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Remittances and Financial Inclusion, Panacea for Socio-economic Development in Sub-Saharan Africa?

Aderemi Adedoyin Mr.

REMITTANCES AND FINANCIAL INCLUSION, PANACEA FOR SOCIO-ECONOMIC DEVELOPMENT IN SUB-SAHARAN AFRICA?

by

Aderemi Adedoyin

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DEDICATION

This thesis is dedicated to the victims of #ENDSARS massacre in Nigeria, which happened at the Lekki toll on October 20, 2020. Especially those who lost their lives during the struggle as well as those that the government blocked their accounts because it was believed that their accounts were used to receive remittances from abroad to finance the #ENDSARS movement.

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ABSTRACT

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Many researchers have studied remittances all over the world, but few have researched the remittances and financial inclusion in Sub-Saharan Africa. However, irrespective of the scope, method, and objectives of research on remittances in Sub-Saharan Africa, there is still a huge dearth of research in remittances and financial inclusion in this part of the world. This paper is relevant due to the gap in knowledge of not only the socioeconomic impact that financial inclusion of the people of Sub-Saharan Africa can bring to the effective utilization of remittances but also in bringing about a drastic reduction in the number of informal remittances that go undocumented in Africa, with specific attention on Sub-Saharan Africa. The paper builds on the notion that remittances have a development impact through their effect on financial inclusion. The paper also uses a post-colonial thesis to justify the reasons behind the high cost of remittance transfer in Sub-Saharan Africa, highlighting that there might be a deliberate attempt by the global powers to ensure that Sub-Saharan Africa remains underdeveloped so that the West can remedy its skilled labor deficit from there. The paper sees a reduction in remittances transfer cost as one of the simple solutions which the Superpowers can put in place to bring about development in Sub-Saharan Africa, but they have refused to implement.

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Chapter 1

Introduction

1.1 Background to the study

This study is predicated on the postcolonial theory as the guide to analysis. The postcolonial theory is the body of knowledge that locates the political, historical, and social effects of European colonialism around the world between the 18th and 20th centuries (Loomba 2005). There are many dimensions to postcolonial theory, however, there is congruence among the scholars in this paradigm, they claim that a good understanding of the world we live in must come from an effective understanding of the history of imperialism and colonialism. This implies that it is very difficult to understand European history, philosophy without an understanding of the European colonial operations and oppression around the world.

There has been a long-term debate about the prefix post in postcolonial theory; however, the post prefix does not imply the end of colonialism, rather most of the scholar in this school is more concerned about the dragging influence colonial powers have over their former colonial empires after years of flag independence. Other postcolonial theorists think about the world after colonialism, which is yet to materialize, meaning the history of domination continues despite independence.

The emergence of the postcolonial theory began in the US and UK in the 1980s as a development from the new movement and debate in human inquiry superficially feminism and critical theory (Young 2003). In general, postcolonial theory develops from the anti-colonial movement in South Asia, African, and Latin America in the early 20th century. In the last four decades, it has been debated about the contribution of colonial rule in the 20th century to politics and fairness in contemporary politics. The postcolonial theory argues that development and culture in postcolonial societies is a product of the contact with the colonial authority, hence, colonialism influences what they read, how they live their lives, and the nature of their aspiration. Thus, migrant remittance is informed by the belief of the immigrants that live in Europe and North America about the possibility of having a greener pasture there. Therefore, parents can sell their properties and even borrow to send their wards abroad with the belief that such movement will help to create wealth through remittance. And the immigrant knows the responsibilities of him or her, so they ensure that monies spent are paid back, even with interest.

On the other hand, the postcolonial theory used in this context suggests that immigrant remittance is just a tip of the exploitation and looting that was carried out by the colonial authorities, where they stole and looted the substances of the colonial territory, having learned such act from the colonial powers, the immigrant from Sub-Saharan African engages in remitting all that they can lay their hands upon in the western hemisphere. Little that these migrants know is that no matter how much they remit back to their home countries, there are structures in place that ensure that the figures amount to no feasible growth and development in the destinations. One of such structures meant to keep the countries where these remittances are being sent includes high remittances transaction cost. This guarantees that whenever a migrant decides to remit money back home, a large part of the money that had already been heavily taxed is retained at the host country in form of the remittance transaction cost.

There are several criticisms over the postcolonial theory, however, the theory remains one of the major forms of critical interrogation in humanity and the academic world (Loomba 2005). The Postcolonial theory believes that the citizen of postcolonial society develops an identity that is based on their relationship with different identities which are given a different level of social influence by the former colonial powers. Indeed, the identity of exploitation, expropriation, and repatriation of capital are vestiges of colonial heritage, hence the agents who facilitate the transfer of remittances would want a continuation of the act due to the benefit they derive from it through the exploitation of the migrant by the way of the high transaction cost.

The remittances market in Africa is dominated by a few major players that control the industry, they are MoneyGram and Western Union. These companies control the majority of remittances transfer share in Africa. As a result of their dominance, transaction cost to Africa is very high, the highest at 12%, with Sub-Saharan Africa having an average remittance transfer cost of about 8.5% compared to the average of 6.5% remittances transfer cost in other parts of the world (World Bank, 2020).

In 2014, a United Kingdom leading think tank by the name Overseas Development Institute (ODI) disclosed that Sub-Saharan Africa loses between \$1.8 billion to \$2.3 billion. And this is due to the bulk of remittances transactions being controlled by two companies, MoneyGram and Western Union, who dominate two-thirds of the entire market of remittances in the sub-region, to the tune of about \$586 million yearly, a figure that would have increased tremendously by now. According to Watkins et al. (2014), MoneyGram charges 10.4%, while Western Union charges 9.4% in Sub-Saharan Africa. Despite the high volume of money being remitted to Sub-Saharan Africa, the high cost of remittances transfer is one of the reasons why these monies amount to little or no development within the sub-region.

Research has shown that a reduction in remittance transaction cost motivates remitters to send more money to their family back home. Freud et al. (2008) posited that a 1% increase in the cost of remittances would lead to a 16% reduction in the number of remittances being sent. Therefore, more people would be willing to remit more money back home with lower transfer transaction costs. Going by this fact, if remittances transfer cost to Sub-Saharan Africa was lower, at least to the average rate around the world of about 6%, this will inspire migrants to send more money back home. Meaning that there would be more money through remittances to put more children in school, more money through remittances to put many out of poverty, more money through remittances to cater for household needs, as well as savings and investments in Africa. Not only that, but a reduction in the cost of sending money to Sub-Saharan Africa would also mean that more migrants would patronize formal remittances channels, hence there would proper documentation of formal remittances transfer figures, hence data for research. Unfortunately, this is not the case, because the total amount of remittances sent to Sub-Saharan Africa keeps rising year in year out, with figures as high as $46 billion according to World Bank (2018), with a huge part of it is lost to high remittances transfer cost.

There seems to be a hidden global agenda behind the high cost of remittance transfer in Sub-Saharan Africa, for if not so, why would world leaders at the G7 and the G20 summits pledge on several occasions to reduce the cost of remittances transfer in Sub-Saharan Africa to 5% for sending every $200, while the Sustainable Development Goals (SDG), puts their target at 3% against 2030, but up until now, remittances transfer cost has remained the highest in Sub-Saharan Africa, compared to anywhere in the world? This high cost of sending remittances to Sub-Saharan Africa has been high for a long time. (Knomad, 2019) reports that in 2009, the cost of sending remittances to Sub-Saharan Africa was highest anywhere in the world at the rate of 13.1% for every $200, while in 2019, it remained the highest at 9.3%. Watkins et all. (2014) added that the huge amount of money being lost yearly to remittance transfer costs could be used to provide 21 million people in the sub-region with clean and put about 14 million out-of-school children back in the classrooms. Unfortunately, sending more children in Sub-Saharan Africa to school does not favor the West. Largely because educating more people would mean liberating more of them out of poverty, and if the migrants abroad can take advantage of a reduced cost of sending remittances, then sooner or later, there would be a huge reduction in the number of people that would need to be rescued from poverty. Ultimately, the idea of sponsoring a skilled laborer from Sub-Saharan Africa would become a thing of the past. If this is achieved, where would the West brain drain from? Who would fill up the positions in the West where the citizens of the Western countries either do not have the skill to fill or consider themselves too big to occupy?

Using post-colonial theory as the basis of analysis for this work reveals too many hidden agendas as there is a connectedness between remittances, financial inclusion, high transfer cost in Sub-Saharan Africa, brain drain, and the continuous underdevelopment of Sub-Saharan Africa. Unfortunately for Sub-Saharan Africa, with the current status-quo, the huge amount of money being remitted there would continue to not yield to any remarkable development impact, as the people would remain financially excluded while leaving remittances transfer cost high, and therefore allowing the West to attract the available skilled resources in Sub-Saharan Africa away, with the attraction that remittances would cover for their migration.

