



THE COMBINED EFFECT OF REMITTANCES AND FINANCIAL DEVELOPMENT ON POVERTY REDUCTION IN NIGERIA

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Abstract

Remittances through efficient financial institutions have been identified as a potential source of income and a means of reducing poverty in developing countries like Nigeria. Using annual time-series data from 1981 to 2025, this study examined the relationship between remittances, financial development and poverty in Nigeria, controlling for other relevant factors such as inflation rate. The study employed household consumption expenditure to capture poverty in its multidimensional form. Based on the stationarity test results, the autoregressive distributed lag (ARDL) bounds-cointegration technique was employed to estimate the specified models. The long-run result shows that the interactive relationship between remittances and financial development impacted significantly on poverty (when household consumption expenditure was used) in both long and short-run. The finding also implies that household consumption expenditure is an appropriate measure of poverty in Nigeria. The study, therefore, concludes that remittances and financial development effectively play a role in poverty reduction in Nigeria during the study period. It suggests that remittances from migrant workers should be sent through a sound, efficient financial system that allows tracking, and that the cost of sending remittances should be reduced. Households should also be encouraged to have access to financial institutions.

Keywords: Remittances, Financial Development, Poverty and ARDL

1. Introduction

The transfer of remittances by international migrants has increasingly emerged as a significant source of foreign aid for developing nations, providing low- and middle-income countries with a crucial source of external funding. Remittances represent a significant development within the global financial system due to their critical role in the world economic landscape. Remittances can be understood as the transfer of funds from foreign individuals to someone in their home region. This includes various forms such as workers' remittances, employee compensation, and migrant transfers (Peter, Ani & Gurru, 2016).

According to Yadau (2016), there are 12.4 million Nigerian migrants in the Diaspora, and most adults from Nigeria have indicated a readiness to leave the country. This has led to a massive migration of Nigeria's productive labour force to Europe, the United States of America, and other regions of the world in

pursuit of greener pastures and education. As a consequence, there have been inflows of remittances from Nigerians in the Diaspora to support their families left in Nigeria, and the country has accounted for almost one-third of migrant remittances to sub-Saharan Africa, with a 2018 projection of US\$23.63 billion. Despite being sub-Saharan Africa's largest recipient of remittances, Nigeria is still grappling with poverty.

Financial development is defined as the process of improving the depth, access, efficiency and stability of a country's financial system. It entails the evolution of financial institutions, markets and instruments to better serve the economy by reducing costs related to information, contract enforcement and transactions (World Bank, 2013). Financial development through the financial intermediary channel serves as a formal medium through which remittances are transferred from sender to receiver. It involves the rules,

regulations, environment and institutions that enable easy access to credit for investment in the real sector. It aids economic growth by developing a sound financial system and allocating funds from savers to borrowers, creating jobs and alleviating poverty. Financial development in Nigeria reduces poverty by transforming remittances from simple consumption support into productive investment, such as education, health care and business capital. The result is an improvement in the standard of living (World Economic Forum Report, 2022).

Today, poverty is widely recognised as a global phenomenon. It affects nearly four billion people worldwide (Kaphle, 2018). It is a significant issue that demands immediate attention and action across the globe. Poverty is a complex socio-economic issue that affects individuals in a variety of ways; it encompasses a lack of money, shelter, clothing and food. Poverty renders an individual unable to meet the fundamental demands of existence; when one is consumed by hunger and lacks access to education and health facilities, the individual is poor (Babalola & Mohd, 2022). To improve quality of life by establishing a favourable standard of living through efficient production and distribution of consumer products and job opportunities, it is necessary to reduce poverty. In Nigeria, a nation likely home to more than 200 million people, poverty is pervasive. The country's low development statistics can be attributed to the plague's increasing tendency over the last few decades.

Despite the volume of remittance inflows, poverty remains pervasive; remittances have not yet translated into broad-based economic reform. Nigeria's GDP growth, averaging roughly two to three per cent since 2015, lags behind population growth, meaning that poverty reduction and job creation remain inadequate. For too long, remittances have functioned as survival money for households rather than as development capital for the nation (World Economic Report, 2025). This is due to a lack of sound financial institutions, high transaction costs, and an informal channel for sending remittances.

