

## **Analysis of the Sources and Uses of Remittance by Rural Households for Agricultural Purposes in Enugu State, Nigeria**

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**Abstract:** *Remittances play an important role in the development of households at micro level and the development of community or country at macro level and have become an important source of income and foreign exchange for many developing countries including Nigeria. This study analyzed the types, sources and uses of remittance by rural households for agricultural purposes in three local governments of Enugu state. A random sampling technique was used in the selection of respondents. The data was analyzed using frequency, percentages and mean statistic. The study revealed that most of the households surveyed (75.6%) received internal remittance from friends and family members living in other parts of the country and that most of the remittance sent were received quarterly and in form of cash and non-cash items. The most common source of remittance to rural households is through informal means. The problems faced by rural households in receiving remittance were delays in receiving remittance, filling of forms in banks, high bank charges. The remittance received were channeled into various uses which includes livestock production, crop production, medication bills, children's school fees, household consumption, construction work and rent payment. The survey gathered that 64.4% and 53.3% of the interviewed households channel remittance to Crop production and livestock production respectively. The study suggests workable policies should be made to improve remittance flows by encouraging both internal and international migration as remittance sent leads to an increase in capital for investing in agricultural activities which in turn will increase productivity and income.*

**Key words:** *Remittance, Households, Agriculture, Nigeria*

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### **I. Introduction**

Remittances result from migration and are also the most direct link between migration and development [1]. As global migration has grown, so have remittance flows, and so has their potential impact on development. It has become an important source of income and foreign exchange for many developing countries [1]. [2] defines remittances as “money and goods” that are transmitted to the households back home by people working away from their origin communities. Remittances can be sent in cash or kind [3], but usually, the term remittance is limited to indicate monetary and other cash transfers by immigrants to their families at the home country. Remittances reflect local labor working in the global economy and are shown to explain partly the connection between growth and integration with the world economy [4].

Remittances play an important role in the development of households at micro level and the development of the community or country at macro level, they have the potential to contribute significantly to local, regional and national economic development in migrant-sending countries and also play an important role in reducing poverty as they flow mainly to poor and marginalized families [1]. Even in cases where remittances are not a regular part of monthly income, they often act as a safety net in the case of an emergency or special need in the family. Regardless of whether they are sent regularly, or in special circumstances, remittances are generally a stable, reliable and in some cases, longstanding form of economic support to poor households. According to a World Bank report, workers' remittances provide valuable financial resources to developing countries, particularly the poorest [5]. The World Bank also estimates that remittance flows to developing countries exceed US\$ 200 billion [6]. If all remittance payments made through informal and unrecorded channels are included; this figure may be as much as 50 per cent larger [1]. There are two kinds of remittance: domestic or internal remittance and international or external remittance. Internal remittance is remittance sent by migrants living with the origin country while international remittance is international migrant workers' earnings sent back from the country of employment to the country of origin [7]. In the developing world, internal and international migration is often caused by individuals seeking better economic opportunities for themselves and their families. While the total level of internal remittance flows in the developing world is unknown, in 2003 international remittance to the developing world amounted to US \$75 billion [8].

#### **1.1 Problem Statement**

A chronic shortage of finances for farm activities is a widespread and typical characteristic of agriculture in most developing countries. Measures to increase farm income and agricultural productivity have not been successful due to insufficient capital among other things. Although a case has been made for

remittances as a source of income for household savings and investment, with potential growth-enhancing effects and contribution to the improvement of standards of living of rural households, its effect in the study area is not known. A lot of work has been done on remittances and its effect on development generally, but based on literature and information available, proper documentation has not been done on the sources of these remittances to rural households and what percentage of it is put into agricultural uses like livestock production, crop production, processing of agricultural produce, etc.

### Objectives Of The Study

The purpose of the study is to analyze the sources and uses of remittance in Enugu state. Specifically the study seeks to identify the types of remittance received by rural households in the study area, ascertain the sources of remittance to rural households in the study area and problems associated with its collection, determine the various agricultural uses farm households put remittance and determine factors that affect the amount of remittance received.

## II. Materials And Methods

### 2.1 Study Area And Sampling Technique

The study was carried out in three local government areas in Enugu State namely: Igbo-Etiti local government area, Igboeze South local government area and Nsukka local government area. Three communities were randomly selected from the list of communities in the local government. From each of these selected communities, three villages were randomly selected. Five households each were selected giving a total of 45 households for the entire study.

### 2.2 Data Collection

Data for the study was collected by the use of well-structured questionnaires and interview schedule. The questionnaires and interview schedule contained relevant questions based on each of the objectives. The researcher personally administered the questionnaires to respondents. The interview schedule was used to get data from the illiterate farming households and their responses were recorded. The questionnaire was used to get data from the literate farming households.