1.2 Statement of the Problem

The role financial development plays in developing the economy cannot be overemphasized. Financial development has been one of the factors responsible for the progress of financial institutions such as banks, credit unions, financial markets, and the like which in the long run leads to economic growth. This is because as financial development improves, safer, more cost-effective, and better channels for remitting funds by migrants to home country from developed ones, which in turn encourages more migrants to send more money home, therefore creating massive employment and opportunities in the country thereby leading to economic growth. Financial development should, however, be accompanied by financial inclusion, because without the two going hand in hand, there can be no sustainable development in the economy therefore the two should complement one another.

The role of the private sector in improving financial development is worthy of commendation, as the private sector is regarded as one of the most important sources of driving development in any economy. The private sector is mostly responsible for developing ideas and innovations leading to financial development. Without the effort of the private sector in the economy of any country, the government's effort at bringing about economic development would not be sufficient for achieving results. It is due to this that governments try to empower the private sector through tax holidays for investors in certain sectors of the economy that need financial inputs, government also tries to open opportunities for loans to entrepreneurs to fund their private sector initiatives to boost economic development.

Over the years, the role of remittances from migrants all over the world to the friends, family, and loved ones in their home country have been recognized as having a positive effect on reducing poverty among the people in developing countries (Taylor et al., 2005; UNCTAD, 2011). Both the people being sent these funds and the recipient economy are better because of receiving these funds. According to a World Bank report on Migration and Development in 2018, the remittances sent to low and middle-income countries attain an all-time high when they hit $529 billion, representing a 9.6% increase from the record of the previous year which 2017, which stood at $483 billion. (World Bank, 2019). Studies have shown that the majority of remittances have been sent to developing countries. It has also been discovered that remittances make up a large amount of the GDP of developing countries. Also, the amount sent to developing countries by migrants exceeds the amount of aid that developing countries receive yearly. In 2019, the World Bank reported that the total amount of remittances to low and middle-income countries was $554 billion, while remittances all over the world stood at $714 billion (World Bank, 2020).

Compared to other forms of FDIs for developing countries, remittance has proven to be more resourceful and more beneficial to developing countries in helping reduce inequality rate, plus it is a source of FDI for developing countries, one which does not come with conditions of repayments to the recipient countries as some other forms of FDIs such as aid.

Remittances are one of the positive advantages that migration brings to a recipient country. Even though migration is highly frowned at due to brain drain because it is believed that when expatriates leave their countries for developed countries in search of greener pastures, it is the huge wealth of human resources that would have been useful in improving the developing countries that are been taken by the developed ones. Thereby leaving the developing countries in a degrading state where there would be insufficient manpower to develop their nations. It is however advisable for developing countries to look away from regarding migration as a brain drain of the manpower that would have been relevant in improving their country and start seeing the positive impact that the remittances by these migrants can have on the economy of their country through financial inclusion.

Another importance of remittances includes their impact on investments. It is believed that a massive number of remittances go into investments in the recipient country. These investments could be in the capital market as migrants put their monies in stocks back home, expanding the huge total amount of money available to financial institutions, giving them financial resources to expand their financial services and products, thereby driving economic development in recipient countries. Remittances are usually not formal, hence when it goes through official sources like banks, the banks can use the chance to offer their financial opportunities to the recipients in form of investments openings and to serve as the banker, that is the custodian of the fund on behalf of a new customer.

In contrast to the positive value of remittances to financial institutions, it is believed that remittances from abroad bye-pass the financial requirements of financial institutions on loan seekers for investments. Put differently, the processes involved in seeking financial credits and capital from financial institutions are disposed of when a recipient receives remittances from abroad. Whereas these bank processes such as collateral, providing guarantors before a loan can be approved for a lender, loan servicing, are some of the activities which financial institutions use in developing the sector.

In such a case, remittances do not tend to promote financial development. To further buttress this point, investors looking for capital after approaching the financial institutions and are hindered from getting funds by the excessive conditions required to fulfill to acquire a loan would rather turn to remittances for such funds. It is easier, it is faster, it does not require as many hassles as it would take to acquire such funds from financial institutions in form of loans and credit facilities. It has been identified that most remittance goes through the informal process, which attracts high transaction cost. And because of the benefit of such transactions, most of these agents want the status quo to remain, the benefits that would have accrued to the national economies of the state are diverted into private pockets. This is so because of the lack of financial inclusion. In most developing countries like Nigeria and Kenya banks and financial institutions are far from the rural dwellers hence they resort to using middlemen or agencies for all financial transactions which increase the transaction cost. Hence this study seeks to interrogate formal remittances and Financial Inclusion in Sub-Saharan Africa.

1.3 Research Objectives

The primary objective of this study is the assessment of Remittances and Financial Inclusion in Developing Countries while focusing on Sub-Saharan Africa. It is divided into three specific objectives.

1. To understand the significance of remittance and financial inclusion to economic development in Sub-Saharan Africa

2. To suggest a way of improving financial inclusion through remittance to the Sub-Saharan African countries.

1.3.1 Research Questions

1. How significant are remittance and financial inclusion to the economic development of developing countries?

2. What are the ways of ensuring financial inclusion through remittance to the Sub-Saharan African countries?

1.4 Research Methodology

This study adopts the case study approach. The philosophical orientation of the study is interpretivism, hence, the study seeks to collect textual data from existing literature and reports from the World Bank Group as well as statistics from financial institutions such as the World Bank, International Monetary Fund (IMF), Africa Development Bank (AfDB), other academic resources such as journals and books, among others.

The case study method will be adopted; hence the researcher will isolate cases from developing countries particularly Sub-Saharan African countries. A case study is one of the oldest research methods in qualitative methodology, the method accounts for a larger aspect of research found in books, and articles in several disciplines like psychology, history, education, political science, and medicine. Flyvbjerg (2011:302) observe that some of the things that are known as the empirical world were products of case study research and that the most cherished qualitative method in every discipline is a case study.

There is wide use of the case study method in social science and has been useful and relevant in practical fields like social work, management, education, etc. The case study method is chosen for this study for the following reasons: in a case study research, there is the possibility of investigating one or more cases, through which inference can be drawn. While engaging in case study research one can examine several cases or focus on a singular case to describe multiple cases. In other words, inference from a singular can be made having examined the case critically.

According to Stake (2000), the case study methodology is a strategy of inquiry that allows the researcher to explore in-depth events, programs, procedures, or singular or multiple individuals. Cases are either time-bound, or activity-bound, and researchers gather data through diverse methods of data collection over a period. For this study, the focus of the investigation is remittance in Sub-Saharan Africa. Data is collected from existing literature. Another element of the case study is the unit of analysis, which is seen as the focus area for the study (Merriam, 2008; Yin, 2009). The unit of analysis for this study is the Sub-Saharan African countries which are part of the developing countries. The study seeks to unravel the interface between remittance and financial inclusion focusing on the sub-region of Africa. There are several statistical data from national, regional, and global financial institutions, which can offer useful explanations to the subject matter.

Sub-Saharan African was chosen as the case study for this thesis for several reasons. Firstly, all the countries can be grouped under the same heading, Sub-Saharan African, and in terms of research, they possess the most similar systems design. Secondly, all the countries in Sub-Saharan African have the same transaction cost for sending money, which happens to be the highest anywhere in the world. Thirdly, the countries of Sub-Saharan African are geographically located together. Fourthly, all the countries in Sub-Saharan African have a history of colonialism as well as postcolonialism. Haven said all these, it is without a doubt that our case study was chose based on most similar systems design, making it easy to generalize our findings, as solutions and policy recommendations that apply to a particular country within our case study can equally apply to others within the case study.

Chapter 2

Literature Review

2.1 Introduction

This project is an addition to the remittance-development literature that has been in the works overtime. The impact of remittances as a source of revenue to households, local governments, state governments, and the nation, mostly in developing countries cannot be overemphasized. These monies sent through formal or informal channels, go a long way in touching the lives of people in some of the remotest areas of developing countries. The funds sent by a migrant family member abroad, ensure that a child's school fee is paid, a household has food on their table, has a roof over their head, pay medical bills of an aging family member and meet several other needs of the sender's family, requiring financial commitment (Chisasa, 2014).

Studies have revealed that increased access to financial resources can drastically help mitigate poverty among poor people (Burgess et al., 2005; Bruhn et al. 2014). Money plays a key role in determining people's social strata, hence the lack of it diminishes one's social status. Be it the ability to run a business effectively and earn a decent living as an entrepreneur, or having a white-collar job that pays well, the end goal is to earn enough to ensure that one escapes the poverty line. This paper however focuses on remittances sent from migrant workers abroad to their family members back home. These funds are believed to not only be useful for the immediate family members of the migrant in question, but also the economy.

