

The Role of Remittances in the Economic Development of Cameroon

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ABSTRACT

The old world and more importantly the 21st century is strongly characterized by the exchange and movement of people, goods, and even services. When countries or institutions discuss free trade issues at length, it is certainly because they have gauged the economic benefits that will result from it. Immigration is as old as time itself but will experience a particular breakthrough thanks to the industrial revolutions. One of the direct consequences of such activities is the transfer of funds. With the growth and flow of remittances in the world, we will in this work examine the situation of remittances in Cameroon. Our main objective in this study will therefore be to survey the statistics on remittances in Cameroon, but more importantly to highlight the role they play in the country's economic development.

Keywords: *Remittances, Economic Growth, Immigration, Cameroon.*

Remittances have been growing for decades and have called the attention of researchers, policymakers, and international financial institutions such as the International Monetary Fund (IMF) and the World Bank. Remittances are transferred from high-income countries considered immigration pools to lower-income countries representing emigration pools. They refer to money sent by migrants to their countries of origin, either to their families back home, or to the creation of lucrative activities on behalf of the migrants, or savings banks with the whole diaspora to carry out infrastructure and sustainable development projects. "Private transfers are a blessing for those who receive them" (Chami and Fullenkamp, 2013). They increase the income of recipient families by enabling them to cover their basic needs (food, clothing, health, and education). They also contribute to lowering the poverty rate.

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They allow some families to escape poverty by allowing them to spend more than what they receive as wages. In addition, remittances may make recipient households less active, allow them to work less, or engage in high-risk projects that they would not undertake if they did not receive remittances.

Migrants' remittances to their countries of origin constitute considerable financial manna and crucial financial support that contributes to increasing the income of the recipient families. Thus, they represent the most significant element of the relationship between migration and development. These remittances are not only considered financial transfers, but also as social transfers. Moreover, they represent an important source of financial flows for the recipient countries.

As an indication, in 2011, they represented 10% of the GDP of 22 developing countries. Moreover, they are stable, counter-cyclical, and resilient in the face of adverse business conditions.

According to calculations and statistics, in 2006 transfers of funds from migrants to developing countries reached 228 billion USD. They represented the second-largest source of financing for these countries after foreign direct investment (FDI) and ahead of official development assistance (ODA). In 2007, 2008, and 2009, remittances reached \$278 billion, \$323 billion, and \$307 billion respectively. These figures show that remittances are resilient even in times of recession and economic crisis. Remittances decreased slightly in 2009 but have increased again since 2010. In recent years, remittances have increased remarkably. They reached US\$453 billion in 2015, are now higher than FDI and ODA (excluding China) and represent the largest source of external financing for low- and middle-income countries.

For example, the World Bank reports that despite the impact of the coronavirus on most economies, including a global recession unprecedented since 1945, many experts predicted that remittances would take a hit and slow down. Contrary to those expectations, remittance flows held up surprisingly well in 2020, even reaching \$706 billion in total, up from \$722 billion in 2019, the World Bank estimated, and are expected to rebound in 2021 to \$751 billion.

According to the World Bank's 2011 Factbook on Remittances and Migration, remittances played a very important role during the crisis by providing a safety net for poor countries in the face of the collapse of private capital flows. According to the Factbook (2011), the top 10 countries of destinations for migrants were the United States, Saudi Arabia, Germany, Russia, the United Arab Emirates, the United Kingdom, France, Canada, Spain, and Australia. On the other hand, the top 10 countries of origin of migrants were India, Mexico, Russia, China, Bangladesh, Pakistan, Philippines, Afghanistan, Ukraine, and the United Kingdom. In addition, the Mexico-U.S. borders were the world's largest migration corridor in 2013 (13 million migrants) followed by the Russia-Ukraine, Bangladesh-India, and Ukraine-Russia corridors. The United Nations considers the last three South-South corridors.

Therefore, it can be safely said that developing countries are the main beneficiaries: in 2010, 73.9% of these financial flows went to them, or \$325 billion. International remittances are thus the second-largest source of external financing for developing countries, after foreign direct investment.

