to US$ 61 million from its previous US$ 54 million, remittances outflows increased more than twice its previous record. Remittances outflows for 2009 increased to US$ 43 million from its

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previous record of US$ 19 million. This resulted in decreasing the difference between remittances inflows and remittances outflows for that year. On the other hand, in 2010 remittances inflows fell to US$ 38 million (from its previous US$ 61 million in 2009) while remittances outflows fell to US$ 18 million (from its previous record of US$ 43 million in 2009). Because the decline in remittances outflows was much greater than the decline in remittances inflows, the differences in remittances inflows and remittances outflows for Cameroon remained low. Contrary to the above, from the year 2011 to 2013, the difference between remittances inflows and remittances outflows for Cameroon has been increasing. This was mainly due to the rise in remittance inflows and the corresponding decrease in remittances outflows.

However, on per capita basis, it can be observed that from 2005 to 2008, despite growth in population, remittances received per person during the period kept increasing annually (from US$0.39 in 2005 to US$1.8 in 2008). Conversely in 2009, remittances at per capita fell from US$1.8 to US$1. This amount was maintained in the year 2010. From 2011 onwards, remittances at per capita in Cameroon have been increasing. This validates the report made by the World Bank (2015; 2016) and the International Monetary Fund (2014) that states that, remittances inflows have grown to become one of the major external financial flows to developing countries.

Additionally, table 2 below shows the difference between remittances inflow and remittances outflows for Cape Verde. From 2005 to 2008, the difference between remittances inflows and remittances outflows for Cape Verde was increasing. This was due to the fact, although remittances outflows remained relatively constant, remittances inflows were increasing annually. On the other hand, between 2009 and 2010, because of the fact that remittances outflows remained relatively constant (around US$ 2 million) but remittances inflows fell (from US$ 31 million to around US$ 27 million in 2010); the difference between remittances inflows and remittances outflows declined.

From 2011 to 2013, the difference between remittances inflows and remittances outflows to Cape Verde started to increase again. This can be attributed to the fact that, remittances inflows started to rise again after the global financial crisis whereas remittances outflows continued its consistent trend of remaining low at approximately US$ 2 million or less. Although Cape Verde has gradually become one of the top destination countries for African migrants due to its rapid economic growth, remittances outflows pales in comparison to

remittances inflows. This can be attributed to the fact that, many Cape Verdeans live outside their home countries and consequently, the volume of remittances inflows outweighs remittances outflows (Carling & Batalha, 2008; Pop, 2011). Moreover, because of the country's robust financial sector migrants experience difficulty in transferring monies through informal channels and remitting through official channels can be quite expensive which ultimately deters migrants from remitting (Ronci, Castro & Shanghavi, 2008).

On remittances per capita basis, it can be observed that, Cape Verdeans received the most monies among all the other nationalities observed for the period under study (2005-2013). From 2005 to 2008, remittances per capita for Cape Verde increased yearly from US$54.8 in 2005 to US$60 in 2008. However in 2009- the year of the global financial crisis, remittances per capita fell to US$51.4 and further declined in 2010 to US$49. From 2011 onwards, remittances per capita for Cape Verde started increasing again. One possible explanation for why remittances per capita fell in 2009 and 2010 is the fact that the main motive for remitting to Cape Verde is for investment purpose (ADB, 2012). Thus, when the economy is not doing well (2009- when the financial crisis occurred), Cape Verdean migrants were reluctant to send more money home as this would not be beneficial to them.

Furthermore, the table 2 below also illustrates the difference between remittances inflows and remittances outflows to Nigeria from year 2005 to 2013. From 2005 to 2008, the difference between remittances inflows and remittances outflows to Nigeria was increasing annually at an average of over US$ 1,200 million. However, in 2009, remittances inflows decreased resulting in a decline in the difference between remittances inflows and remittances outflows (from US$ 1,741 difference in 2008 to US$ 1,666 difference in 2009). The decrease in the difference resulted because despite remittances outflows from Nigeria decreasing in 2009, remittances inflows fell more than proportionately. It should be noted that, although Nigeria is the largest economy on the continent and thus attracts a lot of migrants particularly Africans, the amount of remittances that leaves its economy through official channels has been decreasing in recent years (World Bank, 2015). One of the reasons for this is the fact that most migrants in Nigeria prefer to remit through informal channels as formal channels tend to be quite expensive (Migration & Remittances Factbook, 2016). This has resulted in data captured as remittances outflows from Nigeria decreasing over the years.

In terms of remittances per capita, due to its population size, when remittances inflows is distributed among its population, Nigerians do not receive much despite the huge volume of

remittances inflows that enters its economy. From 2005 to 2008, remittances per capita for Nigeria were rising. It rose from US$9.5 in 2005 to US$11.5 in 2008. In 2009, the year of the financial crisis, remittances at per capita for Nigeria fell to US$10.7. It should be noted that although for all the countries observed, remittances at per capita fell in 2009, Nigeria had the least difference between its remittances per capita in 2008 and 2009. From 2010 onwards, remittances per capita for Nigeria started to increase again.

Lastly, the table 2 below also illustrates the difference between remittances inflows and remittances outflows for Senegal. From the table, it can be observed that the difference between remittances inflows and remittances outflows for Senegal had initially increased from 2005 to 2008. It took a decline in 2009 and then started appreciating again from 2010 onwards. From table 2 below, it can also be observed that remittances outflows from Senegal have been rising steadily since 2005. This could account for the reason why although remittances inflows for 2009 declined slightly, this decline did not huge enough in terms of volume to prevent the difference between remittances inflows and remittances outflows from falling.

Table 2 below also illustrates remittances at per capita for Senegal. From the table 2 below, it can be observed that, remittances at per capita had been increasing from 2005 to 2008 (that is from US$20.4 in 2005 to US$36.3 in 2008). In 2009, the year of the global financial crisis, remittances at per capita fell to US$31.1. A possible explanation for the decline could be the fact that remittances inflows decreased whereas remittances outflows increased (see table below). Thus, the money left to be distributed among the population decreased. From 2010 onwards, remittances per capita for Senegal started to increase again.

To summarize, without taking into consideration the economy and population size, the difference between remittances inflows and remittances outflows for Nigeria is the highest for all the countries observed. This could be because Nigeria is the most populous country on the African continent as well as the most itinerant (Oluwafemi & Ayandibu, 2014). This has resulted in more remittances flowing into the country rather than monies flowing out of the country. Remittances outflows from Cape Verde were the lowest among the countries observed. This is quite surprising as Cape Verde has become a major destination for emigration for most Africans migrants especially those from West Africa. It should be noted that, because of the sound macroeconomic policies as well as its stable economy, remittances

inflows and outflows to and fro Cape Verde is done mainly through official channels (Pop, 2011).

Thus, the fact that fewer remittances were leaving the Cape Verdean economy coincides with the assertion made by Jung (2016) who argued that, most migrants in Cape Verde feel that the cost of living is too high. This consequently affects their ability to remit. Moreover, it is quite expensive to remit from Cape Verde through official channels (ibid). From all the countries observed, remittances outflows from Senegal have been increasing steadily over the period under study. The country also recorded the highest remittances outflows among all the countries observed. This can be attributed to the fact that many migrants from West Africa moved to Senegal after violent activities decline in the early 2000s and the country started post-conflict reconstruction which ultimately resulted in a final ceasefire in 2014 (Seyferth, 2014). Furthermore, remittances outflows from Cameroon were the second highest after Senegal. Although remittances inflows have been increasing steadily for Cameroon, in most years, the increases in remittances outflows for Cameroon far outweighs the increases in remittances inflows. Thus, the onus lies on the government to put in place adequate policies to encourage Cameroonians to remit more to their friends and families as well as discourage migrants in Cameroon from transferring monies outside the country.

Lastly, in terms of remittances at per capita, Cape Verdeans received more remittances inflows at an average of US$53 per person for the time period (2005-2013) under study. This was closely followed by the people of Senegal who received an average of US$31 per person for the time period under study. Although in terms of volume, remittances inflows to Nigeria was the largest across all countries observed, in terms of remittances at per capita, Nigeria came in third for the four countries observed. Between 2005 and 2013, on the average, Nigerians received US$11. In terms of remittances per capita, Cameroon came in last with an average of US$1.40 during the period under study. This analyses validates the argument that, an increase in remittances inflows into a country does not necessarily mean that people from that country are well of than those of other countries who receive less remittances inflows. This can be seen from the table below where it is observed that despite the fact that remittances inflows to Cape Verde was the least of all countries observed for the time period, - all other things being equal, its populace benefits more from remittances inflows (at an average of US$53) than Nigeria which has the largest remittances inflows but on average, its people received approximately US$11 for the time period under study.

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Table 2 Differences Between Remittances Inflows and Remittances Outflows for Cameroon, Cape Verde, Nigeria and Senegal in real value constant at 2011 prices[1]

Year	Inflows-Cam	Outflows-Cam	Diff-Cam	Per capita-Cam[2]	Inflows-CPV	Outflows-CPV	Diff-CPV	Per capita-CPV	Inflows-Nig	Outflows-Nig	Diff-Nig	Per capita-Nig	Inflows-Sen	real value outflows	Diff-Sen	Per capita-Sen
2005	26	19	7	0.39	27	1	26	54.8	1331	6	1325	9.5	263	33	230	20.4
2006	43	31	12	0.65	27	1	26	54.6	1539	9	1530	10.7	308	32	276	23.8
2007	56	30	26	1.4	28	1	27	56.1	1637	5	1632	11.1	397	48	349	29.3
2008	54	19	35	1.8	31	2	29	60	1746	5	1741	11.5	492	48	444	36.3
2009	61	43	18	1	27	2	25	51.4	1670	4	1666	10.7	450	58	392	31.1
2010	38	18	20	1	26	2	24	49	1795	4	1791	11.2	493	72	421	32.5
2011	73	27	46	2.2	35	2	33	66.6	1874	7	1867	11.4	538	70	468	35
2012	70	24	46	2.1	36	2	34	67.8	1866	4	1862	11.1	538[3]	51	487	35.3
2013	81	22	59	2.7	35	2	33	65.1	1891	5	1886	10.9	538[3]	51	487	34.2

Source: Author's computation with data from the World Bank 2017

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[1] ***Figures are in US$ hundred million.

