EFFECTS OF DOMESTIC REMITTANCES ON POVERTY STATUS OF RURAL HOUSEHOLDS IN OGUN STATE, NIGERIA

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Abstract
This study assessed the types and channels of domestic remittances received by rural households as well as the dimensions of poverty and its effect on domestic remittance among rural households in Ogun State. A Structured questionnaire was used to obtain primary data from 223 respondents drawn through multi-stage sampling technique from the study area. Data were analysed using descriptive statistics, Multidimensional Poverty Index and Binary Logit regression. Findings revealed that 57.4% of the household heads were male, 58% were married, 44.3% had primary education and 62.4% received domestic remittances with a mean age and household size of 55 years and 4 persons respectively. Half (50.4%) of the respondents received cash remittances and 62% received remittances through personal delivery. Result showed Poverty Index bench mark of 0.333, 59.3% of the rural households were poor with a poverty intensity of 0.658 Age squared ($p<0.01$), remittance income ($p<0.10$), and farm size ($p<0.10$) increased households' likelihood of escaping poverty while sex ($p<0.01$) and household size ($p<0.05$) increased the likelihood of poverty exit. In conclusion, domestic remittances reduced poverty of rural households in the study area. The study therefore recommends that continuous flow of remittances into rural households should be enhanced in order to facilitate improved standard of living.

Keywords: Domestic Remittances, Poverty, Multidimensional Poverty Index, Rural Households.

Introduction

The Multidimensional Poverty for Nigeria was reported as 30.3percent with the rural areas having a higher poverty level of 41.6percent while the urban areas were multidimensional poor by about 13.2percent (Oxford Poverty Human Initiative, OPHI, 2016). In Nigeria, development indicators for rural areas lag behind those for urban areas; incomes are lower, infant mortality rates are higher, life expectancy is shorter, illiteracy is more widespread, malnutrition is more prevalent and a greater proportions of people lack access to clean water and improved sanitation services (Tsigas and Ehui, 2006). Ellis (2010) revealed that rural people in developing countries are not equally committed to agriculture, since households may derive their incomes from a diverse portfolio of activities including working in the rural non-farm sector. These days, it is very rare to find farmers in developing countries obtaining all their income from only one source (Ellis, 2010). It is generally believed that non-farm income play an enormous role in breaking the vicious cycle of poverty because non-farm income can significantly increase the total income of rural dwellers, help smooth out income fluctuations and improve food security, of rural dwellers. (Ellis, 2010). Barrett *et. al.,* (2001) argued that non-farm income (such as wage income, self- employment income and remittances) sources may account for as much as 40 - 45 percent of the average rural household income in many developing countries.

Remittances are believed to have huge impact on the socio-economic conditions of families (Babatunde and Martinetti, 2010). Globally, remittances have been reported to have overtaken income from agriculture in sheer size and importance (Deshingkar and Anderson, 2004), as persistent socio-economic and structural problems continue to depress the level of rural wages and availability of work (Deshingkar and Anderson, 2004). Nigeria, though known as a high remittance-receiving country, has been experiencing increasing level of poverty over the last two decades as evidenced in literature (Addison and Cornia, 2001). The household is the first unit which takes decision on the use of domestic remittances and therefore, in essence, it determines the role remittances play in the development process of the receiving households. On a general term, despite the ever increasing size of remittances, there has been little effort by previous studies (Kimhi, (2010); Niimi, et. al., (2009); Azam, and Gubert (2006)) to analyse the effect of domestic remittances on rural households' economic development, because these past studies investigated the effects of international remittances on households poverty, without the domestic remittances effects. To bridge this gap, this study included an assessment of the effects of domestic remittances on poverty status of rural households using micro-level household survey data. The objectives of this study were to describe channels of domestic remittances received, dimensions of poverty and determine the influence of domestic remittances on poverty status of rural households.

Methodology

The study was carried out in Ogun State. A Multistage sampling procedure was adopted in this study. In stage one, simple random sampling technique was used to select two Agricultural Development Programme (ADP) Zones from the four Zones in Ogun state, which are Ilaro and Abeokuta. In stage two, four blocks were randomly selected from the two zones, while the third stage also involved a simple random selection of four cells each from the randomly selected blocks to give a total of eight cells. The final stage involved a simple random sampling of ten households from each of the selected cells in Ogun. In all, a total of three hundred and twenty (320) households were sampled but responses from only two hundred and twenty-three (223) respondents were valid for the data analysis for this study. The distribution of the final respondents according to their categories involved 62.4percent of the total households as remittance receiving households (RRHHS), while 37.6 percent were not receiving any form of domestic remittances (NRHHS).