However, while there is a great deal of research, both theoretical and empirical, on these financial flows, the framework of the study is very often limited to remittances made by migrants who have emigrated to developed countries. In contrast, few studies focus on South-South remittances between developing countries. Yet 43 per cent of international migrants from developing countries reside in another developing country (World Bank, 2010). Moreover, in 2010, 43.7 million people were forced to migrate because of armed conflict or persecution (20.4 per cent of international migrants). Of these, 80 per cent chose a developing country as their host country (Unhcr, 2011). Thus, while international migrants to industrialized countries are largely individuals who move by choice, particularly to take advantage of better economic opportunities in the host country, many migrants moving within developing countries do so under duress, to escape political instability, persecution, or natural disasters. In the first case, migration is described as "voluntary" while in the second case it is more akin to "forced" migration. The difference in the nature of the migration can therefore lead to different remittance behaviors.

These differences in behavior depending on the migrant's departure status (voluntary or forced) are little studied in the literature (Fagen and Bump, 2006; Van Hear et al., 2009), which tends to focus on the behavior of voluntary migrants.

The economic crisis that hit Cameroon, as well as the majority of developing countries south of the Sahara in the 1980s, was at the origin of a rise in economic emigration alongside that of study, observed during the post-independence period. In this context of crisis characterized by the disengagement of the state from its regalian functions (education, health, etc.), high unemployment, a lack of prospects, and continuous deterioration in the living conditions of the population, emigration constituted, the individual and family levels, a strategy for diversifying sources of income given the prevailing situation of uncertainty, and remittances constituted the main bridge linking migrants to their country of origin (Kamdem, 2007; Guilmoto and Sandron, 2003).

Remittances in Cameroon, however, are generally intended to meet needs such as food, education, housing, and health care (Kamdem, 2007, Tchékoumi, 2008, Schmelz, 2007). Thanks to their countercyclical effect on the economy, i.e., increasing during periods of recession and decreasing during periods of expansion, transfers help recipient households maintain their level of well-being and to better distribute their consumption expenditures over time, especially for those who practice seasonal activities such as farmers (Daffé, 2009).

Looking at the background, from this study, therefore, we will trace the flow of remittances in Cameroon, investigate what they are used for, and then determine the role these remittances play in the economic development of Cameroon.

LITERATURE REVIEW

The literature relating to the transfer of funds in the world, to Africa, and more precisely to Cameroon is extremely rich. Generally, migrants who move to settle and work in developed countries have four main reasons for transferring funds: either to ensure the survival and well-being of their families back home, for personal investment, for generosity and sharing, or because of an informal contract between the travel funder and the traveler (case of repayment of debts) or for all these reasons.

Remittances have a positive impact in terms of providing an important source of additional income for many households (Zourkaléini et al., 2013). The works of (Kamdem, 2007; Schmelz, 2007), will largely support this idea since they believe that the main purposes of these remittances are for cases of illness and death occurring locally as well as participation in the schooling of siblings and other family members, since the standard of living of the populations, in general, is still quite low. This is why (Lerch, 2006) asserts that “transfers also make it possible to ensure a certain degree of social mobility and the maintenance of rural and community roots, thanks in particular to a more “decent” economic transition.

For (Kamdem, 2007; Guilmoto and Sandron, 2003) on the other hand, a strategy of diversification of income sources given the situation of uncertainty prevailing in Africa and Cameroon (unemployment, low salaries, and inactions of public decision-makers), and remittances constituted the main bridge linking migrants to their country of origin.

The repayment of funds previously used to finance the migrant's trip is not insignificant in terms of reasons for remittances. In Africa in general and in Cameroon in particular, parents through “tontines” (loans from meetings and associations) usually make huge loans to finance their child's study/travel project. The fact that this child pays back the money later is considered a success and social ascension. Indeed, “in the rural world, he becomes a local notable whose opinion on various issues is sought by family and tribal members, and he is frequently asked to prepare the departure of other family members” (Khachani, 2009: 213). In addition to “noble” titles (Mimche, 2009), economic investment opportunities are a source of motivation for the migrant to send remittances. This way of operating opens up what we call a “pull-up process”, with the first traveler having to succeed, to bring up his other brothers, or create wealth so that they can live comfortably.