[2] ***Per capita- The value of the difference of remittances inflows divided by that year's population of the recipients' home country. This further highlights the nature and importance of remittances by controlling for population size for each country.

[3] ***Missing values- author's own computation using the mean calculated from previous years.

5.3 Impact of Remittances Inflows on Economic Growth from 1980-2013

Table 3 below shows the descriptive statistics of the independent and dependent variable used for the ARMAX analysis. For the independent variable (remittances inflows), the mean (average) value for the timeframe under study (1980- 2013) were as follows: Cameroon- US$ 21.4 million; Cape Verde: US$ 17.3 million; Nigeria: US$ 492.2; and Senegal: US$ 161.6 million respectively. From 1980 to 2013, the maximum amounts of remittances inflows for the period under study (1980- 2013) were as follows: Cameroon- US$ 81 million in 2013; Cape Verde- US$ 36 million in 2012; Nigeria- US$ 1891 million in 2013 and Senegal- US$ 538 million for the years 2011, 2012, 2013. Conversely, minimum value of remittances inflows for the period 1980 to 2013 were as follows: Cameroon- US$ 2.0 million in 1991; Cape Verde- US$ 4.0 million for the years 1983, 1984, 1985; Nigeria- US$ 0.2 million in 1988 and Senegal- US$ 20.0 million in 1983.

On the other hand, the mean (average) values for the dependent variable (GDP) for the four countries from 1980 to 2013 were: Cameroon- US$ 4557.5 million; Cape Verde- US$ 140.8 million; Nigeria- US$ 9395.5 million and Senegal- US$ 2260.8 million. The maximum values for GDP for the thirty four (34) year period under study were: Cameroon- US$ 9,856 million in 2013; Cape Verde- US$ 373 million in 2011; Nigeria- US$ 46,815 million in 2013 and Senegal- US$ 4,935 million in 2013. Contrarily, the minimum values for GDP for the four countries observed for the period 1980 to 2013 were as following: Cameroon- US$ 2,247 million in 1980; Cape Verde: US$ 26.0 million in 1984; Nigeria- US$ 1,435 million in 1993 and lastly, Senegal- US$ 902 million in 1984. It should be noted that, for the timeframe under study (1980-2013), the minimum values of remittances inflows and GDP were recorded at different periods for all four countries observed.

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Table 3: Descriptive Statistics of variables used in the Regression Analysis

	Mean	Standard Deviation	Minimum	Maximum
Remittances Inflows to Cameroon*	21.4	23.4	2	81
Remittances Inflows of Cape Verde*	17.3	9.6	4	36
Remittances Inflows to Nigeria*	492.2	746.6	0.2	1891
Remittances Inflows to Senegal*	161.9	184.7	20	538
GDP of Cameroon*	4557.5	2133.8	2247	9856
GDP of Cape Verde*	140.8	117.6	26	373
GDP of Nigeria*	9395.5	12236.7	1435	46815
GDP of Senegal*	2260.8	1253.0	902	4935

*In hundred million of US$ Source: Author's computation with data from the World Bank, 2016

5.3.0 Relationship between Remittances Inflows and Economic Growth in Cameroon Cape Verde, Nigeria and Senegal from 1980 – 2013.

Is there a relationship between remittances inflows and economic growth (in this analysis measured as gross domestic product) among the four countries observed? And if there is, to what degree? To analyse this, cross-correlation analysis was performed using the independent variable (remittances inflows) and the dependent variable (gross domestic product) to find out if a relationship exist between remittances inflows and gross domestic product (economic growth). The results of the cross-correlation analysis are presented in graphs below (see appendix A for tables of the cross correlation results for each individual country).

5.3.1 Relationship between Remittances Inflows and Economic Growth in Cameroon

Figure 6 below is a graph that shows the relationship between remittances inflows and gross domestic product (economic growth) in Cameroon.

Figure 6: Cross Correlation between Remittances Inflows and Gross Domestic Product (economic growth) in Cameroon
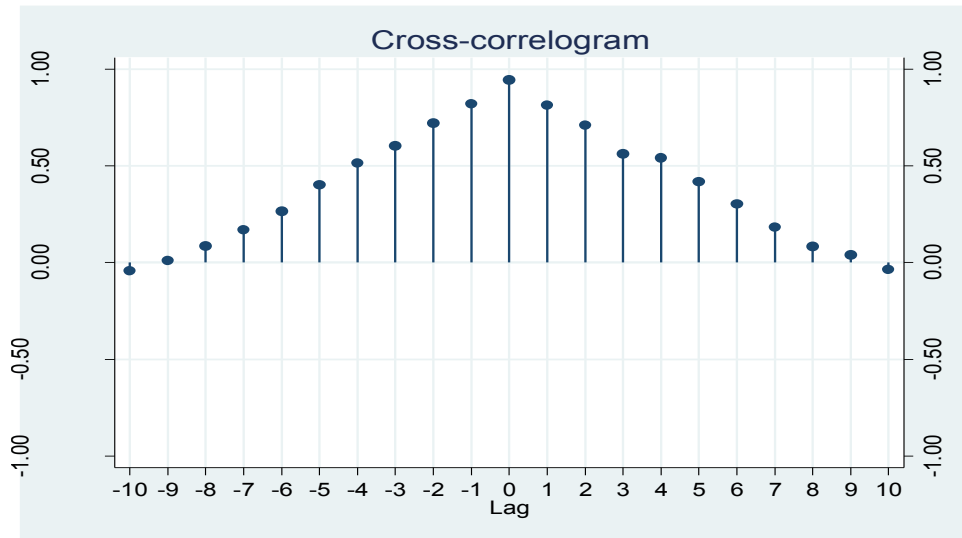
Source: Authors computation with Data from the World Bank 2017

From the graph above, it could be observed that in the past, remittances inflows had a positive effect on the gross domestic product (economic growth) of Cameroon. This means that, as remittances inflows to Cameroon increased in the past, its contribution towards economic growth also increased. However, although in the future remittances inflows to Cameroon would still have a positive relationship with economic growth, the graph indicates that future remittances inflows contribution towards economic growth would decrease overtime. This can be observed from lag 1 through to lag 9 where remittances inflows would cease to contribute positively to economic growth.

At lag 10 and onwards, remittances inflows contribution towards economic growth would turn negative-meaning as remittances inflows increase, its contribution towards economic growth would decrease. This is seen in its correlation coefficient at lag 10 which is -0.0353. One probable justification for the eventual negative relationship between remittances inflows and economic growth in Cameroon was given by Ngome and Mpako (2009). The authors argued that, because of the underdevelopment of the banking sector as well as the conviction of migrants that remittances sent home were used unproductively, the amounts of remittances inflows continue to fall and this consequently influences economic growth negatively.

5.3.2. Relationship between Remittances Inflows and Economic Growth in Cape Verde

The graph below (figure 7) shows the relationship between remittances inflows and gross domestic product (economic growth) in Cape Verde.

Figure 7: Cross correlation between Remittances Inflows and Gross Domestic Product (economic growth) in Cape Verde
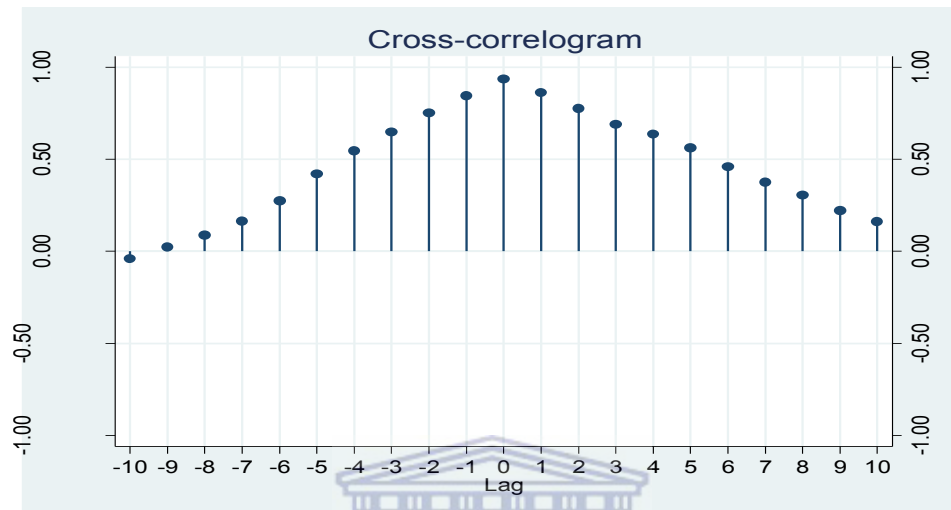
Source: Authors computation with Data from the World Bank 2017

From the graph above, it could be observed that in the past, remittances inflows had a positive effect on the gross domestic product (economic growth) of Cape Verde. This means that, as remittances inflows to Cape Verde increased, its contribution towards economic growth also increased. Nevertheless, despite the fact that future remittances inflows to Cape Verde would still have a positive relationship with economic growth, the graph indicates that future remittances inflows contribution towards economic growth would decrease overtime. This decline can be observed from lag 1 through to lag 10. A likely explanation for the decline of remittances inflows' contribution towards economic growth in Cape Verde could be the fact that remittances to Cape Verde are usually used for unproductive ventures or activities that cannot be easily captured in the computation of Cape Verde's gross domestic product (Adarkwa, 2015).

Furthermore, the graph could also explain for the diminishing role of remittances inflows within the Cape Verdean economy in comparison to the early 1960s (Ronci et al, 2008, Watkins, 2010). These explanations are grounded in the structuralist/ dependency theory which asserts that remittances inflows make recipients and migrants' home countries dependent (Binford, 2003). The theory argues that, migration leads to "brain drain" in migrants' home countries which inadvertently, led to communities that are remittance-

dependent and passive (De Haas, 2007). This can be observed from the graph above where despite probable increases in remittances inflows to Cape Verde, its contribution to economic growth would be declining overtime.