The global economic downturn has affected the financial capacity of both the government and other commercial sectors that are meant to receive remittances, which can be invested or re-invested to provide an enabling environment, create jobs and reduce unemployment (Kemi & Dayo, 2015). Little attention has been given to remittances as a source of aid to developing countries, coupled with a lack of sound financial structure that discourages savings and investment. Lack of access to finance, or financial exclusion, has also meant that the target recipients have not benefited from remittances, leaving them poor. The global average cost of sending \$200 was 7.1 per cent in the first quarter of 2018, more than twice the Sustainable Development Goal 10 aim of reducing the transaction costs of migrant remittances to less than 3 per cent. The overall goal of the study is to investigate how financial development and remittances jointly affect poverty in Nigeria

2. Literature Review

2.1 Conceptual Review Remittances

There is no single definition of remittance, as it has been defined and conceptualised by different authors and scholars. It refers to a cash or in-kind transfer from one place to another (Siddiqui, 2004, cited in Peter et al., 2016). A remittance is a payment transferred to another party; it is the money sent from abroad by someone working outside their country of origin to their family. To remit means to send back. Broadly speaking, any payment of an invoice or a bill can be called remittance. It provides one of the main sources of revenue for developing and low-income nations, which frequently outpace foreign direct investment and international development assistance (Fowowe & Shuaibu, 2021).

Financial Development

This term is most frequently used by experts and professionals in economic development; to them, it refers to the growth of financial services available to all demographics and cultures. According to Bang et al. (2015), financial services have a significant impact

on the broader economy, thereby reducing the risk and vulnerability of underprivileged people and groups and enhancing their access to essential services such as health care, education, and other programmes that alleviate poverty. It is the capacity of financial institutions to mobilise surplus revenue and direct it towards profitable economic investment objectives.

Poverty

Understanding poverty is by no means simple, as it has many dimensions and affects people in different ways and to varying degrees. Poverty is a global phenomenon that needs to be tackled at all levels. There are many different theoretical perspectives on poverty nowadays. The most popular one views poverty as a lack of material resources; other perspectives view it as a lack of practical life-management skills or as hazardous and unstable living circumstances that heighten susceptibility. The United Nations (2020) defined poverty as a state of deprivation characterised by low food intake, poor health, low educational attainment, lack of access to education, and poor housing conditions. However, for a clearer conceptualisation of poverty, Amartya Sen, in his book 'Poverty and Famines' published in 1980, defined poverty as the deprivation of basic capabilities, rather than taking into consideration the income or monetary aspect which forms the basis of whether someone is poor or not, and argued that the deprivation of capabilities has turned out to be the measurement of real poverty rather than measuring poverty line. Though income and capability poverty may vary, they may also be a point of consensus between them.

2.2 Theoretical Framework

The theoretical framework for this study is the complementarity theory proposed by Mundaca (2009). The concept explains how, at high levels of financial development, the impacts of remittances on economic growth become more apparent and beneficial. According to the notion, remittances and financial development cooperate to advance economic growth and lessen poverty. Furthermore, when the banking sector is well-developed, migrants may be able to

transfer money home more quickly, affordably, and safely. It also explains why remittances appear to have a greater positive impact on economic growth only in nations with strong banking systems. In order to improve the recipients' well-being (with respect to their consumption needs) and monetary growth (when the remitted funds are available for potentially productive activities), the hypothesis also assumes that remittances travel through financial intermediaries, especially banks, to their beneficiaries.

2.3 Empirical Review

Hamma (2016) examined the impact of remittances on poverty in twelve Middle East and North Africa (MENA) nations between 1984 and 2012, taking into account the role of financial sector development. According to the System-GMM estimator, financial development and remittances have a complementary relationship that helps guarantee poverty reduction. In a sample of 33 of the world's top developing nations that receive remittances, Chowdhury (2016) investigated how remittances can impact economic growth and lessen poverty under various levels of financial development between 1979 and 2011. Using the two-step System-GMM, the findings demonstrated that while remittances alone, without the interaction effects of financial development, are successful in fostering economic growth and reducing poverty, financial development neither serves as a complement nor a substitute.

Mundaca (2009) used a panel dataset of 25 Latin American and Caribbean (LAC) nations from 1970 to 2002 to study the effects of remittances and financial sector development, as well as their interplay on economic growth. The results provided the first evidence for the complementarity hypothesis using the First-Difference Generalised Method of Moments (GMM). Nyamongo et al. (2012) examined how remittances and banking sector growth supported economic expansion for a panel of 36 Saharan African nations between 1980 and 2009. The results, which used both Ordinary Least Squares (OLS) and Two-Stage Least Squares (TSLS), demonstrated that remittances boost financial development, thereby

supporting the countries' economic growth and, over time, indirectly alleviating poverty. This further supports the complementarity idea.