Status of Remittances in Cameroon

In a study conducted in 2020, entitled “Evaluation of Development Financing [DFE] in Cameroon” and financed by the United Nations Development Program (UNDP), it emerged that, compared to countries such as Ghana, DRC, Ethiopia, Kenya, Mali, Senegal, South Africa or Tunisia, the Cameroonian diaspora contributes very little to the financing of the national economy.

The same report reveals that in a country like Ghana, the number of financial flows received from the diaspora, in the form of current transfers, increased in 2017 to 3,536 million dollars (a little more than 2,000 billion FCFA) while in the same year, Cameroon received only 316 million dollars (about 185 billion FCFA).

In the same vein and over the same study period, current transfers represented 13% of GDP in Comoros, 10% of GDP in Senegal, 8.45% in Togo, 6% in Ghana, 7% in Mali, and only 0.9% of GDP in Cameroon.

The UNDP will therefore affirm that this phenomenon confirms the need to conduct studies to identify the determining factors of remittances and the channels through which these transfers are channeled.

“The low involvement of the Cameroonian diaspora in the development of the country, therefore, deserves to be addressed through in-depth studies ranging from the evaluation, even if only approximate, of its savings potential, to the search for specific instruments that can encourage Cameroonians living abroad to invest more in their country of origin,” suggests the report.

UNDP suggested that local authorities should be more involved in all initiatives and other platforms for dialogue with the diaspora so that the diaspora can present them with local development projects that would benefit not only Cameroon as a whole but also their families and relatives living in remote corners of the country.

For better statistics, Cameroon’s remittances to GDP (%) were 0.85339% in 2020, according to the World Bank’s collection of development indicators, compiled from officially recognized sources. Cameroon - Remittance flows to GDP - actual values, historical data, forecasts, and projections from the World Bank as of March 2022. The table below shows the contribution of remittances to GDP in Cameroon between 2010-2020.

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potential, to the search for specific instruments that can encourage Cameroonians living abroad to invest more in their country of origin,” suggests the report.

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Figure 1: Remittance Inflows to Cameroon’s GDP (2010-2020)



Source: World Bank

As the table shows, the flow of remittances to Cameroon was 0.7 in 2010 but will fall later in 2011 to 0.4. Later (2018) it will rise (0.9) and then drop again slightly in 2019 (the reasons may be the coronavirus). In 2020 it even exceeded 0.9 before falling again in 2021.

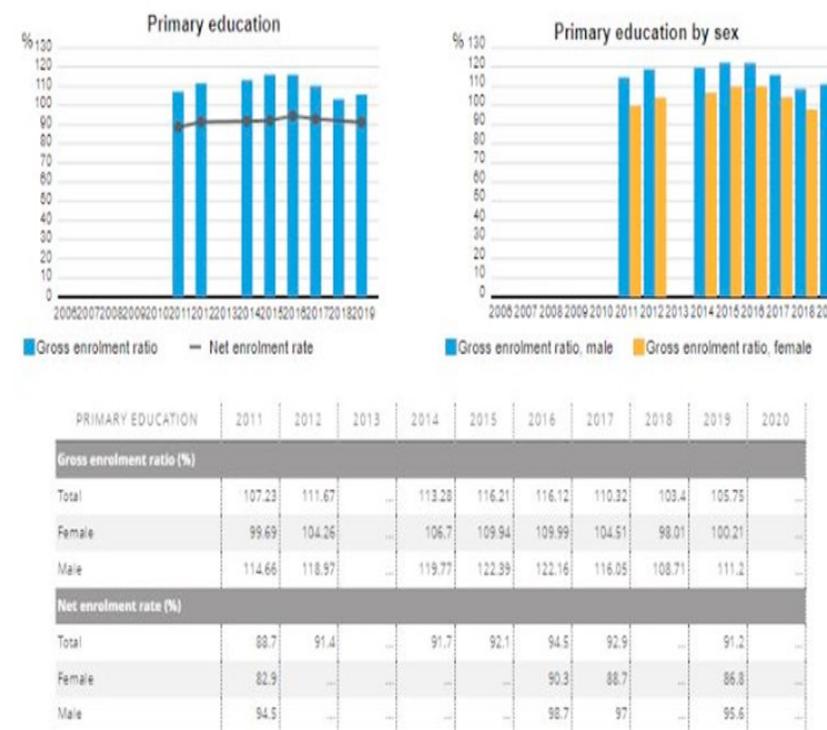
The Distribution of Remittances in Cameroon