It should be noted that, among all the four countries observed, Cape Verde is the only country in which its remittances inflows exhibits a long- term positive relationship with its gross domestic product (economic growth). This is because despite the declining contribution of remittances inflows to economic growth in Cape Verde, at lag 10, the correlation coefficient is still positive at 0.1617 whereas at lag 10 for the remaining countries observed (Cameroon, Nigeria and Senegal), their correlation coefficient became negative.

5.3.3. Relationship between Remittances Inflows and Economic Growth in Nigeria

Figure 8 below is a graph that shows the relationship between remittances inflows and gross domestic product (economic growth) in Nigeria.

Figure 8: Cross correlation between Remittances Inflows and Gross Domestic Product (economic growth) in Nigeria
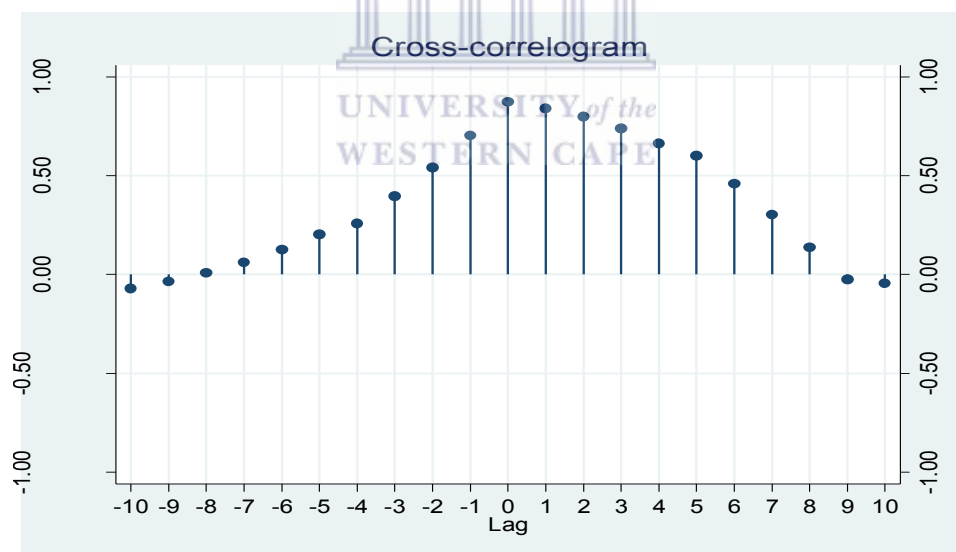
Source: Authors computation with Data from the World Bank 2017

From the graph above, it could be observed that in the past, remittances inflows to Nigeria started off by having a negative effect on economic growth (gross domestic product). This is observed from lag -10 to lag-9. However, this relationship did not last long as subsequently, remittances inflows begun to contribute positively to economic growth. That is, as remittances inflows increased, its contribution to gross domestic product increased

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Contrarily, despite the fact that future remittances inflows would continue to contribute positively to economic growth in Nigeria, its contribution would be declining overtime. This can be observed from lag 1 through to lag 8 and inevitably turn negative from lag 9 onwards. This means that from lag 9, as remittances inflows increase, its contribution to economic growth would decrease (inverse relationship). This is observed from the correlation coefficient at lag 9 which is -0.0242. This is in line with research done by Adarkwa (2015) on the impact of remittances inflows on economic growth in Nigeria from 2000 to 2010. According to the author, although remittances inflows had a positive relationship with economic growth, this relationship was not statistically significant.

Further, Ukeje and Obiechina (2013) argued that, no direct relationship exist between remittances inflows and gross domestic product (economic growth) in Nigeria. This according to the authors was because as remittances inflows to Nigeria increases, exports from Nigeria increases more than proportionately thereby off-setting remittances inflows impact on gross domestic product (economic growth). Furthermore, the graph above is in agreement with the pluralist perspective (new economics of labour migration) which contends that, the effects of migration and its attendant, remittances inflows can be positive or negative for the development of a country depending on what recipients do with it. That is, what policies states' have put in place and what actors (individual recipients) do with the monies received.

It should be noted that, in comparison to the other three countries (Cameroon, Cape Verde and Senegal), future remittances inflows contribution to economic growth in Nigeria, will be quite exponential and ranks the highest among all countries observed (see from the graph from lag 1 through to lag 8). This could be explained by the fact that remittances inflows are the second largest source of foreign exchange after oil imports (Orozco & Mills, 2007; Oluwafeni & Ayandibu, 2014). This is also in line with the popular belief of the developmentalists/optimistic view which asserts that large scale transfer of remittances inflows would enable developing countries accelerate economic development and modernise (So, 1990).

5.3.4. Relationship between Remittances Inflows and Economic Growth in Senegal
The graph below (figure 9) shows the relationship between remittances inflows and gross domestic product (economic growth) in Senegal.

Figure 9: Cross correlation between Remittances Inflows and Gross Domestic Product (GDP) in Senegal
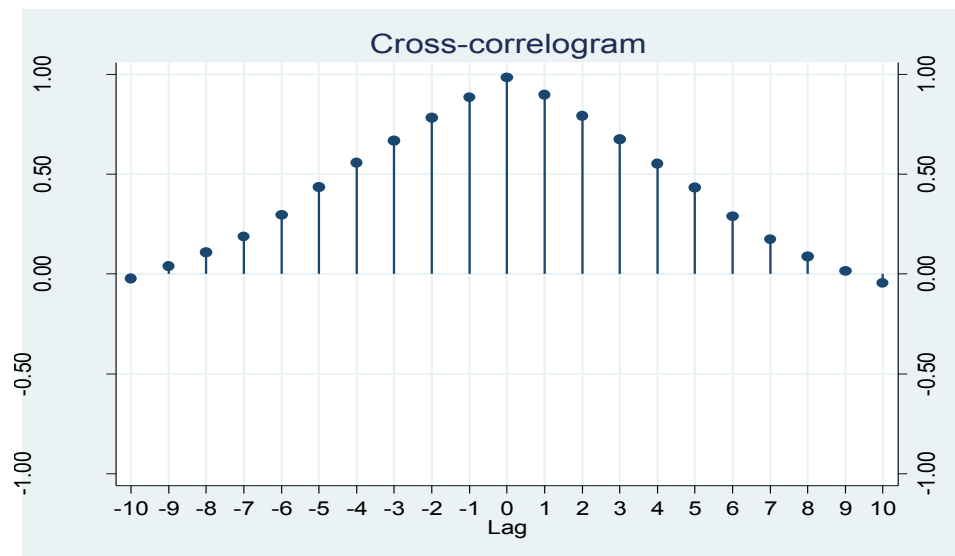
From the graph above, it could be observed that in the past, remittances inflows had a positive effect on the gross domestic product (economic growth) of Senegal. This means that, as remittances inflows to Senegal increased in the past, its contribution towards economic growth also increased. This finding is in agreement with a research done by Adarkwa (2015) who concluded that between 2000 and 2010, there was a positive relationship between remittances inflows and economic growth (gross domestic product) in Senegal.

Conversely, although in the future, remittances inflows to Senegal would still have a positive relationship with economic growth, the graph indicates that future remittances inflows contribution towards economic growth would decrease overtime. This can be observed from lag 1 through to lag 9 where remittances inflows will cease to contribute positively to economic growth. At lag 10 and onwards, remittances inflows contribution towards economic growth would be inverse-meaning as remittances inflows increase, its contribution towards economic growth would be negative. This is evidenced by the correlation coefficient at lag 10 which is -0.0458. This finding is in line with the dependency/pessimistic view which argues that, remittances inflows makes recipients and communities dependent which consequently lead to their underdevelopment (Frank, 1966). According to this view, migration and remittances undermines the development of regional, national and local communities (de Haas, 2010). This can be observed from the graph above where remittances inflows to

Senegal gives an illusion of contributing positively to economic growth but in reality, will eventually contribute inversely to the development of Senegal.

In summary, the cross correlation analysis reveals that, all the countries (Cameroon Cape Verde, Nigeria and Senegal) observed have a positive relationship between remittances inflows and economic growth. This means that, as remittances inflows increases, its contribution towards economic growth also increases. Notwithstanding this, the cross correlation results also reveal that, as time passes by, as more remittances enters into these economies (Cameroon, Cape Verde, Nigeria and Senegal), their contribution towards economic growth would begin to fall. That is, although the relationship would remain positive, diminishing returns would set in. Furthermore, the cross correlation analysis also reveals that, as remittances inflows' contribution towards economic growth falls, in some of the countries (Cameroon, Nigeria and Senegal), this relationship would turn negative. That is, as remittances inflows to these countries increases, its contribution to economic growth would fall.

5.4 Impact of Remittances Inflows on Economic Growth and the Counter-cyclicality or Pro-cyclicality of Remittances.

Before conducting a time series regression (ARMAX) on the dependent and independent variable, a dickey fuller test was used to determine the stationarity of the variables. There are different ways of ensuring that variables are stationary before it's used in an ARMAX model. These include differencing, detrending among others, however; in this research the differencing method was used (Hamilton, 2013). (see appendix B for the dickey fuller test results for individual countries)

5.4.1 Impact of Remittances Inflows on Economic Growth (Gross Domestic Product) in Cape Verde.

Table 4: Selection of best model fit for ARMAX for Cape Verde

Model	Autoregressive order (p)	Integrated (difference) order (d)	Moving average order (q)	Log likelihood
1	1	1	0	-144.2386
2	2	3	1	-146.2748
3	1	3	1	-148.2271
4	1	2	0	-150.4982
*5	1	3	0	-158.2306*

*model 5 was chosen because it meets all the criteria stipulated in the methodology section as well as the fact that it has the lowest log likelihood.

