

Research Article

Remittance Flows and Household Welfare in West Africa

Authors Information

Name of the Authors:

¹Caleb Stevenson,²Olivia Cooper,
³Kenneth Walker

Affiliations of the Authors:

¹Department of Computer Science,
Avalon State University, USA

²Department of Economics, Zenith
Institute of Technology, India.

³Department of Law, Cape Innovation
Institute, South Africa

*Corresponding author:

Caleb Stevenson

Article History:

Received: 27.03.2025

Accepted: 21.07.2025

Published: 20.07.2025

Abstract & Keywords:

Abstract

This article explores the dynamics of remittance flows in West Africa and investigates their impact on household welfare. Drawing on recent data and scholarly research, the analysis emphasizes trends, drivers, challenges, and the transformative role of remittances in poverty reduction. The assessment further discusses policy implications and areas for future research.

Keywords: Remittance flows, West Africa, household welfare, poverty reduction, economic impact, migration, development finance, policy implications, remittance trends, future research.

INTRODUCTION:

The role of remittances in west africa

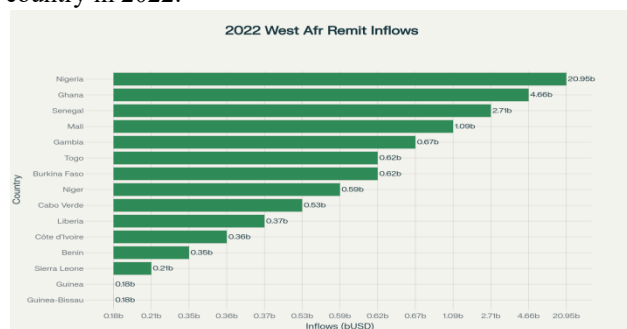
Remittance flows—transfers of funds by migrants to their home countries—have become a critical component of the economic landscape in West Africa. Over the past two decades, the region has witnessed a remarkable increase in remittance inflows, now dwarfing official development assistance (ODA) and rivaling foreign direct investment (FDI)^{[1][2][3]}. These inflows serve as important lifelines for millions of households, influencing socio-economic development and welfare outcomes.

2. Remittance Flows: Recent Trends and Scale

West Africa stands among the world's most significant recipients of remittances. In 2022, the region received nearly \$34 billion, accounting for approximately 7.6% of regional GDP and more than twice the amount received as ODA and FDI combined^{[1][2][4]}. Nigeria, the most populous country in Africa, dominates this landscape with over \$20 billion in inflows, followed by Ghana, Senegal, and Mali^{[5][2][4]}.

Quantitative Overview

The following chart illustrates the remittance inflows by country in 2022:



Remittance inflows to West African countries in 2022 in billion USD

Countries like The Gambia and Cabo Verde, while receiving smaller remittance amounts in absolute dollar terms, have the highest proportion of remittances relative to their GDP—demonstrating a profound reliance.

3. Key Drivers of Remittance Flows

The surge in remittance flows to West Africa is shaped by several factors:

- **Migration Trends:** Increased international migration, especially to Europe and North America.
- **Exchange Rate Fluctuations:** Favorable exchange rates encourage overseas remitters.
- **Financial Openness:** Growth in digital and mobile transfer systems has reduced costs and increased the speed and ease of sending money^{[3][4]}.
- **Socio-Political Stability:** Despite occasional disruptions, general increases in peace and stability foster continued inflows.

4. Remittances and Household Welfare: Mechanisms of Impact

4.1 Consumption and Household Expenditure

Remittances are most often used to meet basic needs—such as food, housing, education, and healthcare—which directly support improvements in household welfare^{[6][7][8]}.

- **Increased Consumption:** Households receiving remittances spend more on food and non-food items than those who do not, reducing vulnerability to shocks.
- **Education:** Recipient households demonstrate higher school enrollment and educational expenditure.
- **Health Outcomes:** Better access to healthcare and improved nutritional status are observed in remittance-receiving homes.
- **Asset Accumulation:** Some recipients invest in housing and small businesses, eventually boosting local economic activity.