According to the United Nations (2019), the number of migrants globally was about 272 million, which accounts for $US688 billion that was remitted worldwide in 2018. Europe and North America have more than half of the total number of international migrants. (OECD, 2019) reports that in 2016, the top three countries of destination for African migrants were France, United States, and the United Kingdom. This is mainly because these countries have some of the most developed economies in the world, hence they are choice destinations for migrants seeking greener pastures. At the end of the day, the enormous number of African migrants embark on a journey abroad with the principal hope of making ends meet. During their stay, it is tradition for them to remit money back home to their relatives in Africa, unfortunately, some of these relatives live in remote areas deprived of adequate financial services.

This study attempts the daunting task of establishing the nexus between migrants' remittances and financial inclusion, intending to prove that easier access to remittances from migrants abroad can bring about economic development in sub-Saharan Africa. Not only does the paper explore the connections between the dependent and independent variables stated above, but it also delves deep into an analysis of ways in which migrants remit money, that is, both formal and informal channels. In addition to that, it explores the economic effects using either of the channels has on the economy.

In sum, this study attempts to resolve the problem of poverty in developing countries of sub-Saharan Africa, by establishing a seamless flow of remittances from developed countries into the sub-region. Not only that, but this project is also an attempt to pave way for marginalized women in the sub-region, through economic empowerment as a result of easy access to remittances from their loved ones abroad. These and more made the author ask, how can financial inclusion bring about economic growth and development in sub-Saharan Africa?

The next section of the study is the literature review, which starts with the definitions of remittances according to scholars, with a focus on formal channels of remittances. Followed by an analysis of what it means to remit money using informal channels. In the next section of the paper, it becomes pertinent to have a detailed discussion of the cost of remittance transactions, the factors that are responsible for the high costs of remittance transfer, and its implications. The next section is a discussion on the connection between gender and remittances.

2.2 Conceptual Review

2.2.1 Remittance

There is a plethora of definitions given for remittances, European Parliament (2014, pp. 13) posit that "remittances are understood as cross-border, private, voluntary monetary and non-monetary (social or in-kind) transfers made by migrants and diaspora, individually or collectively, to people or communities not necessarily in their home country". The International Organization for Migration (2005 pp. 24) defines remittances as "funds transferred by migrants abroad to their families at home". The International Monetary Fund (IMF, 1993) defines remittances as the money transferred by migrants in new economies back to their home country.

The World Bank (2005 pp.321) defines remittances as "transfers of resources from individuals in one country to individuals in another". In all these definitions, two factors, in particular, are constant regarding the meaning of remittances, and they are the fact that remittances are sent by migrants abroad to their home countries and the recipients of these remittances are their friends and families. It is also worthy of note that remittance sending is not one-way, that is, not only from the country where the migrant is located back to his/her home country. Remittances sending can also be from the home country of the migrant to the migrant's destination abroad, in form of financial support for migrants from non-migrants residing in the home countries of the migrants. This is called reverse remittances. These reverse remittances could be to help the migrants pay for housing and tuition (Alvarez-Tinajera, 2013). But most of the time, the trend of remittance sending is from the migrant abroad, who is mostly in a more developed country than their own country of origin, back to their home countries.

Developing countries have a vulnerable economy prone to economic destabilization (IMF 2014) which is made worse by global economic misdemeanor such as financial crisis. The economic condition of these developing countries compels their citizens to search for greener pastures in other parts of the world, most developed countries just to make ends meet. As a result of brain drain, the amount of human capital that the developed countries gain from the developing countries is returned in form of remittances by the human capital exports from the developing world. Remittances are one of the most dependable means of finance for developing countries, compared to developed countries. In comparing remittances inflow into developing and developed countries, developing countries tend to have more recipients of remittances than developed countries, because most of the workers in developing countries whirl in their millions to the developed ones in search of a better source of livelihood as against the other way round.

According to the (Asian Development Bank 1992), after Foreign Direct Investments (FDI), remittances are the biggest form of outside funding for developing nations. According to the (World Bank 2020), in 2019, there was a $548 billion record high flow of remittances to LMICs, making it higher than the figures for foreign direct investment and overseas development assistance, which stood at $534 billion and $166 billion, respectively. Some of the advantages that remittances have over most other forms of external funding include that they are more stable and would be helpful to the government to cushion external financial shocks (Nahar et al. 2017). In defining remittances, Freund and Spatafora (2008) used three items on the Balance of Payment statistics, which includes, “Migrants’ Transfer”, “Compensation of Employees”, and “Workers’ Remittances”, these key mentions are all in line with our understanding of remittances for this study. But with a reference to the balance of payment, brackets all that has been said about remittances to involve formal remittances, which have passed through official channels.

More definitions of remittances include that by the International Monetary Fund (IMF) which defines workers' remittances as funds that are transferred by workers who are migrants in other countries, to the countries where they originate from (Kihangire and Katarikawe 2008). While African Development Bank (2009) in their definition of remittances, defines it as recurrent payments across borders, which are a small part of the pay of migrant workers, sent to their relatives in their countries of origin. Addison (2005) adds to this literature by defining remittances as the inflow of financial resources such as money, into households that would not require any interchange of economic worth between the sender and the recipient. In other words, most of the time, these remittances are not expected to be paid back in monetary value or kind. It is a source of income for both poor and well-to-do families. However, in line with Quartey (2006), the benefits are not limited to households alone but also to the nation as a whole at the local, state, and national levels.

Remittances make up the bulk of foreign financial transfers from migrants in developed countries to developing ones. As several scholars have argued, remittances have proven to be an effective tool in reducing poverty in developing countries. World Bank (2006) identified three key importance of remittances to include bringing about smooth consumption, aiding investments, and preventing poverty, while (Wines 2007) adds that in Zimbabwe, remittances have been the saving grace in times of economic hardship and suffering.

Freund and Spatafora (2008) identified two types of remittances to be formal and informal remittances. Formal remittances being remittances that go through documented sources such as banks, and other non-bank financial institutions like money transfer operators (MOTs), e.g MoneyGram and Western Union. While on the other hand, informal remittance channels include all undocumented parameters for sending money which includes one 's selfcarrying the funds, sending a friend, relatives, or other unofficial companies that are into courier business (Pieke et al. 2007).

The discussion above refers to formal remittances; that is remittances that were properly documented because they went through the appropriate sending channels. On the other hand, there are informal remittances that do not go through the appropriate sending channels. The next section is a discussion on informal remittances.

2.2.2 Informal Remittances

Informal remittances are payments sent from abroad by migrants but do not go through official channels such as banks, thereby eluding proper documentation from the world bank and other global financial institutions. For the longest time, informal remittances figures have been found to exceed that of formal remittances. For instance, (Choucri, 1985) found that in 1983, about 90% of remittances to Sudan went through unofficial channels. (World Bank, 2005; Sahu et al., 2009) estimated that about 50% of the world's remittances go unrecorded. This is mostly because as Chisasa (2014) puts it, these unofficial remittances get to their destination through friends of migrants, or traditional systems such as Chiti or Hawala, which involves money paid out in the destination country as a result of a trade or its equivalent in the country where the migrant is based. Passas (2000) added that the use of informal channels of remittances transfer does not necessarily involve carrying physical cash, but the transfer of its equivalent in value. Which is the hallmark of the Hawala system of remittance transfer.

Pieke et al. (2007), in a remittances paper on Europe and Africa, identified four main types of "informal" or "alternative" channels of sending remittances. They include hand carrying, remittance transfer in the context of other businesses, the use of dedicated money transmitters, and another type of transfer mechanism outside the mainstream.

Hand-carrying remains one of the commonest means of informal money transfer. This involves the migrant worker abroad, carrying the cash in person and traveling to his home country, where the money becomes foreign exchange and the only fee that must be paid to access the money in local currency is the money paid for the conversion. On the other hand, when migrant workers abroad are not taking the cash home in person, they send a friend or relative traveling to their home country with the cash, to deliver to whomever it is meant for (De Vletter, 2007). Bazenguissa-Ganga (2005) reported that some Africans in Europe have been identified to visit airport terminals on the day of certain flight's departure, to ask passengers traveling to their home countries to help deliver envelopes with cash to their loved ones back home. Mophasa (2005) in a paper on migrants from Zimbabwe in South Africa, also identified the use of taxi drivers as a source of transferring remittances to the relatives of Zimbabweans living in South Africa.

Remittance transfer in the context of other businesses is also another popular form of informal remittance transfer among Africans and their migrant relatives abroad. Using the Senegalese example discussed in Jettinger (2005), Senegalese nationals in some parts of Europe were found to send remittances to their relatives at home using the services of businessmen and traders who come to Europe from Senegal to purchase goods or do transactions involving money. The only catch is, the trader that travels to Europe from Senegal does not travel with the cashback to Senegal, instead, the trader purchases goods with the money collected from the migrant in Europe. After selling the goods in Senegal, the trader remits the equivalent in local currency to the migrant's relative living in Senegal. In this situation, money has been transferred by the migrant, but no record of such through the official remittances channel.