Table 5: Results of ARMAX model for Cape Verde

ARMAX regression

Sample: 1984-2013	Number of obs = 30	Wald chi2 (2) = 35.52
Log likelihood= -158.2306	Prob > chi2 = 0.0000	

D3.GDPCPV_D1	Coef.	Std. Err.	P > |Z|	[95% Conf. Interval]
GDPCPV_D1 InflowsCPV_D1 D3.	4.829157	1.148237	0.000	2.578653- 7.079661
_cons	1.221956	5.880463	0.835	-10.30354- 12.74745
ARMA ar L1	-.6769965	.1364467	0.000	-.9444272- -.4095659
/sigma	46.76821	5.14689	0.000	36.68049- 56.85593

Note: The test of the variance against zero is one sided, and the two-sided confidence interval is truncated at zero.

The table above contains the ARMAX regression between remittances inflows and gross domestic product (GDP) for Cape Verde from the year 1980 to 2013 (see appendix C for detailed regression results). From the table above, it can be observed that, all other things being equal, when remittances inflows is 0, Cape Verde's GDP is approximately US$122 million- this is indicated by the coefficient of the constant. Further, remittances inflows to

Cape Verde have a positive relationship with its gross domestic product (GDP) and this relationship is significant. This result is in line with the cross correlation results discussed in the previous section. The coefficient of the model is US$4.83 which implies that, all other things held constant, a dollar increase in remittances inflows to Cape Verde leads to an increase in its GDP by US$4.83.

Furthermore, the first autoregressive order coefficient in the model is significant at 1 percent and far from zero. That is, the coefficient of the ar is -.67699965 which is one indication for the model's adequacy. The coefficient for the sigma is approximately 46.77. This high variation between the sigma coefficient and the coefficient of remittances inflows to GDP in Cape Verde indicates that, even when remittances inflows is taken away from the country's GDP, Cape Verdean GDP would still be high. This result explains the diminishing role of remittances inflows' contribution to Cape Verdean GDP since the 1980s (Watkins, 2010; Akesson, 2010). Moreover, some authors such as Akesson (2010) argued that, recipients of remittances in Cape Verde tend to use monies received as supplements to household income rather than for productive purposes. As such, it's very difficult to capture these remittances as part of the country's GDP (economic growth).

The results of the coefficient for the ARMAX model for Cape Verde is in consonance with the trend illustrated below that shows whether remittances inflows were countercyclical or pro-cyclical during the 2009 global financial crisis.

Figure 10: The counter- cyclicality and pro- cyclicality of remittances inflows to Cameroon and Cape Verde
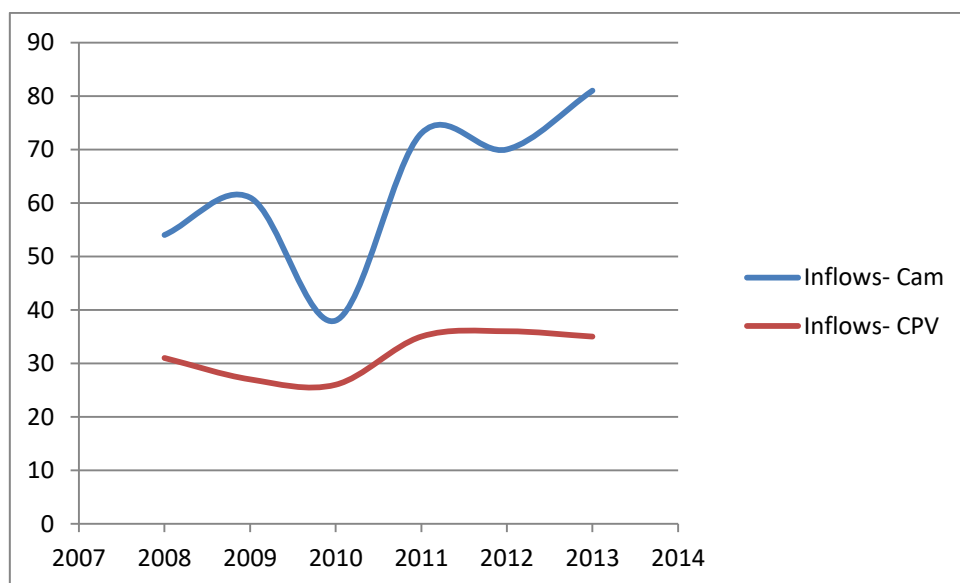
Figure 10 above examines the counter- cyclicality or pro-cyclicality of remittances inflows to Cameroon and Cape Verde. Using year 2008 as the starting point, it can be observed that in the year 2008, whereas remittances inflows to Cameroon was US$54 million, that of Cape Verde was US$31 million. During the 2009 global financial crisis, remittances inflows to Cape Verde fell from US$31 million to US$27 million in 2009. This shows that remittances inflows to Cape Verde in 2009 (the year of the financial crisis) were pro- cyclical. This is in accordance with the ARMAX results for Cape Verde. In the ARMAX results in table 5, it can be observed that, the coefficient is positive. This means that during the 2009 global financial crisis, remittances were pro-cyclical. Remittances inflows declining during the year of the financial crisis is in line with the structuralists' argument that, migration and its attendant-remittances inflows do not necessarily help developing countries develop but rather, causes underdevelopment (Frank, 1966). This is because, during crises (such as the global financial crisis in 2009) when developing countries tend to face foreign exchange shortages, many developed countries within which developing countries' nationals emigrate tend to implement policies aimed at deterring migrants from sending monies outside their economies. This tends to negatively affect developing countries and recipients of remittances inflows who might have come to depend on remittances as a major source of revenue/income for stabilizing their economies and household expenses (de Haas, 2007; 2010).

5.4.3 Impact of Remittances Inflows on Economic Growth (Gross Domestic Product) in Cameroon

Table 6: Selection of best model fit for ARMAX for Cameroon

Model	Autoregressive order (p)	Integrated (difference) order (d)	Moving average order (q)	Log likelihood
1	2	0	2	-246.7732
2	2	3	1	-243.4995
3	3	0	2	-246.7118
*4	3	4	0	-252.099*
5	4	0	2	-245.6547

*model 4 was chosen because it meets all the criteria stipulated in the methodology section as well as the fact that it has the lowest log likehood.

Table 7: Results of ARMAX model for Cameroon

ARMAX regression

Sample: 1984-2013   Number of obs = 29   Wald chi2 (4) = 281.26

Log likelihood= -252.099   Prob > chi2 = 0.0000

D4.GDPCam_D1	Coef.	Std. Err.	P > |Z|	[95% Conf. Interval]
GDPCam_D1				
InflowsCam_D1 D4.	21.24084	22.06453	0.336	-22.00485- 64.48652
_cons	7.04323	68.62877	0.918	-127.4667- 141.5531
ARMA				
ar				
L1	-1.828519	.1989052	0.000	-2.218366- -1.438672
L2	-1.571527	.3193403	0.000	-2.197432- -.9456318
L3	-.6080049	.2226204	0.006	-1.044333- -.1716769
/sigma	1348.017	220.3938	0.000	916.0528- 1779.981

Note: The test of the variance against zero is one sided, and the two-sided confidence interval is truncated at zero.

The table above illustrates the ARMAX regression between remittances inflows and gross domestic product (GDP) for Cameroon from the year 1980 to 2013 (see appendix C for detailed regression results). From table 7 above, it can be observed that, all other things being equal, when remittances inflows is 0, Cameroon's GDP is approximately US$704 million- this is indicated by the coefficient of the constant within the model. Additionally, there is a positive relationship between remittances inflows and GDP (economic growth) in Cameroon. This means that, as remittances inflows increases, its contribution to economic growth in Cameroon also increases. The coefficient of remittances inflows against GDP in Cameroon is US$21.24. This means that, all other things held constant, a dollar increase in remittances inflows to Cameroon leads to a rise in its GDP by US$21.24. However, the result for the coefficient is not significant at either 1 or 5 percent. This means that, remittances inflows might not be a good predictor for GDP (economic growth) in Cameroon (Molua, 2010; Adarkwa, 2015).

Furthermore, the first, second, and third autoregressive order coefficients in the model are significant at 1 percent and far from zero. That is, the coefficient of the ar at the first, second and third lag is less than 1, this indicates that at the first, second, and third lag, the model is

adequate and significant. The sigma coefficient for the model is approximately 1348.017. The high variation between the sigma coefficient and the coefficient of remittances inflows and GDP of Cameroon indicates that within the Cameroonian economy other contributors to GDP (economic growth) such as agriculture, mining and the service industry contributes more to their GDP (economic growth) than remittances inflows (World Bank, 2016). Moreover, the high cost of remittances transfer through official channels to Cameroon deters Cameroonian migrants from transferring money through official channels. Instead, most migrants opt for transferring money informally which are hard to capture in official records (Zourkaleini et al, 2013).

The results of the coefficient for the ARMAX model for Cameroon might help to shed light on why the ARMAX model for Cameroon is statistically significant and yet, the coefficient of the model is not statistically significant. This is because from figure 10 above, it can be observed that during the 2009 global financial crisis, remittances inflows to Cameroon increased (that is from US$54 million to US$61 million). Thus, remittances inflows in 2009 were likely countercyclical. However, when data was analyzed from 1980 to 2013, remittances inflows appear to be pro-cyclical- the coefficient of the model was positive but not statistically significant. This showed that with regards to Cameroon, the pattern of remittances inflows was not clear-cut. During times of crisis when the country needs more money within their economy, Cameroonian migrants are motivated to remit more (altruistic motive) as in 2009. Nevertheless, scholars such as Atekmangoh (2011) argues that, the general trend in the attitude of Cameroonian migrants toward remittances has been the lack of willingness to remit due to the belief that recipients use money remitted for luxurious lifestyles and engaging in leisure.

5.4.2 Impact of Remittances Inflows on Economic Growth (Gross Domestic Product) in Senegal.

Table 8: Selection of best model fit for ARMAX for Senegal

Model	Autoregressive order (p)	Integrated (difference) order (d)	Moving average order (q)	Log likelihood
1	1	0	1	-213.8686
2	1	1	1	-210.8071
*3	2	2	0	-216.6036*
4	2	2	1	-210.2287
5	2	2	3	-207.9922

*model 3 was chosen because it meets all the criteria stipulated in the methodology section as well as the fact that it has the lowest log likelihood.