Even when one knows what remittances are directly used for or their real motives, one can always wonder at what rate or percentage a given motive

is valued. The use of remittances generally varies from one country to another depending on priority needs. While most countries often use remittances for daily consumption, others prioritize health and education, the creation of jobs and infrastructural projects, or simply personal savings. Remittances has contributed to the educational sector of Cameroon.

The following tables from the work of UIS UNESCO, present Gross enrolment ratios for education in Cameroon.

Figure 2: Gross Enrolment Ratio for Primary Education in Cameroon



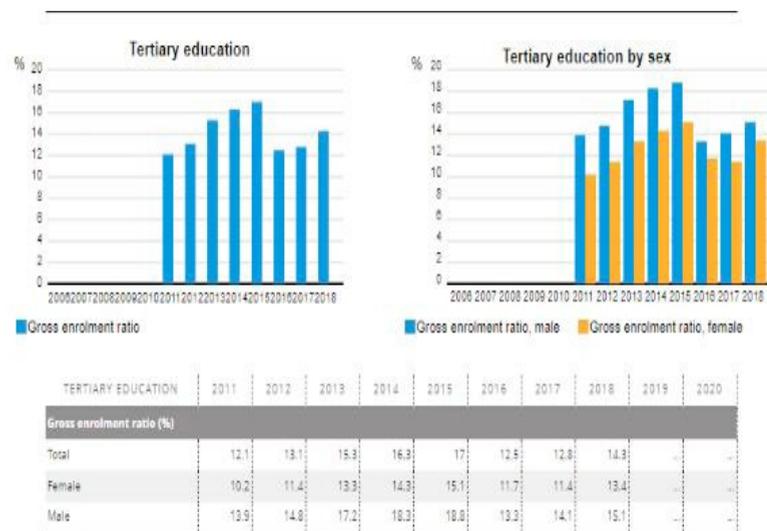
Source: UIS/UNESCO

Figure 3: Gross Enrolment Ratio for Secondary Education in Cameroon



Source: UIS/UNESCO

Figure 4: Gross Enrolment Ratio for Tertiary Education in Cameroon



Source: UIS/UNESCO

According to Herbert Fambeu (2015), a researcher at the University of Douala remittances has contributed positively to education in Cameroon.

Remittances increase the probability of being in school for both boys and girls. This impact of remittances on girls' schooling is greater for girls in higher education (university) (18-25 years old).

Remittances' Contributions to House Construction, Plot Purchase, and Creation of Businesses

In an article entitled "L'argent de la diaspora et le financement des infrastructures Sociales urbaines et périurbaines de base en Afrique" (Diaspora money and the financing of basic urban and peri-urban social infrastructure in Africa), Tchouassi and Sikod (2010) demonstrate the origin of funds linked to infrastructure development in Cameroon.

The successes or positive effects of remittances should not obscure the fact that some negative effects should not be ignored. Some studies suggest that remittances have negative economic impacts. For example, Catrinescu et al (2009) highlight some of the adverse effects of remittances, which include exchange rate appreciation, increased inequality, loss of competitiveness, moral hazard, and low labor market participation of recipients. Similarly, remittances appear to foster corruption (Ahmed, 2013; Berdiev et al., 2013; Abdih et al., 2012).