Dedicated money transmitters are also another informal remittance channel. These are small businesses that compete with the likes of MoneyGram and Western Union. These small-scale businesses spring up because of people having common interests to meet the needs of sending and receiving remittances for families of migrants who live in remote areas where the people have little or no access to banks and financial institutions. Such dedicated money transmitters thrive on mostly return customers, who patronize them based on referrals or publicity heard on local radio or read in the press.

Another type of transfer mechanism outside the mainstream involves other innovative ways of remittance transfer, some of which include the use of microfinance banks and credit unions as agents of money transfer. This would further help those businesses grow, as more people, both migrants and their relatives at home would be attracted to the services of credit unions and microfinance banks that offer remittances services to them.

2.2.3 Remittances Transfer Transaction cost

The cost of sending remittances to anywhere in the world plays a critical role in the decisions by the migrant workers to send money and the amount to send. Intuitively, the higher the cost of sending money, the lower the amount of money these migrant workers would be able to send back to their country of origin. Hence, a higher cost of remittance transaction might deter migrants from sending money home or dissuade them from sending as much money as they would have sent assuming the transaction costs were affordable.

Considering this, Freund and Spatafora (2008) stated that a higher cost of sending money discourages people from sending money using official channels, hence they are left with patronizing alternative unofficial channels of remittance transfer which are cheaper, but undocumented. By this, it means that more migrant workers are patronizing unofficial remittance channels because the cost of sending money is much more than the official sources. Intuitively, it would only be appropriate to conclude that a decline in the cost of remittance transactions would propel senders to send more, but Freund and Spatafora (2008) in a national study, found that the total amount of money remitted is not affected by a decline in the amount transaction cost of remittances. Whereas, Unescap (2019) has a contrary opinion, when they found that a negative cost-elasticity is associated with a transaction cost of remittances, in line with the law of demand, the lower the price, the higher the quantity demanded. This was also proven in research conducted by Gibson et al. (2005) when they concluded that a reduction in the cost of remittance transfer would lead to an increase in the amount of remittance transfer.

In their study, it was noted that if competing remittance companies reduce the cost of sending and receiving remittances, they are more likely to get more patronage than companies with a higher cost of remittance transfer, because the reduction in their rates of remittance transfer would attract remitters incurring higher costs of remittances transfer elsewhere. The same conclusion was made by Aycinena et al. (2010), in a paper conducted on remittances between the United States and El Salvador, where it was discovered that a $1 reduction in the transaction cost of sending remittances would motivate senders to send $25. The rationale for this action is said to be the altruistic nature of the people abroad to provide for their loved ones at home, hence instead of keeping the excess from the reduction in the cost of remittance transfer, they would rather spend it on their loved ones back home.

One of the shortfalls of the Aycinena et al. (2010) paper, includes that the authors did not consider informal transfer channels, that is they did not compare nor mention the cost of remittance transfer in the informal markets. The scope of their paper was centered on the cost of official remittance transfer costs from the United States to El Salvador. In other words, comparing the cost of remittance transfer on informal channels would greatly affect the outcome of the paper, in that the authors would have provided the readers the basis for comparing whether the reduction in the official cost of remittances transfer, equates or becomes lower than that of the cost of remittances transfer on informal channels. Hence, giving another basis responsible for an increase in the amount transferred through official channels because of the decrease in cost. Intuitively, remitters would rather patronize official channels of remittances transfer if the cost is equal to or lower than that of the unofficial channels. Per (Gibson et al. 2005; Aycinena et al. 2010; and Unescap 2019), reducing the official cost of remittances transfer would also lead to a decrease in the cost of unofficial remittances transfers channels, if not eliminate.

Reducing the cost of formal remittances is not only beneficial to the recipients but also beneficial to the national economy as well as the global economy. The reduction in transaction cost of remittances means that the unofficial channels would fizzle out of business, thereby eliminating the risks involved in the transfer of remittances through the unofficial channels, which in effect leads to more transparency in the system as all official remittances transfer would be properly documented and decision-makers would have reliable data to make informed policies. Unfortunately, despite all that has been documented regarding the advantages of a reduction in the cost of remittances, we find that the cost of remittance transfer internationally is still very high.

The cost of sending money all over the world varies according to regions and countries. Sub-Saharan Africa pays the most in transaction cost for sending remittances while the lowest amount in transaction cost is available in Asia (Freund and Spatafora 2008). Critical to the discourse on official sending channels is the amount it takes to send funds from a sender country to another. According to the (World Bank, 2016), the Sustainable Development Goals (SDG) of the United Nations aims to achieve a 3% rate for the sending of $200 and a 5% maximum on all remittances sent. As it stands now, the average amount it costs to send U. S. $200 around the world is 6.75%, with Sub-Saharan Africa having the highest rate for sending U. S. $200 with about 9% rate (World Bank, 2020). The World Bank is presently working closely with the G20, having adopted the motion set by the G8, to ensure the improvement in remittance flow and to ensure that the cost of sending money is reduced. Despite these efforts at reducing sending costs, remittances have continuously remained very expensive to send, therefore leading to more migrant workers subscribing to informal channels for sending money.

Several reasons are responsible for the high cost of remittance transactions. In research conducted by Unescap (2019) on remittances in the Pacific SIDs, a region that is documented to have sent U.S.$688.5 through remittances transactions in 2017. It was garnered that some of the factors responsible for high costs of remittances transfer include de-risking practices, the small size of the transfer to that region, and the geographical location. In terms of de-risking, small and local banks face the threat of termination and restriction of business from the World Bank, for several reasons, which includes that their governments cannot make strong financial policies to back them up, thereby they become vulnerable, more so, the costs and benefits of running financial institutions in that region is not encouraging.

On the second factor responsible for the high cost of remittance transfer in the Pacific, AUSTRAC (2017) found that in a period of one year, 75% of the transfer from Australia to the Pacific was for less than $330, which is below global average payment that stands at $650. While half of the remitters sent less than $2,451 within a year. They also found out that those that sent huge sums of money do not do so frequently.

The third reason that was given by Unescap (2019) for the high remittance transaction cost is the geography of the region. For instance, the Pacific is made up of small islands that lack the relevant infrastructure needed for these financial institutions to survive. Due to the lack of infrastructure in these distant places, investors have little or no interest in committing funds to develop financial institutions in the region, because such endeavors would not have the capacity to yield relevant returns on investments, capable of keeping the business running. This third factor is mostly the fate of some developing African countries, where financial services are little or non-existent around them, due to their location and infrastructural development, like lack of good road access, electricity, and basic amenities.

As part of the reasons for the high remittance prices, are also factors relating to the cost to the providers of remittance services. (Ratha and Riedberg 2005; Ghosh 2006), noted that there is a huge cost required as a capital requirement to start up the business, along with stringent license requirements, make it difficult for smaller companies to venture into the business. Some of such other costs are itemized as follows: Staff, location costs, marketing, administration, technology/telecom, anti-money laundering, foreign exchange risk, and supply of currency and security.

The staff remains one of the most important factors for running a business. In developed countries, the costs of maintaining company staff are higher than in developing countries. More so, the more qualified the staff are, the more their remuneration and the better the quality of services they render to customers. Hence, companies that intend to offer the best services have to commit huge sums of capital to human resources, to acquire, train and retrain them. At the end of the day, the consequences are borne by the final consumers.

The location of the business goes a long way in determining the success of that business. For companies that want more customers, they need to invest in a location that has a higher concentration of people that are likely to patronize. Such buoyant locations are usually metropolitan areas where the cost of acquiring and maintaining office space is expensive.

Marketing is one of the factors that a company that intends to remain in business needs to invest in to stay afloat. There is a lot of competition in the market, hence a lot of money needs to be invested in publicity to put the name of the company in front of prospective clients. At times when the company is also running promotions, it is an adequate advertisement that would get those products to the attention of those that would benefit from it. Administrative cost also includes anti-money laundering costs. Some of which became rampant as measures that were put in place after September 11, 2001.

Technology is a very important tool that companies in the 21st-century use to thrive. The world has gotten to a stage where people are looking for faster and more effective ways of doing things. Therefore, for a business to survive, it must invest in cutting-edge technology that would ensure that it gets an upper hand over its competition. Foreign exchange risk and supply of currency is also a major factor, in that the sending currency might be different from the receiving currency. Hence, in the process of converting the sent currency to the local currency, the transaction company would factor into the cost, the risk of foreign exchange to make a profit. Security costs in developing countries are significant because most of the remitted money is disbursed as cash at hand. Unlike online transfers which are online and incur a little cost.

2.2.4 Financial Inclusion

According to Rangarajan, "financial inclusion may be defined as the process of ensuring access to financial services and timely and adequate credit where needed by vulnerable groups such as weaker sections and low-income groups at an affordable cost" (Rangarajan Committee, 2008 pp.12). Key elements in this definition are that affordable financial services should be made available to poor people. This definition is in tandem with Ramananda et al.'s (2015 pp. 13) submission when they identified three elements of financial inclusion, include "having access to banking services, access to affordable and timely credit and access to financial literacy programs that educate the people about a healthy financial life". Irrespective of the enormous amount of work that has been carried out on financial inclusion and macroeconomic outcomes, there is still a huge dearth of research in this arena (Demirguc-Kunt et al. 2017).