In a panel dataset of four North African nations, Abida and Sghaier (2014) examined the impact of remittances, financial development, and economic growth on poverty reduction between 1980 and 2011. Using System-GMM panel data analysis, the findings demonstrated that remittances appear to support financial development in lowering poverty. Kheir (2018) used the ARDL bound test and Vector Error Correction Model to examine the connection between financial progress and poverty alleviation in Egypt between 1980 and 2015. The ARDL's findings demonstrated that financial progress and poverty alleviation have a long-term equilibrium relationship.

Omosuyi and Akinbobola (2023) investigated the effect of migrant remittances on poverty and examined the moderating role of financial development in remittance-poverty reduction. Additionally, CCR and FMOLS techniques were used as robustness tests to confirm the accuracy and consistency of the DOLS results. In several models, financial development was measured using the financial institution efficiency index, financial institution depth index, and financial institution access index. The results showed that remittances reduce poverty in Nigeria through a stable financial system.

Uddin and Sjö (2013) used Johansen's vector autoregression to examine the relationships among remittances, financial sector development, and economic growth in Bangladesh from 1976 to 2011. The results show that while remittances act as a short-term shock absorber for income fluctuations and reduce poverty, they can eventually crowd out the growth of the banking sector. Chen and Jayaraman (2016) used the Engle-Granger cointegration approach and two key instrumental variable estimators, Two-Stage Least Squares (2SLS) and Two-Stage GMM, to investigate the influence of financial sector development on the remittances-growth nexus in Fiji for the years 1980–2012. The study found that in Fiji's emerging economy, with a weak financial system,

remittances and the growth of the banking sector are interchangeable.

Jayaraman et al. (2016) examined the contribution of remittances to India's economic expansion between 1970 and 2009. Cointegration was tested using the Autoregressive Distributed Lag (ARDL) limits method. The findings demonstrated that remittances and their relationship with the growth of the financial sector have a positive and significant impact on economic growth, while remittances have a negative and significant impact on poverty. The study's results validated the complementarity hypothesis in the context of India.

3 Methodology

3.1 Data and Sources

The data for this paper was sourced from World Development Indicators, 2025 consisting of poverty, remittances, inflation and financial development.

3.2 Models Specification

Both descriptive and econometric data analysis techniques were applied in this investigation. While the latter used Pesaran, Smith, and Shin's (2001) autoregressive distributed lag (ARDL) and cointegration approaches to investigate the relationships among the variables of interest. The study can ascertain the immediate and long-term effects of financial development and remittances on poverty using the ARDL approach. The ARDL methodology was particularly chosen for its acknowledged advantages over other techniques (Pesaran & Shin 2001; Narayan 2004; Pesaran et al. 1997). It can capture variables integrated of order 0 and 1, estimate long-run relationships, and capture short-run dynamics.

Remittance inflows can act as a transmission mechanism to guarantee poverty reduction when combined with a strong and effective financial sector, since remittances alone may not be sufficient in reducing poverty to a desirable level. To achieve this objective, the following functional form models were specified:

$$POV = f(FID, INF, REM, REM*FID) \quad (1)$$

Where $REM*FID1$ is the combined effect of remittance inflows and the first measure of Financial growth (gross domestic product divided by the broad money supply).

The econometrics form of the model takes the general form as follows;

$$POV_t = \beta_0 + \beta_1 FID_t + \beta_3 INF_t + \beta_4 REM + \beta_5 REM*FID_t + \mu_t \quad (2)$$

Based on the ARDL bound test approach, equations 1 and 2 are specified as follows:

$$\begin{aligned} \Delta POV1_t = & \alpha_0 + \sum_{i=1}^m \alpha_1 \Delta(POV1)_{t-1} + \sum_{i=0}^{m1} \alpha_2 (\Delta FID1)_{t-1} + \sum_{i=0}^{m3} \alpha_4 (\Delta INF)_{t-1} + \sum_{i=0}^{m4} \alpha_5 (\Delta REM)_{t-1} \\ & + \sum_{i=0}^{m5} \alpha_6 \Delta(REM * FID1)_{t-1} + \nu_1 (POV1)_{t-1} + \nu_2 (FID1)_{t-1} \\ & + \nu_3 (INF)_{t-1} + \nu_4 (REM)_{t-1} + \nu_5 (REM * FID1)_{t-1} \\ & + \mu_t \end{aligned} \quad (3)$$

4. Results and Discussion

4.1 Descriptive Statistics of Variables

The descriptive statistics for the variables used in the investigation are summarised in Table 1. The data's mean, maximum, minimum, and standard deviation are presented.