4.2 Poverty Reduction Effects

Numerous studies show a strong, statistically significant relationship between remittance inflows and reductions in poverty indicators^{[9][10][11]}:

- In Ghana, remittances cushion recipient households against economic shocks and have a particularly strong impact for the poorest segments^[11].
- In Nigeria, empirical studies conclude that remittances enable increased spending on both consumption and productive assets, with positive effects on material and non-material dimensions of welfare^{[7][12]}.

5. Macroeconomic and Developmental Perspectives

Beyond the household level, remittances support macroeconomic stability:

- **Foreign Exchange Reserves:** Remittances are a stable source of foreign currency, bolstering reserves and reducing economic vulnerability^[2].
- **Financial Inclusion:** The adoption of mobile money and digital transfer platforms has driven financial sector development and inclusion^[4].
- **Multiplier Effects:** Studies indicate that, for each dollar received, the local economy benefits through indirect effects, including job creation and increased demand for goods and services.

6. Challenges in Maximizing Welfare from Remittances

While remittances offer substantial benefits, challenges remain:

- **High Transfer Costs:** West Africa faces some of the world's highest remittance

sending costs, which can limit the developmental impact^[2].

- **Informal Channels:** Significant portions of remittances move via informal methods, making tracking and leveraging flows difficult for policymakers.
- **Limited Investment Conversion:** A large share of received remittances is used for immediate consumption rather than productive investment.
- **Financial Infrastructure Gaps:** Underdeveloped financial systems further constrain access and efficiency, especially in rural areas.

7. Case Studies: Country Examples

Nigeria

- By far the largest recipient of remittances in Africa, with flows exceeding \$20 billion in 2022–2023^{[5][3]}.
- Remittances account for roughly 4% of GDP, with greater proportional impacts in specific regions.
- Evidence reveals a direct reduction in poverty headcount and improvements in nutrition, education, and housing at the household level^{[7][12]}.

Ghana

- Remittances consistently exceed ODA and rank as critical in household risk management and investment, especially for the poorest^[11].
- Empirical data show that households receiving remittances are better able to weather economic shocks and have higher overall welfare scores.

The Gambia and Cabo Verde

- High remittance-to-GDP ratios: despite small populations, these countries are most dependent on remittances (10-22% of GDP)^[2].
- Household-level welfare improvements are observed in nearly all sectors: health, education, and housing.

8. Policy Implications and Recommendations

- **Lower Sending Costs:** Policymakers and industry stakeholders should prioritize lowering remittance fees and broadening digital transfer access.
- **Financial Literacy and Inclusion:** Programs to train recipients in financial management can boost the share of transfers invested in productive activities.

- **Formalizing Flows:** Incentivizing the use of formal channels increases the traceability and development impact of remittances.
- **Synergize Policy Efforts:** Aligning remittance-directed strategies with broader poverty alleviation and economic development plans can magnify positive outcomes^[10].

9. CONCLUSION

Remittances serve as an economic backbone for millions of West African households, directly and positively influencing welfare through consumption, human capital investment, and asset accumulation. At the macro level, these flows offer a stabilizing effect on national economies and present substantial opportunities for financial innovation and inclusion. As policymakers continue to confront challenges—including high transfer costs and underdeveloped financial systems—well-crafted strategies will ensure that remittances remain a lever for poverty reduction and sustainable development across the region.

10. REFERENCES

1. United Nations. "Remittances In West Africa: Challenges and Opportunities for Economic Development." United Nations, 2024.^{[1][2]}
2. "Remittance inflow to West Africa, by country 2022." Statista, 2023.^[5]
3. Mgbomene Chukunalu. "Remittances Inflows and Development in West Africa: A Study of Selected Countries." *Mediterranean Journal of Social Sciences*, vol. 15, no. 6, 2024.^{[3][13]}
4. Samuel, Paabu Adda, et al. "Economic Growth-Remittances Nexus and Poverty Reduction in Selected West African Countries." *International Journal of Advanced Studies in Economics and Public Sector Management*, vol. 13, no. 1, 2025.^[10]
5. Quartey, P. "The Impact of Migrant Remittances on Household Welfare in Ghana." 2006.^[11]
6. Odumosu, O. "Remittances and Household Welfare in Nigeria." 2017.^{[7][12]}