Table 9: Results of ARMAX model for Senegal

ARMAX regression

Sample: 1984-2013   Number of obs = 31   Wald chi2 (3) = 63.51

Log likelihood= -216.6036   Prob > chi2 = 0.0000

D2.GDPSen_D1	Coef.	Std. Err.	P > |Z|	[95% Conf. Interval]
GDPSen_D1 InflowsSen_D1 D2.	7.71808	1.731833	0.000	4.32375- 11.11241
_cons	4.26856	21.15332	0.840	-37.19118- 45.7283
ARMA				
ar				
L1	-.9572973	.1938838	0.000	-1.337302- -.5772921
L2	-.5967916	.2049947	0.004	-.9985739- -.1950093
/sigma	256.4583	38.93211	0.000	180.1527- 332.7638

Note: The test of the variance against zero is one sided, and the two-sided confidence interval is truncated at zero.

The table 9 above illustrates the ARMAX regression between remittances inflows and gross domestic product (GDP) for Senegal from the year 1980 to 2013 (see appendix C for detailed regression results). From the table above, it can be observed that, all other things held constant, when remittances inflows is 0, Senegal's GDP is approximately US$427 million-

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this is indicated by the coefficient of the constant within the model. Additionally, there is a positive relationship between remittances inflows and GDP (economic growth) in Senegal. This means that, as remittances inflows increases, its contribution to economic growth in Senegal also rises. The coefficient of remittances inflows against GDP in Senegal is US$7.72. This means that, all other things being equal, a dollar increase in remittances inflows to Senegal leads to a rise in its GDP by US$7.72 and this is significant.

Furthermore, the first and second autoregressive order coefficients in the model are significant and far from zero. The sigma coefficient within the model is approximately 256.46. The high variation between the sigma coefficient and the coefficient of remittances inflows and GDP of Senegal indicates that, other contributors to GDP (economic growth) form a higher percentage than remittances inflows. Unlike other African countries, the financial sector of Senegal is very robust; this tends to discourage migrants from remitting via informal channels (African Development Bank, 2009; Cisse, 2011). Furthermore, the influx of money transfer agencies and lack of trust between migrants and the people who operate within the informal money transfer sector tend to deter Senegalese migrants from using informal channels (Perregaux, 2015).

The result of the coefficient for the ARMAX model for Senegal is in agreement with the trend illustrated below that shows whether remittances inflows were countercyclical or pro-cyclical during the 2009 global financial crisis.

Figure 1: The counter-cyclicality and pro- cyclicality of remittances inflows to Nigeria and Senegal
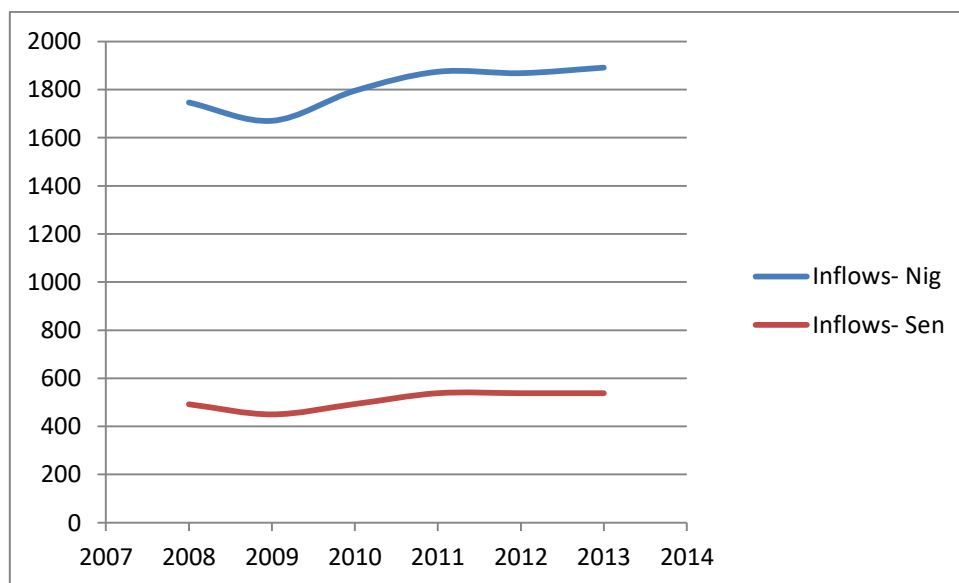
Source: Authors computation with Data from the World Bank 2017

From figure 11 above, it can be observed that, in 2008 remittances inflows to Nigeria and Senegal were US$1746 million and US$492 million respectively. However in 2009, the year of the financial crisis, remittances inflows to Nigeria and Senegal fell. Remittances inflows to Nigeria fell from US$1746 million to US$1670 million. On the other hand, remittances inflows to Senegal fell from US$492 million to US$450 million. The fall in remittances inflows to Nigeria and Senegal indicates that, remittances inflows to these two countries were pro- cyclical. This is because when the financial crisis occurred in 2009, remittances inflows to these countries decreased. This is in line with the results for the ARMAX model for Senegal and Nigeria (see table 9 and table 11). For Senegal and Nigeria, the coefficient for their ARMAX results is positive and significant. This means that from 1980 to 2013, remittances inflows had been pro-cyclical.

Remittances inflows to Nigeria and Senegal falling during the 2009 global financial crisis are in line with the structuralists' perspective. This is because, the structuralists assert that remittances as a source of revenue is temporal and unstable (de Haas, 2007). If remittances are meant to help developing countries, then during a crisis when their financial need is greatest due to foreign exchange shortages; remittances inflows they argue become scarce. This is often due to the fact that most host countries of migrants tighten financial regulations within their countries to prevent excessive monies from leaving their economies. Thus, migrants are unable to send money home to their friends and families.

5.4.3 Impact of Remittances Inflows on Economic Growth (Gross Domestic Product) in Nigeria

Table 10: Selection of best model fit for ARMAX for Nigeria

Model	Autoregressive order (p)	Integrated (difference) order (d)	Moving average order (q)	Log likelihood
1	1	1	0	-307.202
2	1	2	0	-312.3155
3	1	2	1	-300.2762
4	1	4	0	-320.0959
*5	1	6	0	-324.1011*

*model 5 was chosen because it meets all the criteria stipulated in the methodology section as well as the fact that it has the lowest log likelihood.

Table 11: Results of ARMAX model for Nigeria

ARMAX regression

Sample: 1984-2013   Number of obs = 27   Wald chi2 (2) = 1787.87

Log likelihood= -324.1011   Prob > chi2 = 0.0000

D6.GDPNig_D1	Coef.	Std. Err.	P > |Z|	[95% Conf. Interval]
GDPNig_D1 InflowsNig_D1 D6.	6.053738	2.284055	0.008	1.577072- 10.5304
_cons	392.5034	4409.593	0.929	-8250.139- 9035.146
ARMA ar L1	-.98838	.0233948	0.000	-1.034233- -.942527
/sigma	36856.8	3707.245	0.000	29590.74- 44122.87

Note: The test of the variance against zero is one sided, and the two-sided confidence interval is truncated at zero.

Table 11 above contains the ARMAX regression between remittances inflows and gross domestic product (GDP) for Nigeria from the year 1980 to 2013 (see appendix C for detailed regression results). From the table above, it can be observed that, all other things being equal, when remittances inflows is 0, Nigeria's GDP is approximately US$39250 million- this is indicated by the coefficient of the constant. Further, remittances inflows to Nigeria have a positive relationship with its gross domestic product (GDP) and this relationship is significant. The coefficient for the ARMAX model is US$6.05 which implies that, all other things held constant, a dollar increase in remittances inflows to Nigeria leads to an increase in its GDP by US$6.05. The sign of the coefficient which is positive conforms to figure 11 above where during the 2009 global financial crisis, remittances inflows to Nigeria fell (from approximately US$1746 million to US$1670 million).

Furthermore, the first autoregressive order coefficient in the model is significant at 1 percent and far from zero. That is, the coefficient of the ar is -.98838, which is one indication for the model's adequacy. The coefficient for the sigma is approximately 36856.8. The high variation between the sigma coefficient and the coefficient of remittances inflows and GDP to Nigeria indicates that the laws governing the financial sector of Nigeria might not be robust enough. That is, the financial laws within the country are not strict enough to deter people from remitting through informal channels (Chukwuone, 2007; Mbutor, 2010; Oke, Uadile & Okpala, 2011; Oluwafemi & Ayandibu, 2014). Another possible explanation could

be the fact that, there might not be adequate measures put in place by the Nigerian government for the capturing and recording of remittances inflows to Nigeria thus, huge amounts of inflows go unnoticed and unrecorded hence, the large disparity (Agu, 2011).

To summarize, the ARMAX results for all the countries observed revealed that, between 1980 to 2013, there was a positive relationship between remittances inflows and economic growth for Cape Verde, Nigeria and Senegal and this relationships were statistically significant. For Cameroon, the ARMAX results revealed that, although the relationship was positive, it was not statistically significant.

5.5 Limitations of the Study

Due to the fact that this research used secondary data, data was not a perfect fit for the research question as would have been the case if primary data was used. Thus, available data had to be used as it was with some manipulation and transformation. This sometimes limited the comparison between the countries observed as over manipulation could lead to the distortion of figures which could ultimately affect the entire analysis. For example, because of the large volume of remittances inflows, remittances outflows, foreign aid and net official development assistance to Nigeria in comparison to the other three countries (Cameroon, Cape Verde and Senegal), it was difficult to graphically represent these type of external flows with all the countries represented on one graph. Furthermore, the lack of data for certain years for certain counties presented a challenge to the time series analysis.