Table 1: Descriptive Statistics {Observations = 42}

Variables	Mean	Std Dev.	Min	Max
FID	16.801	6.060	9.063	27.378
POV	55.496	17.739	9.834	81.535
INF	18.946	16.454	5.388	72.835
REM	2.562	2.549	0.004	8.333

Source: Author's Computation, 2026, using E-Views 10.

Financial development (FID) has a mean of 16.8%, a minimum of 9.06% recorded in 1996, and a maximum of 27.7% recorded in 2016. The standard deviation is 6.060%, indicating that the values are moderately clustered around the mean. Poverty (POV) has a mean of 55.5%, with minimum and maximum values of 9.8% and 81.5%, recorded in 1981 and 2016, respectively. The standard deviation of 17.739 indicates that the variable was highly volatile. Inflation (INF) has a mean of 18.9%, with a minimum of 5.39% in 2007 and a maximum of 72.8% in 1995. The standard deviation of 16.5 indicates high variability of

the variable. Remittances (REM) have mean, maximum and minimum values of 2.56%, 8.3% and 2009%, respectively. The standard deviation is 2.549, indicating that the observations are not tightly clustered around the mean.

4.2 Stationarity Tests

Table 2 present the results of the Phillips-Perron and Augmented Dickey-Fuller (ADF) stationarity tests, respectively. To verify that the non-stationary time-series data were stationary at level $I(0)$ and at first difference $I(1)$, but not at second difference $I(2)$, these tests were carried out.

Table 2: Augmented Dickey Fuller Test

Variables	ADF	Crit. Values (5%)	P.Values	Stationarity Level	Remark.
POV	-7.816089	-3.526609	0.0000	I(1)	Stationary
REM	-6.476905	-3.523623	0.0000	I(1)	Stationary
FD1	-9.153563	-3.523623	0.0000	I(1)	Stationary
INF	-3.844173	-3.523623	0.0240	I(0)	Stationary

Source: Author's Computation, 2026, using E-Views 10.

The Augmented Dickey-Fuller (ADF) test results showed that poverty, remittances and financial development (FD1) were stationary at first difference (I(1)), while inflation rate (INF) was stationary at level (I(0)).

4.3 Optimal Lag Length Selection for Model 3a

Because the Akaike information criterion had the lowest value among the criteria, it was used to determine the lag length. Based on the results in Table 3 the chosen model was ARDL (1, 2, 3, 3, 2, 2), with a maximum lag of 1.

Table 3: Optimal Lag Length Selection

Lag	LogL	LR	FPE	AIC	SC	HQ
0	-710.3404	NA	3.62e+08	36.73541	36.99134	36.82723
1	-600.6359	180.0280*	8469744	32.95569*	34.74721*	33.59847*
2	-562.4452	50.92088	8666413	32.84334	36.17047	34.03709

Source: Author's Computation, 2026, using E-views 10.

* shows the lag order that the criteria have chosen; LR: sequential modified LR test statistic (5% level for each test) FPE stands for final prediction error. Akaike information criterion, or AIC HQ, is the Hannan-Quinn information criterion, whereas SC is the Schwarz information criterion.

The computed Fisher statistic for the normalised equation, shown in Table 4 is 4.28 at the 10% and 5% significance levels, exceeding the lower and upper bounds of the critical values. Consequently, the null hypothesis that the model's variables do not have a long-term relationship is widely accepted.

4.4 Bounds Cointegration Test

Table 4: Bound Test

Test Statistics	Value	Significance	Lower bound I(0)	Upper bound I(1)
F-Statistics	4.287850	10%	2.08	3.00
K	5	5%	2.39	3.38
		2.5%	2.7	3.73
		1%	3.06	4.15

Source: Author's Computation, 2026, using E-views 10.

