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Analyzing the impact of remittances on poverty in Nigeria

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Remittances are financial resource flows arising from the cross-border movement of a country's nationals. These resources can come in the form of monetary or non-monetary, formal or informal assets, and from either internal or international sources (e.g. from a country's diaspora).

In 2010, the country of Nigeria ranked as the number one recipient of remittances in sub-Saharan Africa.

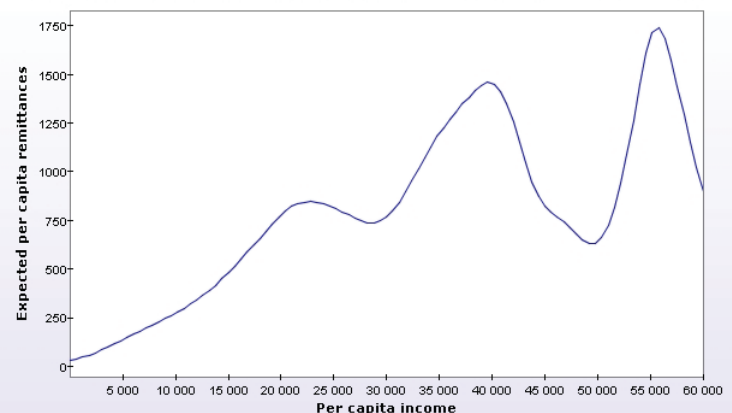


This particular PEP-supported study, conducted by a team of Nigerian researchers, aimed to determine the impact of remittances on the depth and severity of poverty, among households receiving remittances. The researchers' analysis was based on data from the 2004 Nigerian National Living Standard Survey (NNLSS).

Households were classified as receiving

- 1) internal remittances (from within Nigeria)
- 2) international remittances (from other countries)
- 3) no remittances

Non parametric regression of per capita income on per capita remittances



Key findings

Outcomes from the researchers' analysis:

- Expected per capita remittances vary with income level. Higher income earners tend to receive more remittances than those with less income.
- Both internal and international remittances reduce the incidence, depth and severity of poverty. In the researchers' population sample,
 - o the receipt of internal remittances reduces the poverty headcount by 11.1% and poverty gap by 9.7%
 - o the receipt of international remittances is associated with a complete absence of poverty.

Generally speaking, the findings suggest that remittances can be an effective tool to fight poverty in Nigeria.

Policy recommendations

Making it easier for households to send and receive remittances can directly reduce poverty among recipient households.

Further poverty reduction could be achieved if more hassle-free processes resulted in more households receiving remittances.

Incorporating microfinance banks into the electronic money transfer infrastructure will enhance remittances.

Programmes to encourage use of remittances funds could be focused on households that are likely to receive more remittances e.g. female and elderly headed households.