Unlike Foreign Direct Investment (FDI), which is intended for investment, remittances are mostly spent on consumer goods and the purchase or construction of houses. In this case, remittances have no positive effect on the economic growth of the migrants' countries of origin. Chami and Fullenkamp (2013) find that the results of studies on the impact of remittances on economic growth are not clear-cut, as the results depend on how the remittances are used by the recipients.

However, the state also benefits from this financial windfall and could use it more for the country's growth. The study by Abdih, Chami, et al (2012) revealed that the state benefits from remittances that are destined for the consumption of local or imported goods, and which contribute to the increase in the tax base through VAT and import duties, which allows the state to reduce taxes and/or increase public spending. Thus, the impact of transfers depends on their use by recipient households, and also by the

government, which benefits from a higher level of indebtedness to finance its investments.

However, other studies find that remittances have no positive effect on economic growth and could make the situation worse. For example, the study by Abdih, Barajas, et al. (2012) finds that remittances allow the state to have more resources through the tax base, redistribute these resources to those in power, and promote corruption within state institutions.

Nwajiaku, Profos, et al. (2014) assume that transfers are spent more on consumption and make recipient households still dependent.

METHODOLOGY

To come up with a better way to attend our goals, the research adopted a methodology that gathers and address the tools of data collection, discuss data collection and consequently their analysis. The study used participants and questionnaires to approach the data assembled.

Data Collection

Participants

Our study being typically oriented on the questions of growth Vis a Vis remittance, we had for participants exclusively Cameroonians living in different Diasporas, namely Turkey, the United States of America, England, France, Latvia... In total, 60 Cameroonians with quite varied profiles took part in this research exercise. The result will be exposed below.

Questionnaire

Another important fact about this article is that we conducted our research remotely. The questionnaire consisted of two parts: the first part was devoted to the respondent’s information (age, sex, country of residence, number of years abroad, reason for moving, professional status, etc.) and the second part was devoted to the attitudes or behavior of Cameroonians in the diaspora with regard to remittances (reason for sending, channel of sending, frequency of sending, source of money, preference for rate of sending, reason for discouragement etc.).

Data Analysis

The analysis of the data will consist in faithfully reporting the content of the information received from our 60 respondents. First, we will present the results of the informants’ profile before we unpack the section on remittances in Cameroon.

Background of Informants

As mentioned above, part 1 is devoted to the profile of the informants (age, sex, country of residence, and professional situation).

Table 1: Background of the Informants

Gender	Male			Female		
	32 (53.3%)			28 (46.7%)		
Age	18-29	30-39	40-49	50+		
	23 (38.3%)	21 (35%)		13 (21.7%)	3 (5%)	
Where do you live?	Abroad			Cameroon		
	55 (91.7%)			5 (8.3%)		
Specify the country	Turkey	England	Belgium	USA	France	Latvia
	33 (56.9%)	8 (13.8%)	1 (1.7%)	10 (17.2%)	5 (8.6%)	1 (1.7%)
For how long have you been abroad?	Less than 5 years	5-10 years	10-20 years	20+		
	22(36.7%)	24 (40%)	10 (16.7%)	4 (6.7%)		
Level of education	Primary school	Secondary education	University level	Training school		
	6 (10%)	7 (11.7%)	35 (58.3%)	12 (20%)		
Working status	I am a worker	I am jobless	I am retired			
	34 (56.7%)	22 (36.7%)	4 (6.7%)			

Are you a student?	Yes	No
	34 (56.7%)	26 (43.3%)

From the information in this table, it is clear that the majority of our respondents were men (53.3% versus 46.7% for women). Also these respondents were mostly young as 38.3% were between 18-29 years old, 35% between 30-39 years old, 21.7% between 40-49 years old and just 5% who were 50+.

Naturally, the majority of our informants (91.7%) are settled outside Cameroon and since this study is conducted in Turkey, it is not surprising that our respondents (56.9%) are residents in Turkey against 13.8% in England, 10% in the USA, 8% in France, 1.7% in Belgium and 1.7% in Latvia.