As noted in Ramananda et al. (2015), there is the demand and the supply side of financial inclusion. The supply side of financial inclusion involves the provision of access to financial services by financial institutions to all qualified individuals to take advantage of and utilize. This involves but is not limited to the creation of credit facilities, no matter how small, the opening of bank accounts, etc. By this, there could be a supply of financial services but with people not taking advantage of them. Kumar's (2005) research focused on the number of people that have taken advantage of financial services in Brazil. In her study, she found out that, of all those who do not have bank accounts that she sampled, a third of them did so deliberately because they claimed they did not need it. Be that as it may, the financial services and potentials for economic growth and development that come along with financial inclusion are present. On the other hand, the demand side of financial inclusion revolves around people not having access to fundamental financial services from financial institutions. By this, the said populations are cut from economic inclusion, because lack of such access means stunted growth and development. In these two instances of the demand and supply sides of financial inclusion, our focus for this work would be the demand side.

In 2014, it was reported that in sub-Saharan Africa, about 54% of the adult population are said to be without a bank account, while about 14% have one mobile money wallet or the other (Demirguc-Kunt et al. 2017). A World Bank (2019) paper also reported that in 2014, 43% of adults in sub-Saharan Africa had a bank account, while 34% of eligible people had access to mobile money service providers. These statistics show that there is a vast number of people in sub-Saharan Africa still experiencing financial exclusion. Before now measurement of financial inclusion base on cross-country analysis implies the use of proxies that shows more financial development than inclusion (Beck, Levine & Loayza 2019). There were series of indicators made available by Beck Demirgüç-Kunt & Martinez Peria (2005) which is concerned about accessing financial services, with the help of a loan, average deposit, loan size, and forecasted share of the family with a functional bank account, a small data from were used for the family share of bank account, reducing this on the list of deposit account for each 100,000 and list of average account size in US dollars.

Because this particular measure points directly the using formal savings and transaction services, this is seen as the most effective indicator to use in evaluating the use of financial services and is useful here. Adopting this element will define the dimension of time needed. The frame of time for each country is one year which gives room for cross-sectional assessment.

2.2.5 Inequality Remittances

Several studies have been conducted on the distributive effect of remittance by a comparison of income distribution with or without remittances (Barham & Boucher, 1998; Knowles and Anker, 1981) or by breaking down the income sources inequality measures (Stark, Taylor & Yitzhaki, 1988; Adams & Alderman, 1992). The findings of these studies are conflicting regarding the effect of remittance on inequality. A theoretical explanation of these findings was provided by Stark, Taylor & Yitzhaki (1986). They submit that rural out-migration at the initial stage is often very expensive and risky. The Risk and cost are often higher when it has to do with international migration.

Inequality exists between people, countries, and regions, the deposit banking industry is the major cause of inequality, among others. Exposure to financial services is considered the appropriation of the rich and the luxury of the poor. Statistics provide that exclusion from official and unofficial financial track represents 90% of the world population (Gautam 2019). Demirgüç-Kunt et Klapper (2012a), contend that 94% of adults hold accounts in high-income economies compares to 23% in Africa. Understanding that 2.5 billion adults are prevented from banking services and that about 200 million SMEs in developing countries are unable to access financial services and credit at a reasonable cost. The World Bank on October 11, 2013, came up with the global objective of universal access to financial services. The ability to achieve these goals is a giant step toward global financial inclusion, in an environment where everyone can access financial services, they need to grab the opportunity to reduce vulnerability and inequality (Banque Mondiale, 2013).

Inequality, the search for greener pasture, and the desire for wealth lure men to move from developing countries to develop through sometimes the riskiest routes like crossing the sea, leaving behind families and relatives with the vision of improving their living conditions through remittances. The is also inequality in the distribution of the migrants as well as the recipients of remittances.

Studies in developing countries have shown that the majority of migrants in developed countries are male (Hughes et al. 2007; Deere et al. 2015). By virtue of population, men are likely to remit more than women in these places. However, there have been found, several conditions that propel women to remit more than men. Curran (1996), in interesting research on gender and remittance trend among siblings in Thailand, noted that the female child is more likely to remit more, as a way to garner support for inheritance, while the sons have nothing to prove, as inheritance is their birthright. Reliable sources such as (IOM, 2005; UNDP, 2009) were of the position that irrespective of the age difference between males and females, in general women remit more than their male counterparts. Data research on gender and remittances in both sender and receivers is relatively scarce, some that have attempted such projects include (Pfeiffer et al. 2008; More et al., 2008). It is very difficult to gather data on the gender of recipients of remittances from abroad, as the sender may send to a variety of family members, making it difficult to keep track of who makes use of the remittances (Deere et al. 2015). In addition to that, scholars like Wong (2006) have found that there are always discrepancies in the data on the amount which recipients of remittances get from their relatives abroad. For instance, a lot of recipients do not want it to be known that they were sent money, let alone reveal how much was sent. These further complicate efforts at conducting comprehensive research on gender and remittances.

Orozco et al. (2005) in their survey on remittances, discovered that female migrants are less likely than their male counterparts to have bank accounts in both their countries of origin and the countries they live abroad. By this, the chances of female migrants having savings are slim, let alone acquiring assets. The same things happen to their potentials for women's empowerment because the tool for major gains is not available to them.

Marital status plays a key role in determining the amount women remits, as shown in studies such as (Muliaina, 2005; Afsar, 2011). In a study on Samoa migrants in New Zealand, Muliaino found out that most of the women that were surveyed were single and remitted most of their earnings, but as soon as they got married, they remitted less, because after marriage they focused on their immediate family instead. Other studies such as Petrozziello (2013), also support the notion of families preferring to have female migrants over the male. Despite the increasing rate of migrants from Africa to the rest of the world, the rate of female migrants compared to their male counterparts is still relatively low (Deere et al., 2015). Meaning that, if migration leading to the inflow of remittances is considered a panacea for development, gender inequality would continue to thrive at the expense of women.

In developing countries, income is not well distributed among women as it is with men (Davies, 2008), this is because of some factors which include that most developing countries, particularly those in Africa are patriarchal, hence decision making regarding a lot of factors that lead to wealth generation is in the hands of men. Therefore, financial inclusion with remittances as an avenue would help achieve sustainable development goal 5 of gender equality, as more women have access to more finances, leading to more savings opportunities, thereby bringing about development. According to Kabeer (1999), to achieve women empowerment, that is, for women to be able to do and achieve what they have prior been denied the ability to achieve, they must possess command over resources, and one the easiest means to the said resources is through easy and uninterrupted access to remittances from migrants abroad.

Chapter 3

3.1 The Present State of Sub-Saharan Africa

Sub-Saharan Africa according to Chen and Ravallion (2004) in their World Bank's policy research working paper on the world's poorest people since the early 1980s, described the people of Sub-Saharan Africa as having the greatest depth of poverty and the region with the greatest incidence of extreme poverty. By this matrix, they were referring to the people set of people in the world that live on less than $1 per day. Therefore, one of the perennial problems faced by Sub-Saharan Africa is how to reduce poverty (Odozi et al., 2010).

More than 24% of the world's poorest people live in Sub-Saharan Africa (World Bank, 2010). In 2019, the World Bank also reported that the population growth in Sub-Saharan Africa is put at 2.6% annually, leading to about 130 million more poor people in the sub-region. The same region where more of the world's poor live in 2015, a figure more than that of the rest of the world combined. The World Bank further predicted that with the trend of things, come 2030, the figures of poverty in Sub-Saharan Africa are expected to remain at double digits. To make matters worse, the resources to alleviate poverty in the region are either insufficient or lacking. In addition to that, the World Bank (Ibid) also estimates that with a 151 million youth population of people between the ages of 15-24 years old, Sub-Saharan Africa needs to be creating a minimum number of jobs of about 15 million annually. A figure difficult, if not impossible to come by, hence the majority of the people will remain poor. Furthermore, all other parameters for measuring poverty would continue to rise, such as Gross National Income per capita, Gross Domestic Product per capita growth, life expectancy at birth as well as literacy level. Out of 840 million people in the world with no access to electricity, you would find 570 million of them living in Sub-Saharan Africa (World Bank, 2019).

The concepts of migration and remittances are not mutually exclusive (Adeagbo et.

al., 2014), and this study also underscores that idea. Every scholarly work on remittances cannot be complete without active or passive reference to migration, because without migration, there would be no need for the discussion on remittances. Several scholars such as (Kapur 2004; Odozi et. al., 2010) have posited the importance of remittances to development, for instance, Kapur (2004) referred to remittances as the 'new development mantra'. Meaning that Kapur, as well as many other scholars, examined in this paper see how resourceful remittances can be in bringing about development to the recipient country. Regarding the relationship between migration and remittances, (Gustafsson et al., 1993) in a study conducted on a migrant from Lesotho, predicated remittances is a strategy for poor households to liberate themselves from poverty and hardship. The money sent by their migrant relatives abroad, be it from the nearby neighboring country of South Africa or countries beyond the Atlantic, goes a long way in helping the households cater for food, shelter, and what have you. The above point helps strengthen the link between remittances and migration, while the following part of this paper will focus on the connection between remittances and financial inclusion. Particularly on how financial inclusion could propel remittances to lead to socio and economic development in Sub-Saharan Africa.