5.6 Chapter Summary

This chapter explored the countercyclical nature of remittances in Cameroon, Cape Verde, Nigeria and Senegal using the 2009 global financial crisis as the base year. Using quantitative methods, the research established that, after the 2009 global financial crisis, remittances inflows were countercyclical in Cameroon, whereas in Cape Verde, Nigeria and Senegal, remittances inflows were pro-cyclical. Further, the study also established that in all four countries observed (Cameroon, Cape Verde, Nigeria and Senegal), in earlier years, remittances inflows had a positive relationship with GDP (economic growth). However as time goes on, although there would still be a positive relationship between remittances inflows and GDP (economic growth) in all four countries, diminishing returns would set in. That is, all other things being equal, as remittances inflows increase, its contribution to GDP (economic growth) would be decreasing progressively. The next chapter presents the

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summary of research findings and provides relevant conclusion and recommendations for the research.

Chapter Six

Summary of Findings, Recommendations and Conclusion

6.1 Chapter Overview

This chapter provides the concluding phrase of the research. It is divided into four sections. The first section focuses on providing a summary of the findings, the second section proposes policy recommendations based on the empirical findings, the third section provides the direction for future research and lastly, the fourth section provides a conclusion to the research.

6.2 Summary of the Findings

The previous chapters of this research explored the countercyclical nature of remittances in Cameroon, Cape Verde, Nigeria and Senegal using the 2009 global financial crisis as the base year. The first chapter provided an overview and background to the research and identified the main aim of the research as comparatively investigating the notion of the countercyclical nature of remittances to Cameroon, Cape Verde, Nigeria and Senegal using the 2009 global financial crisis as a reference point. Having reviewed literature in chapter two, the research found out that in most developing countries and in Cameroon, Cape Verde, Nigeria and Senegal in particular, remittances inflows helped to smooth out consumption expenditures, created entrepreneurial activities, helped fight poverty and created the "multiplier effect" within the economy of recipients. Further, a review of relevant literature also revealed that remittances inflows could widen inequality gap among recipients and non- recipients, increase a country's balance of payment deficits when funds are used to purchase a lot of imported goods mostly consumables instead of productive equipment and could demoralise recipients from working hard.

In order to formulate a robust theoretical framework for this research, the research triangulated three theories (structuralist, developmentalists and pluralist) under the broad migration, remittances and development theories as well as two of the main reasons why people remit (altruism and self- interest). Whereas the developmentalists (neo- classical theory) would argue that remittances tend to be countercyclical during periods of crises as migration and consequently remittances aim at development, the structuralist (dependency view) would argue that remittances are pro-cyclical during periods of crises as migration and subsequently remittances drains developing countries of their human resources and leave

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recipients and economies dependent and underdeveloped. The pluralist view also argues that, depending on the regulations within a specific country as well as what recipients do with the monies received, remittances inflows can either be countercyclical or pro-cyclical.

In relation to the reasons why people remit, the argument is that when migrants send monies to their home countries for altruistic reasons then, the probability of remittances being countercyclical during period of crisis is very high. This is because if the main reason for remitting is to seek the welfare of recipients then, during periods of crises when recipients' needs are greatest, remittances inflows would increase. On the contrary, when migrants send remittances home because of self- interest, the probability of remittances being pro-cyclical during period of crisis is very high. This is because if monies are mainly meant for investment purposes, then during a crisis when most currencies become unstable, migrants will not send monies home.

The methodology employed for this research was quantitative. The research also used secondary data specifically time series data collected from the World Bank. The data was then analysed using STATA 12 and Microsoft Excel-2010. After an analysis of the data in chapter five, it was revealed that, in Cameroon external flows, namely remittances inflows, foreign direct investment and net official development assistance were likely to be countercyclical during the period of crisis. This is because in the year of the financial crisis (2009), all the above external financial inflows to Cameroon peaked. On the other hand, in Cape Verde and Senegal, it was observed that all three external financial flows were likely pro-cyclical. This is because in the year of the crisis and the immediate year thereafter (2010), all three the external financial inflows to Cape Verde and Senegal declined in volume. In addition, whereas remittances inflows to Nigeria were pro-cyclical in 2009 because it decreased in volume; foreign direct investment and net official development assistance were countercyclical in 2009 as they increased in volume.

Furthermore, an analysis of the difference between remittances inflows and remittances outflows among the four countries observed revealed that, between 2005 to 2013, in all four countries (Cameroon, Cape Verde, Nigeria and Senegal) remittances inflows far outweighed remittances outflows. The research also revealed that among the four countries under study, Nigeria had the highest balance from the difference between remittances inflows and remittances outflows for the nine (9) year period when population and size of economiy was not taken into consideration. Cape Verde was the country with the lowest remittances outflows for the period under study and Senegal was the only country with an increasing

volume of remittances outflows leaving its economy as the years progressed within the period. On the other hand, in terms of remittances at per capita, Cape Verdeans received more remittances inflows per person for the time period (2005-2013) under study. This was closely followed by the people of Senegal and Nigeria. the people of Cameroon came in last place with its people receiving less than US$2 for the 9 year period under study.

Moreover, in analysing the relationship between remittances inflows and gross domestic product (economic growth) from 1980 to 2013, the cross correlation and ARMAX models revealed that, for all four countries (Cameroon, Cape Verde, Nigeria and Senegal), there was a positive relationship between remittances inflows and gross domestic product (economic growth). That is, as remittances inflows increased, its contribution to economic growth in all four economies also increased. Nonetheless, the cross correlation analysis also revealed that, as the years progressed diminishing returns set in thus, although remittances inflows still had a positive relationship with gross domestic product (economic growth), its overall contribution was reducing over time despite rising volumes in remittances inflows into all the countries observed. Additionally, the ARMAX model revealed that, the positive relationship between remittances inflows and gross domestic product (economic growth) was statistically significant for Cape Verde, Senegal and Nigeria. However, although remittances inflows had a positive relationship with gross domestic product in Cameroon, this relationship was not statistically significant.

Lastly, a surprising outcome of the research was that, although remittances inflows had a positive relationship with economic growth in all the countries observed and thus was concluded to be pro-cyclical; during the 2009 global financial crisis, whereas remittances inflows was pro-cyclical in Cape Verde, Nigeria and Senegal, remittances inflows was countercyclical in Cameroon. That is, during the 2009 global financial crisis, remittances inflows to Cameroon increased rather than declined (as exhibited in Cape Verde, Nigeria and Senegal). This revelation could help explain why although the ARMAX model for Cameroon was adequate and efficient; the coefficient for the model was not statistically significant.

6.3 Recommendations
Following the findings of this research in the previous chapters, the following recommendations were made:

- The need to use remittances inflows for investment purposes

Since the findings of this research revealed that, remittances inflows to the four countries observed (Cameroon, Cape Verde, Nigeria and Senegal) tends to be fluid, there is the need for recipients to use remittances inflows for productive activities. This will subsequently increase the impact of remittances inflows to economic growth especially in Cameroon where findings revealed that remittances inflows contributed less to economic growth (gross domestic product).

- Expansion and regulation of the financial sector

In addition, the findings of this research also revealed that, there was the need for the governments in developing countries specifically Cameroon, Cape Verde, Nigeria and Senegal to expand their financial sector. This will aid in making the process of transferring remittances by migrants to their home countries easier. Also, there is the need for governments to put in place policies aimed at reducing the transfer cost of remittances. This will help encourage migrants to use official channels when transferring remittances as well as enable governments capture the volume of remittances entering into their economies.

- Remittances policy

With remittances inflows becoming the second largest source of external financial flow to developing countries, there is the need for developing countries to put in place policies aimed at remittance management. This could take the form of collaborative efforts between the governments and banks as well as other private agencies to introduce schemes aimed at creating opportunities for migrants as well as recipients of remittances to invest and gain from their monies sent/received.

- Innovative projects and programmes

Furthermore, findings revealed that for all four countries observed, remittances inflows would eventually develop a negative relationship with economic growth (gross domestic product). Consequently, it would be unwise for governments to rely heavily on remittances inflows for their economic growth. Thus, the onus lies with governments to create programmes and projects that will encourage the productive use of remittances inflows so

that even when returns of remittances inflows to economic growth becomes negative, these projects and programmes can make up for these losses.

- Economic and political stability

Lastly, findings of the research also revealed that, there was the need for governments of developing countries particularly Cameroon, Cape Verde, Nigeria and Senegal to stabilize their economies as well as ensure political stability. This was because within the period under study, the study revealed that net official development assistance as well as foreign direct investment had been decreasing over time. Since the research revealed that overtime remittances inflows contribution to economic growth in all four economies would be negative, government of these countries would have to seek for other viable sources of revenue.

Research by some scholars such as Moyo (2009) has revealed that, foreign aid and net official development assistance could serve as viable sources of revenue for development. The author argued that, because developing countries do not manage the net official development assistance well coupled with the fact that their economies are not stable enough; this deters donor partners as well as investors from sending monies into these economies. As such, there is the need for government to ensure that the political and economic climate within their countries is stable enough to gain the confidence of donors and investors. By so doing, more foreign direct investment as well as net official development assistance can be provided which will in turn make these economies resilient to drops in remittances. Also, it should be noted that, a stable political climate is one of the requirements for net official development assistance by most funding donors.

6.4 Direction of future study

The study recommends that a time series analysis be done on remittances inflows and economic growth (gross domestic product) from both sending/host countries and receiving/home countries. In so doing, a much clearer understanding of the impact of remittances on economic growth could be made as the impact of remittances inflows on economic growth could provide contradictory revelations when studies are made in comparison between sending and receiving countries. Furthermore, it is also important to construct a more robust theory within which the analysis of observing the countercyclical and pro-cyclical nature of remittances can be grounded. This is because the current theories do

not specifically say anything about remittances but focus most of their assumptions on migration and development.