### 2.3 Data Analysis

Data for the study were explored through the application of both descriptive and inferential statistical tools. Objectives (i), (ii) and (iii) were analyzed through the use descriptive statistics, while objective (iv) was actualized using an Ordinary Least Square (OLS) Regression.

Factors affecting the amount of remittance received was estimated by running an OLS regression of the form:

$$y = \beta_0 + \beta_1x_1 + \beta_2x_2 + \beta_3x_3 + \beta_4x_4 + \beta_5x_5 + \mu \quad (1)$$

Where:  $Y$  = is the total amount of remittance received

$\beta_0$  = constant

$\beta_1 - \beta_5$  = Parameter coefficients of the explanatory variables

$x_1 - x_5$  = explanatory variables

$\mu$  = error term.

## III. Results And Discussions

### 3.1 Socio-Economic Characteristics of Remittance-Receiving Households

**Table 1: Distribution of respondents according to their Socio-economic Characteristics**

Sex	Frequency	Percentage	Mean
Male	21	46.7	
Female	24	53.3	
<b>Total</b>	<b>45</b>	<b>100.0</b>	
<b>Age</b>			
20-30	14	31.1	
31-40	10	22.2	
41-50	13	28.9	40.42
51-60	3	6.7	
61-70	5	11.1	
<b>Total</b>	<b>45</b>	<b>100.0</b>	
<b>Marital status</b>			
Single	14	31.1	
Married	30	66.7	
Widowed	1	2.2	
<b>Total</b>	<b>45</b>	<b>100.0</b>	
<b>Level of Education</b>			

No formal education	1	2.2	
Primary school	3	6.7	
Secondary school	17	37.8	
Tertiary school	24	53.3	
<b>Total</b>	<b>45</b>	<b>100.0</b>	
<b>Occupation</b>			
Trading	11	24.4	
Civil servant	22	48.9	
Farming	10	22.2	
Tailoring	2	4.4	
<b>Total</b>	<b>45</b>	<b>100.0</b>	
<b>Monthly income</b>			
1000-20,000	24	53.3	
21,000-40,000	14	31.1	
41,000-60,000	5	11	₦24,955.56
61,000-80,000	1	2.2	
Above 80,000	1	2.2	
<b>Total</b>	<b>45</b>	<b>100.0</b>	
<b>Annual income</b>			
10,000-200,000	22	48.9	
201,000-400,000	10	22.2	
401,000-600,000	8	17.8	₦310,577.78
601,000-800,000	3	6.7	
Above 800,000	2	4.4	
<b>Total</b>	<b>45</b>	<b>100.0</b>	

Source: Field Survey, July 2011.

TABLE 1 shows that out of 45 respondents interviewed, 46.7% were males while 53.3% were females. This result shows that most of the respondents that received remittance were female.

It was revealed that majority (31.1%) of the respondents interviewed were between the age bracket of 20-30 years, while the least (6.7%) were between the ages of 51-60. The mean age was 40.42 years. Most of the respondents (66.7%) were married and the least (2.2%) are widowed. This implies that more married respondents received remittance. A majority of the respondents (53.3%) had tertiary education (OND, HND, NCE, Bsc, Msc, B.Ed), while the least (2.2%) of the respondents had no formal education. This implies that, a greater percentage of 53.3% respondents in the study area are literate. Most of the respondents (48.9%) are civil servants while 4.4% of the rural households are tailors but all respondents are involved in agricultural activities. It was further revealed that the majority of the respondents have a monthly income between ₦1000 and ₦20,000. The mean amount was determined to be ₦24,955.56. Most of the respondents have an annual income between ₦10,000 and ₦ 200,000 while the minority of the respondents have an annual income above ₦ 800,000. The mean amount was determined to be ₦31,0577.78

### 3.2 Types Of Remittance

**Table 2: Distribution of respondents according to the type of remittance received**

Type of Remittance	Frequency	Percentage (%)
Internal remittance	34	75.6
International remittance	11	24.4
<b>Total</b>	<b>45</b>	<b>100.0</b>

Source: Field Survey, July 2011.

TABLE 2 above shows that (75.6%) of the respondents received internal remittance while 24.4% of the respondents received international remittance. Internal remittance is remittance received from migrants living within the country while international remittance is remittance received from migrants living outside the country of origin

### 3.3 Sources Of Remittance To Rural Households

TABLE 3 below indicates that the most common source of remittance to rural households is through informal means (42.2%), 35.6% were through formal means while the least (22.2%) of households receive remittance through both formal and informal sources. This agrees with the findings of [9] and [10] that informal remittance systems may be chosen for the ease of accessibility, reduced cost, and increased speed of transferring remittance and also that informal transfer systems of remittance also tend to be more efficient, reliable, cheaper and more accessible than formal transfers. The sources of remittance to rural households are of two types: formal and informal sources. The study reveals that migrants mostly make use of the informal means of sending remittance, which could be in cash, gifts or both.