Having established that the poor in developing countries of the world, such as those in Sub-Saharan Africa depend a lot on the remittances sent by their migrant relatives abroad for their survival. It becomes necessary for a paper like this to fill the gap in the literature of addressing how remittances could be put to good use to achieve socio and economic development. The answer to this is financial inclusion. The thesis here is that an increase in financial inclusion will lead to an increase in remittances, thereby showing a positive relationship. By this, several other positives would also come to the fore, which include first and very important, a reduction in the cost of remitting by migrants. Another positive impact of financial inclusion in the development of the financial sector of the economy. Financial inclusion will also lead to the enlightenment of the people, in that they would become more conversant with the offerings in terms of savings and financial resources available through the financial institutions. Financial inclusion and remittances would also lead to the development of rural areas, in terms of the creation of jobs. Financial inclusion also can improve infrastructure such as technology and amenities like roads.

Unfortunately, out of all the regions of the world, Sub-Saharan Africa pays the highest cost in remitting money, (World Bank, 2012; Atanda et al. 2014) it is, however, ironic that this region happens to be one of the poorest in the world. Several factors are however responsible for the high cost of remitting the money in this region, which includes lack of development infrastructure (Irving et al. 2010), mistrust of the migrant towards financial institutions (Ratha et al., 2005), it creates an alternative to money laundering (Shehu, 2004), particularly because it is believed that such avenues are used to finance terrorist organizations, hence, strict measures were implemented after the September 11, terrorist attacks in the United States (Miambo, 2004).

3.2 Remittances and Brain Drain Syndrome

The major argument against remittances to Africa is brain drain. A discussion about remittances without mentioning its major kickback, remittances, is incomplete. Brain-drain which can also be referred to as capital flight is a deliberate decision to migrate to another country, by professionals in a particular country, who feel that their skill is not adequately rewarded. The idea of brain drain is adequately summed up by the pull and push effect of international migration (Adesote et al. 2018). Most of the people that migrate and get to send a huge number of remittances are mostly from developing countries such as those in Sub-Saharan Africa. These countries are faced with several political and economic vices such as political instability, corruption, lack of infrastructure, lack of basic social amenities, and the likes. A country experiencing such is going to lack the capacity to retain her skilled labor, hence these professionals such as doctors, engineers, architects, lawyers, seek better pay and better life elsewhere where they would be paid and compensated better than in their own country. The countries of the western hemisphere provide them with political stability, great working condition, good pay and compensation, and many other great pecks which makes migration attractive to these skilled workers.

The number of African-trained professionals leaving the shores of the continent for developed countries of the world such as the United States, United Kingdom, and Canada is alarming. Emeagwali (2008) citing the World Bank, stated that an estimate of about 70,000 Africans that are skilled leave Africa for the United States and Europe, every given year. These professionals aim to search for greener pastures elsewhere. Hence, schools in Africa are now only serving as training grounds for professionals such as doctors and engineers working in Europe and the United States of America. (Adesote et al., 2018) citing Onsando mentioned that Africa loses $4billion yearly to recruit 100,000 expatriates from developed countries to serve on mere technical assistant tasks in Africa because the African skilled laborers that could have carried out this service have already left the shores of the country.

While it is convenient to say that the number of remittances that these professionals remit back to Africa should compensate for the brain drain, several African scholars have argued against this notion. Dolvo (2008) posited that if those who should stay behind in [Sub-Saharan] Africa keep traveling out to other countries in search of greener pastures, then the continent of Africa would remain in poverty, social and political unrest and there would continuously be hunger in the land. Similarly, (Adesote et al., 2018) also stated that it would be difficult for a country to develop if the best brains in the land keep leaving for other countries to get a better standard of leaving. Dolvo (2008) further added that the "feedback loop" of the gap caused by the departure of these professionals, further propels others too to also want to leave, because as many professionals, the number of people expected to develop the system keeps reducing, hence the condition in Africa continues degenerate. Which is the same thing Onsando (2007) meant when he said that the high rate of HIV/AIDS in Africa is caused by the lack of a sufficient number of African professionals (doctors) to fight the deadly disease, as most of the doctors that should have been carrying out this responsibility have all left the continent.

For a nation to retain its skilled labor in their country after training, Dolvo (2008) stated several strategies, which include but are not limited to firstly, incentives and motivation systems. Better salaries are the major reason why these skilled professionals leave their country for other countries. According to UNCTAD (2012:88), "the pay gap is such that salaries in developed destination countries are sometimes 20 times higher than in LDC countries of origin". Therefore, to keep these skilled laborers, there is a need for an adequate and better incentive and motivation system to be put in place. That way, before pondering on the decision to leave in search of greener pastures, the skilled laborer would consider of the pasture abroad is green enough. Secondly, export management is a very effective method for ensuring that the effect of brain drain is reduced if not eliminated. This strategy involves the skilled labor agreeing with his/her home country to remit a certain percentage of their earnings back to their home country. Eritrea for instance has such a system in place. Thirdly, extended retirement ages would also encourage skilled workers to stay behind in their country of origin. In most countries, there is compulsory retirement age, therefore to encourage more skilled laborers to stay behind, there needs to be an extension of retirement age beyond that of choice destination countries that these skilled laborers would have migrated to for work. Fourthly, compulsory service schemes are also another effective way to prevent skilled workers from leaving the country. This can be achieved through an agreement by the education system and the professional bodies, that no trained professional can leave the country for a certain number of years after training, hence there must be mandatory service in their country of origin after schooling. Fifthly, return management, which implies encouraging professionals all over the world to return to their country of origin, to help develop the place.

Both the governments of countries in Sub-Saharan Africa and the International Organization for Migration (IOM), should intensify efforts on this strategy.

Haven established that brain drain continues to put Sub-Saharan Africa in continuous degradation, this paper also admits that a huge amount of money is being remitted by these professionals from all over the world to Sub-Saharan Africa. However, the problem of proper utilization of remittances in the region persists. Therefore, this paper recommends financial inclusion as the way forward, in ensuring that the impact of brain drain on Sub-Saharan Africa is adequately cushioned by the effective utilization of workers' remittances.

3.3 Remittance and Financial Inclusion

Evidence from the literature suggests that developing countries are the main beneficiaries of remittance. A study conducted by Freund & Spatafor (2008) and Giuliano & Ruiz-Arranz (2009) found that remittance has the complimentary power on investment if channeled into productive activities with a higher return on investment if there is an operational financial system. This is not generic as other studies hold contrary opinion when they opine that no matter the channel being used, remittances contribute to financial development as well as economic growth (Mundaca, 2009; Demirgüc-Kunt et al., 2011; Rao & Hassan, 2011; Aggarwal et al., 2011)

Specifically, Demirgüc-Kunt et al (2011) submit that remittance increases financial development because of the positive linkage between remittance and savings which increase bank credit by extension. In the same vein, Mundaca (2009) claimed that there is a need for complementarity between remittances, financial inclusion, and ultimately financial development to promote economic growth. This agrees with the position of Nyamongo et al. (2012) who studied Sub-Saharan African. In contrast, Karikari, Mensah, & Harvey, (2016) with a focus on the direction of causality between remittance and financial inclusion with data generated from 50 selected African countries, found that there is a cyclical relationship between remittance and financial development; while remittances promoted some aspects of the financial inclusion, and inclusive financial system increases the receipt of remittance.

A country-specific study was conducted by Oke, Uadiale & Okpala (2011) and identified some elements of controversy, they investigated the relationship between remittance inflow and development of the financial sector with a focus on Nigeria. They used data from1977 to 2009. They found that remittance inflows have a positive effect on financial development across all the variables used except the ratio of private credit to GDP. In a similar study, Chowdhury (2016) examined how financial sector development has benefitted from remittance inflows in Bangladesh. He used the co-integration analysis and vector error correction model were to test the relationship between remittances and financial development. His finding was that Bangladesh's financial system has benefited from the increase in remittance inflows. Despite this noble analysis, some scholars disagree with the argument for the impact of remittance on financial inclusion, for example, Bettin, Lucchetti & Zazzaro (2012) adopted a behavioral model of household's remittances to discuss the implication of financial inclusion in the home country, with particular regard on decisions to remit and how much to remit. Using the Longitudinal Survey of Immigrants to Australia (LSIA) selected among legal immigrants who moved to Australia between 1993 and 1995, the study submits that a seriously inefficient financial sector in the home country may compromise immigrants' trust and induce them to consider it too risky to transfer large amounts.