These informants have more or less different experiences in terms of the number of years they have spent in their host country. Most of them (40%) have been living outside Cameroon for 5-10 years, while 36.7% have been living there for less than 5 years, 16.7% for 10-20 years and 6.7% for more than 20 years.

It must be said that most of our informants are educated, as 58.3% of them were university graduates, 20% have followed or are following a vocational training, 11.7% have not gone beyond the secondary school level, and 10% have not gone beyond the elementary school level. On the other hand, of our 60 informants, 56.7% are workers, 36.7% are not workers and 6.7% are retired. Therefore, 56.7% of the informants are students and 43.3% are not.

Remitters' Attitudes

Here, we set out to expose the attitude or behavior of remitters in Cameroon.

Table 2: Remitter's Attitudes

No 1	I am living abroad for :				
Work	Studies	Insecurity in my country	I come from a mixed family		
20 (33.3%)	26(43.3%)	10 (16.7%)	04 (6.7%)		
2	I transfer money to the country				
A little too much	Always	Rarely	Never		
17(28.3%)	23(38.3%)	17(28.3%)	03 (05%)		
3	I send the money for:				
Children's education	Health issues	Daily needs	Building/ business projects	None of the above	All of the above
07 (11.7%)	10 (16.7%)	18 (30%)	07 (11.7%)	05 (8.3%)	13 (21.7%)
4	Without this money my family will not be able to live comfortably				
Strongly agree	Agree	Strongly disagree		Disagree	
19 (31.7%)	20 (33.3%)	11 (18.3%)		10 (16.7%)	
5	My family or loved ones need this money because				
Low wages	They are unemployed	Cases of force majeure beyond their control	Stereotype i.e. they think there is a lot money abroad	None of the above	
17 (28.3%)	17 (28.3%)	15 (25%)	03 (5%)	08 (13.3%)	

Table 3: Remitters' Attitudes

6 Since I live abroad, I do not see the need to send money to Cameroon						
Strongly agree	Agree	Strongly disagree	Disagree			
5 (8.3%)	3 (5%)	29 (48.3%)	23 (38.3%)			
7 I stopped sending money to Cameroon because it was making my family dependent on me.						
Strongly agree	Agree	Strongly disagree	Disagree			
05 (8.3%)	18 (30%)	18 (30%)	19 (31.7%)			
8 The sending costs are too high and this discourages						
Strongly agree	Agree	Strongly disagree	Disagree			
08 (13.3%)	29 (48.3%)	8 (13.3%)	15 (25%)			
9 I send money via :						
Western union	Money gram	World remit	Ria	Send wave	Taptap send	None
14 (23.3%)	13 (21.7%)	10 (16.7%)	10 (16.7%)	1 (1.1%)	3 (5%)	9 (15%)
10 These transfers helped me set up lucrative activities						
Yes		No				
39 (65%)		21 (35%)				
11 It is thanks to these transfers that I have a house in my country						
Yes		No				
31 (51.7%)		29 (48.3%)				

Table 4: Remitters' Attitude

No	What is the origin of the money you transfer?		
12	My work	My student job	Personal savings
27 (45%)	13 (21.7%)	20 (33.3%)	00 (00%)
13	Sending money to your relatives for various reasons helps to develop the economy of Cameroon		
Strongly agree	Agree	Strongly disagree	Disagree
25 (41.7%)	25 (41.7%)	3 (5%)	7 (11.7%)

In order to carry out our research on the role of remittances in Cameroon's economic development, it was crucial for us to understand the attitudes of remitters.

Thus, we first asked them the reason for their migration; the majority 26 (43.3%) moved for studies, 20 of the informants (33.3%) for work, 10 (16.7%) because of the insecurity that threatens their countries and 4 (6.7%) because they come from mixed families. This question is important because we believe that remitters' attitudes will vary depending on their reasons for moving.

Also, of our 60 informants, 23 (38.3%) say they always send money to Cameroon, 17 (28.3%) say they do so a little too much, 17 (28.3%) say they rarely do so, and 03 (5%) say they never do so.