Table 5: Long-run Results

Variable	Coefficient	Std. Error	t-Statistics	Prob.
FID1	7.0294	2.4623	2.8548	0.0098
INF	0.0714	0.2095	0.3408	0.7367
REM	13.722	7.3804	1.8593	0.0778
REM*FID1	-1.0055	0.5457	-1.8425	0.0439
C	34.9935	30.5663	-1.1448	0.0002

$$EC = HHCE - (7.0294*FID1 + 0.0714*INF + 13.7228*REM - 1.0055*REM*FID1 + 34.9935)$$

Source: Author's Computation, 2026, using E-Views 10.

Table 6: Short-run Result for Model 3a

Variable	Coefficient	Std. Error	t-Statistics	Prob.
D(FID1)	1.4492	0.7209	2.0101	0.0581
D(FID1(-1))	-3.2733	0.8654	-3.7824	0.0012
D(INF)	-0.0465	0.0676	-0.6877	0.4995
D(INF(-1))	-0.1756	0.0609	-2.8832	0.0092
D(INF(-2))	-0.1562	0.0674	-2.3157	0.0313
D(REM)	4.0168	1.7729	2.2656	0.0347
D(REM(-1))	-6.7391	1.9435	-3.4674	0.0024
D(REM(-2))	2.3795	0.8399	2.8330	0.0103
D(REM*FID1)	-0.2667	0.1330	-2.0052	0.0587
D(REM*FID1(-1))	0.1601	0.1484	2.8031	0.0110
ECT(-1)	-0.5024	0.0804	-6.2465	0.0000

$$R\text{-Squared} = 0.7365 \quad \text{Adjusted } R\text{-Squared} = 0.6149 \quad DW = 2.20$$

Source: Author's Computation, 2026, Using E-Views 10.

4.4 Diagnostic Tests

To assess the effectiveness, consistency, and dependability of the estimated model, several diagnostic tests were conducted; the results are summarised in Table 6. The Breusch–Godfrey serial correlation test yields an F-statistic of 1.3234 and a corresponding probability of 0.2909, indicating no serial correlation. The Breusch–Pagan–Godfrey heteroskedasticity test also shows no evidence of heteroskedasticity, with an F-statistic of 1.2597 and a

probability of 0.3070. The Ramsey RESET test, with an F-statistic of 0.0872 and a probability of 0.7710, confirms that the model is appropriately specified. Additionally, the Normality test, with an F-statistic of 0.7114 and a probability of 0.9651, confirms that the residuals are normally distributed. Overall, all diagnostic test probabilities exceed the 0.05 significance threshold, indicating that the model is both statistically sound and dependable for policy inference and that the main econometric assumptions are satisfied.

Table 7: Diagnostics Test Results

Test	F-statistic	Degree of Freedom	Prob.
Serial Correlation (Breusch-Godfrey LM Test)	1.3234	F(2,18)	0.2909
Heteroskedasticity (Breusch-Pagan Godfrey)	1.2596	F(18,20)	0.3070
Model Specification (Ramsey RESET Test)	0.0871	F(1, 19)	0.7710
Normality Test (Jarque-Bera Statistics)	0.7114	Na	0.9650

Source: Author's Compilation, 2026, using E-Views 10.

4.5 Stability Test Result

The study further verified the model's structural stability using the Cumulative Sum (CUSUM) and Cumulative Sum of Squares (CUSUMSQ) tests. The

results showed that the blue lines in both plots remained within the critical bounds at the 5% significance level, confirming the model's stability over the study period.