Contemporary studies were concerned about the direction of causality between remittance and financial inclusion. For instance, Chowdhury (2016) with the aid of dynamic panel estimation found that remittance can be effective for promoting growth except for financial variables. They argued that a more inclusive financial system attracts more remittance, this is a finding that would come in handy for effective utilization of remittances in Sub-Saharan Africa. In the same vein, Fromentin (2017) examined the relationship between remittances and financial inclusion in Latin America and the Caribbean nations using the panel noncausality test and the Granger causality test. He found that there is a positive significant and bi-directional relationship between remittances and financial inclusion. Therefore, this positively significant relationship holds that more financial inclusion would lead to more remittances and vice versa. This further confirms the hypothesis of this paper and ultimately the research objective.

Similarly, a country focus study was carried out by Khurshid, Kedong Călin & Popovici (2017) indicate the direction of causality between remittance and financial inclusion. At the end of a comprehensive causality test, they found that a unidirectional causal relationship exists, and it runs from financial development to remittances.

In recent times financial inclusion is found to be a significant aspect of financial development, hence, some studies are concerned with the linkage between financial inclusion and remittances in developing countries. Toxopeus & Lensink (2007) used system equation estimates to examine if remittances have a developmental effect through financial inclusion in developing countries. They found that remittances contribute to development through financial inclusion. Also, Anzoategui, Demirgüç-Kunt & Martínez Pería (2011) investigated the link between international remittances and financial inclusion in El Salvador by using aggregate data on bank credit and deposit amounts over the period 1975-2007 for 109 developing countries. They reported evidence of the relationship between remittances and financial inclusion.

Again, Aga & Martinez Peria (2014) employed survey data, including about 10,000 households in five Countries—Burkina Faso, Kenya, Nigeria, Senegal, and Uganda to understand the role of remittance on financial inclusion in the selected five countries. They found that international remittances increase the probability that the household opens a bank account in all the five SSA countries. But Chowdhury (2016) with a focus on the country examined the role of remittance official and non-official financial services with the use of Mexican household data. Their finding shows that remittances greatly influence the ownership of savings account.

Englama (2007) posited that if informal remittances channels are formalized, this would lead to a 25.0% increase in the inflow of remittances. And how best do we formalize these informal channels of remittance inflow than financial inclusion. This would include but is not limited to having the numerous people living in the rural areas that have little or no access to financial services be provided with such access through sensitization of the rural populace on financial services, such as the advantages of opening and having a bank account. The advantages of keeping their money in the bank, how they can secure loans and investments for their agricultural businesses such as farming and a host of others. This would lead to tremendous development in the remote areas of Sub-Saharan Africa that have been deprived of several such life-coping facilities. Furthermore, the financial inclusion of previously deprived areas of Sub-Saharan Africa would mean that they can now have opportunities for direct access to remittances from their migrant relatives and non-relatives abroad. The use of middlemen to access remittances by people of Sub-Saharan Africa facing financial exclusion would also lead to the reduction in the cost of remitting monies which is higher in the sub-region, compared to any part of the world. This is largely because as many people in Sub-Saharan Africa start having access to remittances using formal means, competition will arise among remittance businesses, which would in effect lead to a reduction in the general market price remitting money to the sub-region, as the businesses involved would try to compete for the available market. This is what made Gustafsson et. al. (1993) posits that financial exclusion will lead to a reduction in the cost of sending remittances in Sub-Saharan Africa.

According to Adesote et al. (2018), remittances make up about 20% of African Gross Domestic Product, meanwhile, this figure refers only to formal remittances. Because it is believed that more than half of the remittances to Africa go undocumented for several reasons including the high cost of remitting money to the continent. Adepoju (2004) stated that US$618 million was sent by the home to Senegal by 2.5 million migrants, making up one-third of the country's budget that year. The figure is far higher now, but still, informal remittances do not makeup part of this figure. The remittances entering Nigeria through informal means are more than the figures being recorded (Adeagbo et. al., 2014). Therefore, if efforts at improving financial inclusion in Africa is put in place, the figure of African Gross Domestic Product is meant to increase to about 40%, with a huge chunk of it going to Sub-Saharan Africa, because one of the top remittances receiving country in the world, Nigeria is in the sub-region of Sub-Saharan Africa. The 'Giant of Africa', according to the World Bank (2014), received about 20% of global remittance inflow and about 65% of the total remittance to Africa. An attestation that the funds are available for the sub-region just needs to be put to effective use, as the government presently has no visible strategic action toward effective utilization of remittances, that is a factor which this paper attempts to address.

Ekwe (2014), argued that foreign capital inflow had a positive effect on economic growth. He used data collated from the World Bank, Nigerian Bureau of Statistics (NBS), as well as the Central Bank of Nigeria (CBN), to determine the performance of the economy because of remittances inflow, between the years 1982-2012. Laniran et al. (2015) on the subject matter posits that remittance leads to economic growth in developing countries as the former has become a source of finance to many developing countries of the world including those in Sub-Saharan Africa. In their work, they discussed a robust relationship of high remittances inflows into developing countries, having the potential to reduce poverty. Their paper focused on strategizing on how to increase the number of remittances to developing countries. They believe that increasing remittances would increase consumption, increase savings, bring about economic growth, and eventually develop. This is in line with an IMF (2020) report finding, which states that when there is an increase in the remittance-GDP ratio, this would increase the usage of formal channels, thereby leading to financial inclusion. To achieve this increase in remittances inflow to Sub-Saharan Africa, the bulk of unbanked people need to be reached and access to financial facilities made available to them. This would ensure that unbanked people who have little or no access to financial services and depend on third-party agents to access remittances, would be able to cut off the services of middlemen and agents. This singular action has the potential to drastically bring about a reduction in the cost of a remittance transfer to the region of Sub-Saharan Africa, and that would also guarantee that the number of informal remittances in the region would decrease substantially. The likes of scholars like Docquier, Rapoport, and Shen, 2007), also support the aforementioned on remittances and economic growth.

Remittances that are sent through banks can enhance savings and investments and better improve the economy (The World Bank, 2005). Statistics in support of that state that receiving remittances has the potential to increase savings among the recipient by 10.2% to 11.3%, according to Li et. al. (2014). In a study on how remittances foster financial inclusion in Mexico, Li et. al. (2014), in a quest to find out if remittances foster financial inclusion, discovered that remittances sent home by migrants have the potential to increase savings among recipients. This is because they believe that the recipients of remittances might be prompted to keep part or all of the remittances that they received in a financial institution in form of savings to tackle a future anticipated expenditure, unforeseen contingencies, or just for savings sakes. Either way, the money received through financial institutions might be kept there for safe keep, rather than keeping at hand or other conventional means of savings practiced in Sub-Saharan Africa.

As part of the justification that remittances bring about growth and development, Li et. al. (2014) discovered that receiving remittances has the potential to increase the usage of a bank branch by 11.0% to 18.8%. When recipients of remittances realize that they can have access to the money sent to them from abroad, within their vicinity, there is a high likelihood that they are going to want to patronize such facilities as the bank branch within the closest proximity to them. By bring the bank's branch closer to the people, some level of development would have gotten to them. As the establishment of such institutions would mean access to financial facilities such as loans, the opportunity to save, and to get credit facilities. All these could be used by the beneficiaries to develop their businesses and improve their sources of livelihood. Bringing these financial facilities to the people in the rural areas where there is a huge population that previously had little or no access to such facilities, would translate to the creation of more job opportunities for the citizens. The members of the communities that would be served at these financial facilities would be attended to by trained staff who would be able to earn a living from their service. In the same vein, this effort would mean that there would be improved technology in the affected areas because their financial institutions would require such for their day-to-day transactions. At the end of the day, the affected communities would become better off in terms of growth and development (Toxopeus et al. 2007). This is what also prompted (Fayomi et al., 2015) to argue in their paper which investigated the impact of remittances from Ghana on Nigerian recipients in Nigeria. Their finding was that improved infrastructure is a catalyst for attracting more remittances into the country. In another study by (Aboulezz, 2015) who investigated the connection between remittances and economic growth in Kenya, he found out that remittances sent to Kenya had peculiar capabilities to affect economic growth in the country.

In Sub-Saharan Africa, the literacy rate is said to be very low, considering that a lot of the professionals are whisked away by companies in the western hemisphere who promise them a better standard of living, better, better work and retirement opportunities, better general wellbeing both on and off work. Therefore, the bulk of the people remaining in Sub-Saharan Africa are either not skilled enough for the job opportunities in the western hemisphere or are just waiting for the right opportunities for them to leave the sub-region. Either way, the literacy level of people in Sub-Saharan Africa would continue to be abysmal.