But what motivates remitters? Ten of our informants (16.7%) send money to Cameroon for health problems, 18 (30%) for basic needs, 07 (11.7%) for schooling, 07 (11.7%) for infrastructure projects or business, 13 (21.7%) for all of these reasons and 05 (8.3%) for none of the reasons mentioned. Consequently, 19 out of 60 informants (31.7%) strongly agreed that without these funds their families back home would not be able to live comfortably, compared to 20 (33.3%) who agreed, 11 (18.3%) who strongly disagreed, and 10 (16.7%) who just disagreed.

But why do these family members back home need the money? Our informants have various opinions; 17 (28.3%) think it is because their family members have low salaries, 17 (28.3%) think it is because of lack of employment, 15 (25%) say they need it for circumstances beyond their control, 03 (5%) think their family members are just being parochial and think that money is easier to find abroad and finally 08 (13.3%) who do not take part in any of the reasons mentioned.

When we further assumed that our informants did not need to send money to Cameroon since they are already settled abroad, the minority agreed 11 (13.3%) versus the majority 52 (86.6%) who either strongly disagreed or just disagreed.

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If the minority (8.3%) for those who strongly agree and 30% for those who agree, think that sending money makes the family dependent and lazy, the majority (30%) for those who strongly disagree and 31.7% for those who disagree think otherwise.

Similarly, this same majority (13.3%) for those who strongly agree and 48.3% for those who agree, think that the cost of sending money to Cameroon is high against a minority of 13.3% for those who strongly disagree and 25% who disagree.

They usually transfer these monies through the multiple channels of money transfers and receipts that have emerged over the past few years. Of our 60 informants, 14 (23.3%) use the traditional Western union, 13 (21.7%) money gram, 10 (16.7%) world remit, 10 (16.7%) RIA, 3 (5%) Taptap send, 1 (1.1%) send wave and 9 (15%) use neither of these channels.

Also, 39 (65%) of these informants versus 21 (35%) state that these remittances allow them to engage in income-generating activities. Better yet, 31 (51.7%) said they had built a house in Cameroon thanks to these remittances, compared to 29 (48.3%) who had not built thanks to these remittances. Further on, when asked about the origin of our informants' funds, 27 (45%) report that they got them from their work, 20 (33.3%) say that they got them from their personal savings, and 13 (21.7%) report that they got

them from their student jobs.

Of the 60 informants, 25 (41.7%) strongly agree that remittances help develop the country's economy, 25 (41.7%) agree that remittances facilitate Cameroon's economic development, yet a minority 3 (5%) strongly believe that remittances play no role in Cameroon's economic growth and 7 (11.7%) simply disagree that remittances promote Cameroon's economic growth.

These results will be discussed in depth in relation to our problematic, our research questions and our hypotheses in the following chapter.

CONCLUSION

We scrutinized the role of remittances in the economic development of Cameroon". Our objective was to survey the statistics on remittances in Cameroon, but more importantly to highlight the role they play in the country's economic development, and this is why the problem of this research was: What is the role of remittances in the economic growth of Cameroon?

Indeed, remittances in Cameroon, according to our results, allow for an increase in the level of human capital of the members of the recipient households. Remittances ease the credit constraints of the households that receive them and thus promote higher human capital by delaying school dropout, improving the quality of education and the health of individuals. Better still, these remittances have a real role in job creation and infrastructure development. Also, the effect is only visible on members of poor and middle-income households.

In terms of recommendations, we propose to the government of Cameroon the following: promote a conducive environment to ease the sending of funds by migrants; to setup strong institutions to fight all form of corruption and fraudulent activities; double their spending on key infrastructural projects such as roads, schools and hospitals. To money transfer agencies and banks, we propose conditions of sending and receiving money should be moderate. To remitters, we suggest that the money sent must be used for valid reasons, with the aim of promoting economic growth.

For future researchers, the issues of money transfer and economics will always be relevant because a country is strong by virtue of its economic

growth. There is therefore a need to continue to explore this area in order to contribute to the economic literature of the country and to propose solutions.

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