6.5 Conclusion

Studies about the interplay between migration, remittances and development abound yet, little is known about the interplay of these in sub- Saharan Africa. Furthermore, although many scholars argue that remittances inflows are countercyclical during periods of financial crises, many of these scholars (Ratha & Maimbo, 2006; International Migration Outlook, 2006; Yang & Choi, 2007; Tolentino & Peixoto, 2011; World Bank, 2013) do not back their arguments with evidence. The few that do back their claims with evidence have done their studies in Asian and Latin American countries (Lake, 2006; Yang & Choi, 2007; Yang, 2008). This research explored the countercyclical nature of remittances in Cameroon, Cape Verde, Nigeria and remittances using the 2009 global financial crisis as the reference year. Although remittances inflows was only countercyclical in Cameroon while exhibiting pro-cyclicality in Cape Verde, Nigeria and Senegal, this study noted that remittances inflows in and of itself cannot be countercyclical during periods of crises. Remittances inflows can only exhibit counter-cyclicality during periods of financial crises when adequate policies are in place to ensure that despite the crises happening in home countries, migrants' hard earned money will be used for productive purposes. Thus, the onus lies with the government to ensure that a robust economy is created and the political climate within their countries is made stable. This will consequently encourage migrants to remit more often to their home countries- financial crisis or not.

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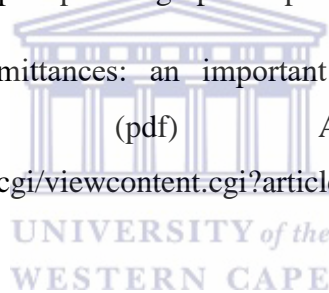
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APPENDIX

Appendix A: Cross correlation Results

```
. xcorr InflowsCam GDPCam, lags (10) table

                        -1          0           1
    LAG        CORR     [Cross-correlation]
    ───────────────────────────────────────────────
   -10       -0.0421              │
    -9        0.0105              │
    -8        0.0866              │
    -7        0.1701              ├─
    -6        0.2659              ├──
    -5        0.4026              ├───
    -4        0.5137              ├────
    -3        0.6053              ├────
    -2        0.7209              ├─────
    -1        0.8212              ├──────
     0        0.9439              ├───────
     1        0.8146              ├──────
     2        0.7093              ├─────
     3        0.5632              ├────
     4        0.5426              ├────
     5        0.4183              ├───
     6        0.3034             ─┤
     7        0.1837              ├─
     8        0.0841              │
     9        0.0411              │
    10       -0.0353              │

. xcorr InflowsCPV GDPCPV, lags (10) table

                        -1          0           1
    LAG        CORR     [Cross-correlation]
    ───────────────────────────────────────────────
   -10       -0.0408              │
    -9        0.0231              │
    -8        0.0895              │
    -7        0.1646             ─┤
    -6        0.2754              ├─
    -5        0.4196              ├──
    -4        0.5474              ├───
    -3        0.6476              ├────
    -2        0.7511              ├─────
    -1        0.8455              ├──────
     0        0.9362              ├───────
     1        0.8628              ├──────
     2        0.7777              ├─────
     3        0.6903              ├────
     4        0.6360              ├────
     5        0.5634              ├───
     6        0.4584              ├──
     7        0.3764              ├──
     8        0.3046              ├─
     9        0.2217              ├
    10        0.1617             ─┤
```
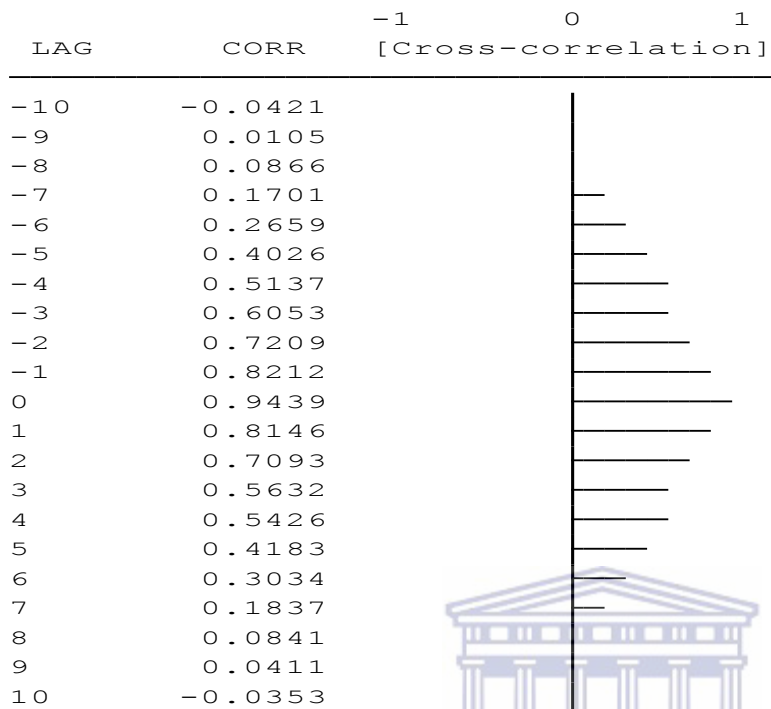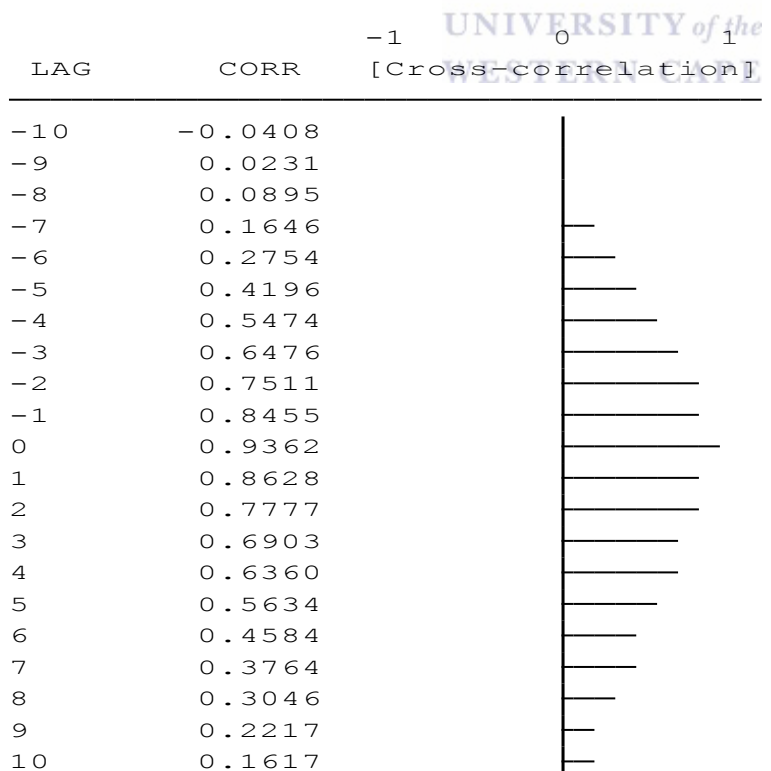
. xcorr InflowsNig GDPNig, lags (10) table

```
                      -1           0           1
  LAG       CORR      [Cross-correlation]
─────────────────────────────────────────────
-10      -0.0693                  │
-9       -0.0349                  │
-8        0.0074                  │
-7        0.0619                  │
-6        0.1256                  ├─
-5        0.2032                  ├─
-4        0.2585                  ├──
-3        0.3963                  ├────
-2        0.5427                  ├─────
-1        0.7032                  ├───────
0         0.8732                  ├────────
1         0.8413                  ├────────
2         0.8007                  ├───────
3         0.7394                  ├──────
4         0.6648                  ├─────
5         0.6026                  ├─────
6         0.4589                  ├───
7         0.3016                  ├──
8         0.1361                  ├─
9        -0.0242                  │
10       -0.0459                  │
```

. xcorr InflowsSen GDPSen, lags (10) table

```
                      -1           0           1
  LAG       CORR      [Cross-correlation]
─────────────────────────────────────────────
-10      -0.0219                  │
-9        0.0391                  │
-8        0.1091                  │
-7        0.1872                  ├
-6        0.2955                  ├─
-5        0.4371                  ├──
-4        0.5593                  ├───
-3        0.6688                  ├────
-2        0.7841                  ├─────
-1        0.8856                  ├──────
0         0.9834                  ├──────
1         0.8978                  ├─────
2         0.7922                  ├────
3         0.6762                  ├────
4         0.5543                  ├───
5         0.4337                  ├──
6         0.2881                  ├─
7         0.1742                  ├
8         0.0896                  │
9         0.0139                  │
10       -0.0458                  │
```