The analytical tools employed for this study include Descriptive Statistics; Multidimensional Poverty Index (MPI) and Binary Logistic Regression Model.

Multidimensional Poverty Index (MPI)

The Oxford Poverty and Human Development Initiative (OPHI) of Oxford University and the Human Development Report Office of the United Nations Development Programme (UNDP) launched in July 2010 a new poverty measure that gives a "multidimensional" picture of people living in poverty which its creators say could help target development resources more effectively. Santos and Alkire (2010) introduced the Multidimensional Poverty Index (MPI) to measure acute poverty, i.e. the proportion of people who experience multiple deprivations and the intensity of such deprivations.

The MPI was computed using the headcount ratio and poverty intensity value as follows:

Multidimensional Poverty Index (MPI) = H*A ……. (1)

$$H = \frac{q}{n} \text{ ---------- (2)}$$

Where:

H = headcount ratio,
q = the number of people who are multi-dimensionally poor,
n = the total population.
The Intensity of Poverty (A): reflects the proportion of the weighted component indicators in which, on the average, poor people are deprived; which is measured as:

$$A = \frac{\sum_{i=1}^{n} C_i(k)}{q} \ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots (3)$$

Where:
$C_i(k)$ = is the censored deprivation score of individual (household) i,
q = is the number of people who are multi-dimensionally poor.
i = total number of households

A cut-off of 33.3 percent, which is the equivalent of one-third of the weighted indicators, is used to distinguish between the poor and non-poor. The MPI identifies multiple deprivations at the individual (household) level in health, education and standard of living.

Binary Logistic Regression Model
To capture effects of domestic remittances on poverty status of the households the Logistic model was used. Following Brown and Jimenez (2008), the model can be expressed as:

$Y^* = \propto_0 + \beta_1\chi_1 + \beta_2\chi_2 + \beta_3\chi_3 + \cdots\ldots\ldots\ldots\ldots + \beta_n\chi_n + \mu$ ..... (4)

Where:
Y* = the dependent variable is defined as households not poor = 1 and 0 otherwise (dummy)

X_1 = Age of the household head (years).
X_2 = Age Squared of the household head (years).
X_3 = Marital status of the household head (dummy, X_3 = 1 If married, 0 if otherwise).
X_4 = Sex of household heads (dummy, X_4 = 1 if Male, 0 if otherwise).
X_5 = Household size (number of persons).
X_6 = Education level of household head (years).
X_7 = Farm size (hectares).
X_9 = Remittance access (dummy, X_9 = 1 if yes, 0 if otherwise)
X_{10} = Distance to nearest food market (Km)
X_{11} = Distance to modern clinic (Km)
X_{12} = Access to tarred road (dummy, X_{12} = 1 if yes, 0 if otherwise)
X_{13} = Off-farm participation (dummy, X_{13} = 1 if yes, 0 if otherwise)
X_{14} = Rearing of small livestock (dummy, X_{14} = 1 if yes, 0 if otherwise)

Results and Discussion

Table 1 reveals that the average household size from the sampled population was 4 persons, with 57percent of the household heads been male and married, with 44percent having completed primary school education. In terms of age, 53 percent of the household heads are in the age bracket of 51-60 years, indicating that greater percentage of the household heads are no longer within the economic-active age.

Channels and Forms of Domestic Remittances Received by Rural Households.
Table 2 shows that half (50.4 percent) of the households received only cash remittances, 19.42 percent and as low as 7.91 percent received other combinations of remittances; non –food and food only as remittances. Furthermore, 61.87 percent of the recipients of remittances received theirs by hand delivery when the remitters come home during visits, while about 31 percent of the recipients receive through banks, friends or relatives and other means.

Multidimensional Poverty Profile of Rural Households

According to Table 3, the poverty status of the households as measured by the multidimensional poverty index revealed that 59.3percent of the respondents are multi-dimensionally deprived in one or more indicators measured. The head count ratio (0.872) implies that about 87.2 percent of the respondents are multi-dimensionally poor and live in poor households while the average poor household is deprived in about 65percent of the weighted indicators.

Determinants of Poverty Status of Households

The binary logistic regression model was used to capture factors influencing poverty status of the respondents in the rural areas, and the results are presented in Table 4. Results indicated that age-square (Odds Ratio = 0.364) with increase in age the households are 0.36times (64percent) less likely to be non-poor, implying that increase in age reduces the likelihood of the households being non-poor by 64 percent in the study area.