According to UNESCO (2019), the literacy level in Sub-Saharan Africa is very lower. As they show figures of out-of-school children from Sub-Saharan Africa to be at the rate of 32 million, a figure of more than half the number of out-of-school children all over the world. This figure also means that out of every five out-of-school children all over the world, at least one of them lives in Sub-Saharan Africa. Therefore, the highest rate of children of primary school age experiencing exclusion is the highest in the region with 19% of the total living in Sub-Saharan Africa. The highest rate of adolescents that are out-of-school, 37%, making up 28 million also live in Sub-Saharan Africa. In addition to that, more than half, 58% of all the youths in Sub-Saharan Africa are out of school. Unfortunately, the majority of the gender represented in these figures is the girl child, because as it stands, 4 million girls compared to 2 million boys will never attend school in Sub-Saharan Africa. The figures above have been consistent in the course of the last decade and it, unfortunately, threatens to continue that way if something is not done urgently. However, the opportunities embedded in financial inclusion have the potential to drastically ameliorate this shortfall. This is because, in the process of access to financial services, people are exposed to numerous financial services such as loans, mortgages, savings, and investment opportunities which requires them to be in the know to take advantage of the benefits. Some of the knowledge acquired through financial inclusion could be applied to their everyday life, through their savings and investments decision as well as their entrepreneurial endeavors. To buttress this, (Orozco and Fedewa 2005), posited that financial inclusion increases literacy level by 10%.

The majority of the points made in this section are based on remittances and financial inclusion from the recipients' perspective, whereas remittances and financial inclusion could also be considered from the end of the migrant sender abroad. This is because majority of the migrants abroad have no formal documentation. A lot of developed countries that are choice destinations for migrants from Sub-Saharan Africa have strict immigration rules, for example, the Trump administration in the United States of America. Therefore, migrants overstay after the expiration of the visa without formal documents thereby risking being caught and deported. To avoid being deported, these migrants take up menial jobs that are sometimes below their skilled level just so they could make ends meet and send money back to their country of origin. To avoid being deported, these migrants either avoid financial inclusion because they do not have the minimum balance being requested by financial institutions in their host countries because the jobs they do does not pay enough to afford such luxuries or they do not have the legal identification documents to open and maintain a bank account (Ratha 2003), either way, they would be compelled to patronize informal methods of remitting money to the countries of origin, which would also translate to their relatives' patronizing informal methods of remittances retrieval to access the funds sent to them from abroad. In the long run, remittance transaction costs continue to be high, and informal remittances figures continue to be higher than that of formal remittances.

Financial inclusion can be actualized through the effective use of emerging financial technologies, popularly called fintech (Hughes, 2021). Example of such fintech technologies includes Blockchain, online mobile banking, cryptocurrencies, and the like. In Africa, many countries have turned to cryptocurrencies such as Bitcoin and Ethereum as a store of value because their countries have failed in implementing policies that would lead to the appreciation of their country's currency. From 2017 to 2018, a lot of these African countries turned to cryptocurrencies as a store of value, notable among them are Zimbabwe, which at a time had the highest amount for Bitcoin in Africa and Nigeria. In Nigeria, there was a 1500% increase in the use of cryptocurrency, a figure that was only beaten that year by the most populous country in the world, China.

Vrajlal (2018) posited that these technologies have the potential to reach underserved communities as it is being done presently in countries like India, Brazil, and Nigeria. According to the author, one of the reasons for financial exclusion is that a pocket size financial transaction using conventional financial services costs a huge amount of money which people living in rural areas in developing parts of the world such as Sub-Saharan Africa might not be able to afford. But with the advent of emerging financial technologies, some of the financial transactions that cost a substantial amount of money, become reduced to close to nothing with fintech. The major kickbacks by governments in Africa against the use of cryptocurrencies and most places in the world is its lack of a central regulatory body, its purported potential to 'make rich quick', as well as its complex technologies. Ecobank (2018) in a study of 39 African countries and their stand on cryptocurrency, only two, South Africa and Swaziland have favorable policies regarding the use of cryptocurrency in their countries. Whereas, in Sub-Saharan Africa, countries like Burundi, Namibia, and more recently Nigeria, have gone ahead to ban the use of cryptocurrency, thereby stifling the possibilities of the acceptance of emerging financial technologies and their benefits to financial inclusion in underserved populations and the subcontinent of Sub-Saharan Africa. To ameliorate the continuous abandonment of blockchain technologies and cryptocurrencies, lawmakers need to attend to the regulatory questions facing the use of these technologies, to be able to harness its potentials for financial inclusion in Sub-Saharan Africa.

Some scholars (Wahbi, 1991) believe that despite the quest for accurate documentation of informal remittances, the formal remittances to the sub-region of Sub-Saharan Africa, have not been fully utilized. According to Adeagbo (2014), this is caused by some factors which include political instability in the region, irrational and non-formulation of remittances policies, corruption, and bureaucracy, over-reliance on one sector of the economy, insurgency in some parts of Sub-Saharan Africa, such as Boko-Haram (Wahbi 1991; Odozi, et. al., 2010). Hence, what is the essence of eliminating informal channels of remittances? Despite this errorless notion, injecting financial inclusion into the equation means that even if all previously undocumented remittances become formal, but are not fully utilized as have been the case in Sub-Saharan Africa, the goal of financial inclusion would still stand. This is because the financial inclusion would still have brought financial services to financially excluded members of the Sub-Saharan African populace, more bank accounts would have been opened, the people would have become more financially literate, and the people would have had more access to financial offerings through financial inclusion.

Chapter 4

Summary, Conclusion, and Recommendation

4.1 Summary

This paper has qualitatively looked at remittances and financial inclusion in Sub-Saharan Africa and has discovered that policies aimed at financial inclusion of the people are an effective way to utilize remittances in Sub-Saharan Africa. The research objectives were to understand and suggest ways of improving financial inclusion in Sub-Saharan Africa and the findings that followed were able to do justice to these objectives. The findings include that financial inclusion would go a long way in bringing about development in Sub-Saharan Africa because as financial inclusion is built upon, the literacy level of the people would increase, infrastructure would be developed, technology would improve, more people would patronize formal remittances channel leading to more accurate data on the total amount of money that goes into Sub-Saharan Africa, remittances transaction cost would reduce and the people would become better off.

4.2 Conclusion

This paper concludes that, for remittances to be effectively utilized, policies geared towards financial inclusion should be set rolling in Sub-Saharan Africa. This is because as of now, despite the huge amount of money being remitted to Sub-Saharan Africa, the people are faced with the highest remittance transfer cost compared to anywhere in the world, yet Sub-Saharan Africa is the poorest part of the world. Furthermore, MTOs rack in a large portion of the money that would have been sent to people in Sub-Saharan Africa because the high transfer cost discourages many migrants from sending as much as they would have wanted to send back home. The paper also concludes that if the hidden agenda of the powers that be in the global community, which is responsible for the high remittances transfer cost in Sub-Saharan Africa is removed, then the whole of Africa would be better for it and the world, at last, would still benefit from migrant skilled workers who still intend to source for greener pastures in other parts of the world.

4.3 Recommendation

Governments of countries in Sub-Saharan Africa should provide for their migrants, mode of identification abroad which are different from those that are legally acceptable for immigration abroad. By this, migrants from Sub-Saharan Africa would not be financially excluded from the countries they have migrated to because they have fallen out of status. This would mean that migrants that fall out of status would still have means of identification that can be used to conduct legally binding financial transactions such as opening and holding a bank account.

The governments of Sub-Saharan Africa should work towards creating an enabling environment that would attract foreign remittances. This is because of the development effect that remittances have on the economy of developing countries. Hence, countries in Sub-Saharan Africa should borrow from developing countries like Mexico and India who have used remittances to developing their economy.

Governments of Sub-Saharan Africa should ensure that exclusive agreements between her and Money Transfer Operators (MTO), as well as banks, should be outlawed for good. This would give opportunities to microfinance banks and credit unions to compete for a share of the remittances industry, thereby leading to a reduction in the cost of remittances transactions in the region and eventual financial inclusion and all the pecks that come along with it. In short, removing the duopoly of Western Union and MoneyGram would go a long way in helping to ameliorate the problem.

The government of Sub-Saharan Africa needs to hold the global powers of the G7 and

G20, as well as the United Nations Security Council accountable to their word. Efforts need to be collectively intensified by the leaders of Sub-Saharan Africa countries in ensuring that the goal set by the G7 and G20 to reduce remittances transfer cost to as low as 5% for sending $200 to anywhere in the world, as well as the United Nation's SDG to reduce remittances transfer cost to 3% by 2030 is achieved. While there are efforts by some governments in Africa to see that the world powers do this, so far as nothing has changed, then the efforts of governments in Africa, for now, are not good enough. Hence, this paper suggests the boycott of some of the global economic forums and conferences by African governments, to compel these Superpowers to keep to their word.

Due to the lack of empirical data on informal remittances in Africa, an investigation into the number of remittances that go unrecorded in Sub-Saharan Africa remains inconclusive. Efforts need to be taken by the government to ensure that all the findings of this paper are implemented to ensure that unrecorded remittances are tracked and reported. By doing so, data would become available for academic research that would lead to policy formulations.

Chapter 5

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