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Appendix B: Dickey Fuller Test Results

```
. dfuller GDPCam

Dickey-Fuller test for unit root                    Number of obs    =          33

                         ——————— Interpolated Dickey-Fuller ———————
                Test          1% Critical       5% Critical       10% Critical
             Statistic          Value             Value              Value
─────────────────────────────────────────────────────────────────────────────
 Z(t)          1.363           -3.696            -2.978             -2.620
─────────────────────────────────────────────────────────────────────────────

MacKinnon approximate p-value for Z(t) = 0.9969

. dfuller GDPCam_D1

Dickey-Fuller test for unit root                    Number of obs    =          32

                         ——————— Interpolated Dickey-Fuller ———————
                Test          1% Critical       5% Critical       10% Critical
             Statistic          Value             Value              Value
─────────────────────────────────────────────────────────────────────────────
 Z(t)         -5.097           -3.702            -2.980             -2.622
─────────────────────────────────────────────────────────────────────────────

MacKinnon approximate p-value for Z(t) = 0.0000

. dfuller InflowsCam

Dickey-Fuller test for unit root                    Number of obs    =          33

                         ——————— Interpolated Dickey-Fuller ———————
                Test          1% Critical       5% Critical       10% Critical
             Statistic          Value             Value              Value
─────────────────────────────────────────────────────────────────────────────
 Z(t)          0.285           -3.696            -2.978             -2.620
─────────────────────────────────────────────────────────────────────────────

MacKinnon approximate p-value for Z(t) = 0.9766

. dfuller InflowsCam_D1

Dickey-Fuller test for unit root                    Number of obs    =          32

                         ——————— Interpolated Dickey-Fuller ———————
                Test          1% Critical       5% Critical       10% Critical
             Statistic          Value             Value              Value
─────────────────────────────────────────────────────────────────────────────
 Z(t)         -8.482           -3.702            -2.980             -2.622
─────────────────────────────────────────────────────────────────────────────

MacKinnon approximate p-value for Z(t) = 0.0000
```

```
. dfuller GDPCPV

Dickey-Fuller test for unit root                    Number of obs    =        33

                        ─────────── Interpolated Dickey-Fuller ───────────
                  Test        1% Critical        5% Critical       10% Critical
             Statistic           Value              Value              Value
─────────────────────────────────────────────────────────────────────────────
 Z(t)            1.027           -3.696             -2.978             -2.620
─────────────────────────────────────────────────────────────────────────────
MacKinnon approximate p-value for Z(t) = 0.9945


. dfuller GDPCPV_D1

Dickey-Fuller test for unit root                    Number of obs    =        32

                        ─────────── Interpolated Dickey-Fuller ───────────
                  Test        1% Critical        5% Critical       10% Critical
             Statistic           Value              Value              Value
─────────────────────────────────────────────────────────────────────────────
 Z(t)           -4.671           -3.702             -2.980             -2.622
─────────────────────────────────────────────────────────────────────────────
MacKinnon approximate p-value for Z(t) = 0.0001

. dfuller InflowsCPV

Dickey-Fuller test for unit root                    Number of obs    =        33

                        ─────────── Interpolated Dickey-Fuller ───────────
                  Test        1% Critical        5% Critical       10% Critical
             Statistic           Value              Value              Value
─────────────────────────────────────────────────────────────────────────────
 Z(t)            0.093           -3.696             -2.978             -2.620
─────────────────────────────────────────────────────────────────────────────
MacKinnon approximate p-value for Z(t) = 0.9656

. dfuller InflowsCPV_D1

Dickey-Fuller test for unit root                    Number of obs    =        32

                        ─────────── Interpolated Dickey-Fuller ───────────
                  Test        1% Critical        5% Critical       10% Critical
             Statistic           Value              Value              Value
─────────────────────────────────────────────────────────────────────────────
 Z(t)           -5.498           -3.702             -2.980             -2.622
─────────────────────────────────────────────────────────────────────────────
MacKinnon approximate p-value for Z(t) = 0.0000
```

```
. dfuller GDPNig

Dickey-Fuller test for unit root                    Number of obs    =         33

                         ─────────── Interpolated Dickey-Fuller ───────────
                 Test         1% Critical        5% Critical       10% Critical
            Statistic             Value              Value              Value
─────────────────────────────────────────────────────────────────────────────
 Z(t)           2.720            -3.696             -2.978             -2.620
─────────────────────────────────────────────────────────────────────────────
MacKinnon approximate p-value for Z(t) = 0.9991


. dfuller GDPNig_D1

Dickey-Fuller test for unit root                    Number of obs    =         32

                         ─────────── Interpolated Dickey-Fuller ───────────
                 Test         1% Critical        5% Critical       10% Critical
            Statistic             Value              Value              Value
─────────────────────────────────────────────────────────────────────────────
 Z(t)          -5.195            -3.702             -2.980             -2.622
─────────────────────────────────────────────────────────────────────────────
MacKinnon approximate p-value for Z(t) = 0.0000

. dfuller InflowsNig

Dickey-Fuller test for unit root                    Number of obs    =         33

                         ─────────── Interpolated Dickey-Fuller ───────────
                 Test         1% Critical        5% Critical       10% Critical
            Statistic             Value              Value              Value
─────────────────────────────────────────────────────────────────────────────
 Z(t)           0.298            -3.696             -2.978             -2.620
─────────────────────────────────────────────────────────────────────────────
MacKinnon approximate p-value for Z(t) = 0.9773


. dfuller InflowsNig_D1

Dickey-Fuller test for unit root                    Number of obs    =         32

                         ─────────── Interpolated Dickey-Fuller ───────────
                 Test         1% Critical        5% Critical       10% Critical
            Statistic             Value              Value              Value
─────────────────────────────────────────────────────────────────────────────
 Z(t)          -4.440            -3.702             -2.980             -2.622
─────────────────────────────────────────────────────────────────────────────
MacKinnon approximate p-value for Z(t) = 0.0003
```

```
. dfuller GDPSen

Dickey-Fuller test for unit root                        Number of obs    =        33

                    ─────────── Interpolated Dickey-Fuller ───────────
                    Test         1% Critical      5% Critical     10% Critical
                 Statistic          Value            Value            Value
─────────────────────────────────────────────────────────────────────────────
 Z(t)             1.109           -3.696           -2.978           -2.620
─────────────────────────────────────────────────────────────────────────────
MacKinnon approximate p-value for Z(t) = 0.9953


. dfuller GDPSen_D1

Dickey-Fuller test for unit root                        Number of obs    =        32

                    ─────────── Interpolated Dickey-Fuller ───────────
                    Test         1% Critical      5% Critical     10% Critical
                 Statistic          Value            Value            Value
─────────────────────────────────────────────────────────────────────────────
 Z(t)            -4.652           -3.702           -2.980           -2.622
─────────────────────────────────────────────────────────────────────────────
MacKinnon approximate p-value for Z(t) = 0.0001


. dfuller InflowsSen

Dickey-Fuller test for unit root                        Number of obs    =        33

                    ─────────── Interpolated Dickey-Fuller ───────────
                    Test         1% Critical      5% Critical     10% Critical
                 Statistic          Value            Value            Value
─────────────────────────────────────────────────────────────────────────────
 Z(t)             1.849           -3.696           -2.978           -2.620
─────────────────────────────────────────────────────────────────────────────
MacKinnon approximate p-value for Z(t) = 0.9984


. dfuller InflowsSen_D1

Dickey-Fuller test for unit root                        Number of obs    =        32

                    ─────────── Interpolated Dickey-Fuller ───────────
                    Test         1% Critical      5% Critical     10% Critical
                 Statistic          Value            Value            Value
─────────────────────────────────────────────────────────────────────────────
 Z(t)            -3.876           -3.702           -2.980           -2.622
─────────────────────────────────────────────────────────────────────────────
MacKinnon approximate p-value for Z(t) = 0.0022
```

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Appendix C: ARMAX Results

```
. arima GDPCam_D1 InflowsCam_D1, arima(3,4,0) nolog

ARIMA regression

Sample:  1985 - 2013                    Number of obs     =         29
                                        Wald chi2(4)      =     281.26
Log likelihood = -252.099               Prob > chi2       =     0.0000
```

D4.GDPCam_D1	Coef.	OPG Std. Err.	z	P>|z|	[95% Conf. Interval]	
GDPCam_D1						
InflowsCam_D1						
D4.	21.24084	22.06453	0.96	0.336	-22.00485	64.48652
_cons	7.04323	68.62877	0.10	0.918	-127.4667	141.5531
ARMA						
ar						
L1.	-1.828519	.1989052	-9.19	0.000	-2.218366	-1.438672
L2.	-1.571527	.3193403	-4.92	0.000	-2.197423	-.9456318
L3.	-.6080049	.2226204	-2.73	0.006	-1.044333	-.1716769
/sigma	1348.017	220.3938	6.12	0.000	916.0528	1779.981

Note: The test of the variance against zero is one sided, and the two-sided confidence interval is truncated at zero.

```
. arima GDPCPV_D1 InflowsCPV_D1, arima(1,3,0) nolog

ARIMA regression

Sample:  1984 - 2013                    Number of obs     =         30
                                        Wald chi2(2)      =      35.52
Log likelihood = -158.2306              Prob > chi2       =     0.0000
```

D3.GDPCPV_D1	Coef.	OPG Std. Err.	z	P>|z|	[95% Conf. Interval]	
GDPCPV_D1						
InflowsCPV_D1						
D3.	4.829157	1.148237	4.21	0.000	2.578653	7.079661
_cons	1.221956	5.880463	0.21	0.835	-10.30354	12.74745
ARMA						
ar						
L1.	-.6769965	.1364467	-4.96	0.000	-.9444272	-.4095659
/sigma	46.76821	5.14689	9.09	0.000	36.68049	56.85593

Note: The test of the variance against zero is one sided, and the two-sided confidence interval is truncated at zero.

```
. arima GDPNig_D1 InflowsNig_D1, arima(1,6,0) nolog

ARIMA regression

Sample:  1987 - 2013                      Number of obs     =        27
                                          Wald chi2(2)      =   1787.87
Log likelihood = -324.1011                Prob > chi2       =    0.0000
```

D6.GDPNig_D1	Coef.	OPG Std. Err.	z	P>|z|	[95% Conf. Interval]	
GDPNig_D1						
InflowsNig_D1						
D6.	6.053738	2.284055	2.65	0.008	1.577072	10.5304
_cons	392.5034	4409.593	0.09	0.929	-8250.139	9035.146
ARMA						
ar						
L1.	-.98838	.0233948	-42.25	0.000	-1.034233	-.942527
/sigma	36856.8	3707.245	9.94	0.000	29590.74	44122.87

Note: The test of the variance against zero is one sided, and the two-sided confidence interval is truncated at zero

```
. arima GDPSen_D1 InflowsSen_D1, arima(2,2,0) nolog

ARIMA regression

Sample:  1983 - 2013                      Number of obs     =        31
                                          Wald chi2(3)      =     63.51
Log likelihood = -216.6036                Prob > chi2       =    0.0000
```

D2.GDPSen_D1	Coef.	OPG Std. Err.	z	P>|z|	[95% Conf. Interval]	
GDPSen_D1						
InflowsSen_D1						
D2.	7.71808	1.731833	4.46	0.000	4.32375	11.11241
_cons	4.26856	21.15332	0.20	0.840	-37.19118	45.7283
ARMA						
ar						
L1.	-.9572973	.1938838	-4.94	0.000	-1.337302	-.5772921
L2.	-.5967916	.2049947	-2.91	0.004	-.9985739	-.1950093
/sigma	256.4583	38.93211	6.59	0.000	180.1527	332.7638

Note: The test of the variance against zero is one sided, and the two-sided confidence interval is truncated at zero.