Household size was found to have a negative influence on the poverty status of the households. The OR revealed that household in the study area have likelihood to be more poor about 1.82 times. This implies that households in Ogun state are more likely to be poor by 82 percent having reached a threshold of 4 persons, because an additional person indicates increase in household expenditure and consumption as well as stressing/expending the limited resources used by the households. Farm size was found to be significant at 0.619 ($p<.0.01$), implying that the likelihood of being non-poor is about 38 percent. Remittances (0.602, $p<0.01$) was revealed to be positive and significant, which implies that rural household in have a lower chance of being poor by 40 percent as access to remittances increases. This results corroborates the findings of Olowa et. al., (2013) who revealed that incidence and depth of poverty decrease with an increase in remittances from household members across the country. Furthermore, rearing of small livestock decreases the likelihood of being poor 0.3 times, implying that with access to animal assets, the likelihood of being poor is reduced by 74 percent in Ogun State.

Conclusion and Recommendation

Arising from this study is that increase in educational attainment, farm size and access to remittance reduces the likelihood of poverty. This study therefore concluded that domestic remittances have a positive impact on household poverty of the rural households. As a result this study recommends improved rural infrastructure especially the feeder road networks, rural enterprise growth and strategies that will encourage incessant flow of remittances into the rural areas.

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Table 1: Distribution of households by their general characteristics

Household Characteristics	Freq.	Percentage
Age (years)		
30 – 40	13	5.8
41 – 50	62	27.8
51 -60	117	52.5
61 – 70	30	13.5
71 and above	1	0.4
Mean	**54.8**	
Sex of household head		
Male	128	57.4
Female	95	42.6
Educational level		
No Formal education	14	6.3
Primary school (uncompleted)	12	5.4
Primary school (completed)	99	44.3
Secondary school	72	32.3
Vocational training	26	11.7
Household Size		
1-4 persons	144	64.6
5-8 persons	77	34.5
Above 8 persons	2	0.9
Mean	4 people	
Marital Status		
Married	129	57.9
Separated/Divorced	87	39.0
Widowed	7	3.1
Married	129	57.9
Farm size (Ha)		
< 1	152	68.2
1.0 – 2.0	41	18.3
>2.0	30	13.5
Mean	0.89	
Total	**223**	**100**

Table 2: Distribution of households according to types and channels of remittances received.

Remittances	Freq.	Percentage
Forms		
Cash Only	70	50.37
Food Only	11	7.91
Non- Food	58	19.42
Channels		
Brought Home during visits	96	61.87
Through Friends or Relatives	17	12.24
Transfer to personal bank account	13	9.35
Others	13	9.35
Total	139	100.0

Table 3: Distribution of Multidimensional Poverty Deprivation of Sampled Rural Households in Ogun State.

Dimensions	Indicators	Dep.	Freq.	%
Education	5 years of education not completed	N.D	89	39.9
		D	134	60.1
	School age child not in school	N.D	68	30.5
		D	155	69.5
Health	Having one or more children die	N.D	118	52.9
		D	105	42.1
	Choice of health provider	N.D	47	21.1
		D	176	78.9
Standard of Living	Assets	N.D	81	36.3
		D	142	63.7
	Floor material	N.D	193	86.5
		D	30	13.5
	Water	N.D	125	56.1
		D	98	43.9
	Electricity	N.D	163	73.1
		D	60	26.9
	Cooking fuel	N.D	65	29.1
		D	158	70.9
	Sanitation	N.D	70	31.4
		D	153	68.6
Head count				0.901
Incidence				0.658
Multidimensional Poverty Index				0.5933

Note: N= Number of Respondents, Freq =Frequency, percent = Percentage, N.D = Not Deprived, D= Deprived.

Table 4: Binary Logistic Regression Results of Determinants of Poverty in the Study Area.

Variables	Odds Ratio (OR)	P > |Z|
Age	0.432	0.281
Age Squared	0.364*	0.086
Marital status	0.910	0.746
Sex	1.570*	0.050
Household size	1.817**	0.039
Education	0.273**	0.049
Farm size	0.619***	0.001
Remittance access	0.602***	0.002
Distance to market	2.067*	0.100
Distance to modern clinic	0.632	0.339
Access to tarred road	0.230*	0.053
Off-farm participation	2.373	0.105
Rearing small livestock	0.259*	0.062
Log likelihood	-209.235	
LR Chi 2	65.22	
Prob > Chi 2	0.0002	
Pseudo R Squared	0.554	

***sig. at 1%, ** sig at 5% , * sig. at 10%.