**Table 3: Distribution of respondents according to the sources of remittance received**

Sources of remittance	Frequency	Percentage (%)
Formal means	16	35.6
Informal means	19	42.2a
Both formal and informal	10	22.2
<b>Total</b>	<b>45</b>	<b>100.0</b>

Source: Field Survey, July 2011.

Formal remittances refer to remittances sent through official means such as bank transfers and money transfer organizations while informal remittances are those that are sent through unofficial channels such as private money couriers, through friends and relatives or delivered home by the migrants themselves. The study also shows that most of the respondents received remittance from their immediate family (brothers or sisters), while the least (4.44%) were from other relatives and non-relatives. Majority of senders of remittance were males (62.2%) while the least (37.8%) of the senders were female. It also shows that most (37.8%) of the senders of remittance are between the ages of 31 and 40 years while the least (6.7%) are above 50 years. The mean age was determined to be 37.09 years. This implies that majority of migrants are middle aged. Most rural households (37.8%) receive remittance quarterly, while 2.2% of the rural households interviewed receive remittance weekly. The survey gathered that the remittance received by the households is not to be repaid.

### 3.4 Various Uses Of Remittance By Rural Households

**Table 4: Household use of remittance received**

Uses	Frequency	Percentage (%)
Livestock production	24	53.3
Crop production	29	64.4
Medication bills	20	44.4
Children's school fees	24	53.3
Household consumption	39	86.6
Rent payment	13	28.8
Construction work	8	17.7

\*Multiple responses (total observation > 100%)

Source: Field Survey

The study found that 64.4% of the respondents who received remittance from friends and family members channeled such into Crop production; 53.3% of the respondents channeled remittance to livestock production while about 86.6% of all respondents channeled remittance to household consumption (See TABLE 4). This implies that remittance increases household income and is primarily used for household consumption. This agrees with the findings of [3], [11] and [12]. The least (8%) of the respondents put the remittance received into construction work including building of new houses, repairing or renovating existing once etc.

Remittance is a source of capital for rural household's to invest in agriculture. This increases agricultural productivity due to the increase in productive inputs like fertilizer, seeds, organic manure etc. The overall effect of the above findings is a decrease in the poverty level of rural households as a result of remittance received.

### 3.5 Factors Affecting Amount Of Remittance Received

The model results in Table 6 below presents the results of the OLS regression with a total of 45 respondents. The model has an R<sup>2</sup> of 0.3006 which suggests that 30.06% of variations in the amount of remittance is explained by variations in the explanatory variables. A reason for the low R<sup>2</sup> value may be the omission of important explanatory variables that explain variations in the amount of remittance sent. The p-values show about half the number of factors are statistically significant with the exception of the constant, age of remitter and number of years the remitter has spent away.

**Table 5: Parameter Estimates for the OLS Regression**

Variables	Coefficient	Std. Error	t-value	P> t
(Constant)	24966.95	104986	0.24	0.813
Age of household head	2898.35	248.194	2.32	0.026**
Age of remitter	-33016.47	35516.69	-0.93	0.358
No of years away	-1653.23	2651.3	-0.62	0.537
Do they specify how remittance is used	90380.16	39697.67	2.28	0.028**
Regularity of remittance	-81641.94	32459.57	-2.52	0.016**

Level of signifiacne - '\*\*\*' = 0.01, '\*\*' = 0.05, '\*'=0.10

Age of household head was found to have a positive relationship with amount of remittance received. This implies that a one year increase in the age of the household head, increases remittance received by ₦2898.35. Also, regularity of remittance was found to have a negative effect on the amount of remittance sent. When remittance is sent regularly, the amount of remittance received drops by about ₦81,641.94. The remitter specifying what remittance sent was used for was found to have a positive effect on the amount of remittance received by increasing amount of remittance sent by about ₦90,380.16. The p-value of the above factors were found to be statistically significant at 5% level of significance. The constant, age of remitter and number of years the remitter has spent away were not significantly different from zero and hence can't be used to explain variations in the amount of remittance received by rural households.

#### **IV. Conclusion**

In conclusion, since remittance was found to both improve investment in agricultural production and increase farm income, policies that reduce problems associated with receiving remittance invariably increase agricultural productivity. It is suggested that workable policies be made to improve remittance flows by encouraging both internal and international migration as remittance sent lead to an increase in capital for investment in agricultural activities which in turn farm increase productivity and income. Policies should be made to improve remittance flows and also to reduce problems encountered, for example delay in receiving remittance, high bank charges etc. so as to facilitate remittances as it has the potential to contribute significantly to local, regional and national economic development in receiving countries and also play an important role in reducing poverty as they flow mainly to poor and marginalized families.

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