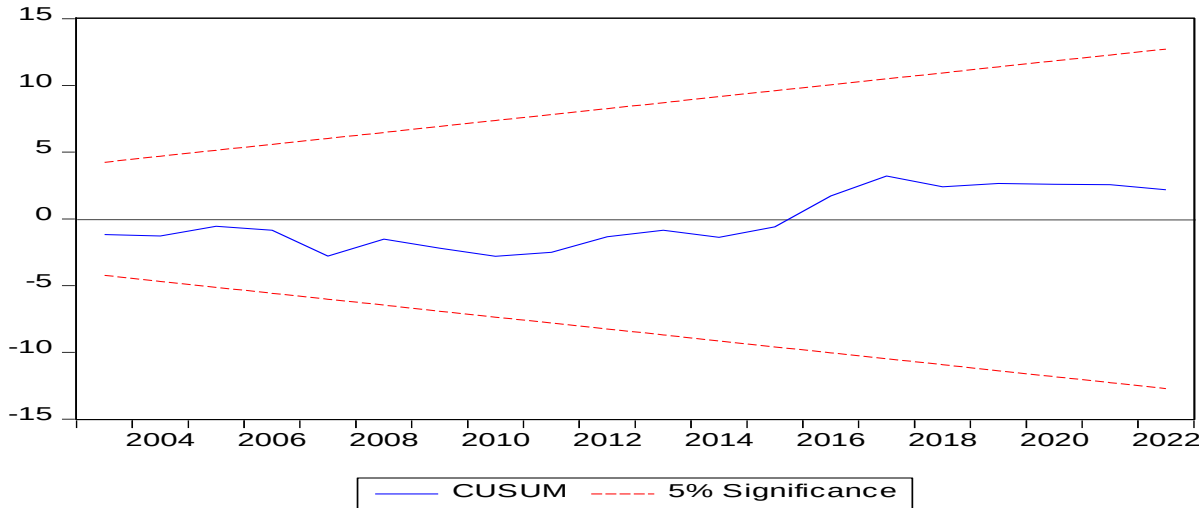


Figure 1: Cumulative Sum of Squares (CUSUM)

Source: Author's Compilation, 2026, using E-Views 10.

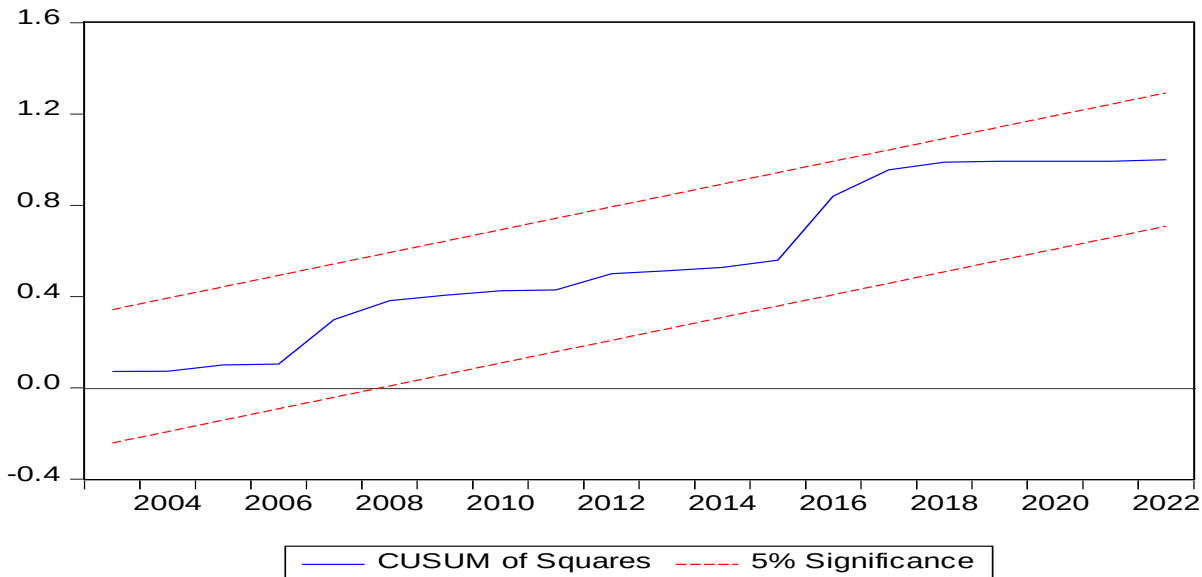


Figure 2: Cumulative Sum of Squares Recursive Residuals (CUSUMSQ)

Source: Author's Compilation, 2026, using E-Views 10

The study further validated the structural stability of the model through the CUSUM and CUSUMSQ tests. The blue lines in both plots remained within the 5% significance level critical boundaries, indicating that

the model is structurally stable throughout the sample period.

4.6 Discussions of Results

With a coefficient of 7.0294 and a probability value of 0.0098, the long-run estimates in Table 5 indicate that financial development (FID1) has a favourable and statistically significant effect on poverty. This result contradicts theoretical predictions, showing that poverty increases by 7.02% for every 1% growth in financial development.

The result may be attributed to the fact that an increase in the money supply can trigger inflation, thereby pushing more people into the poverty trap. Inflation (INF) also has a positive value of 0.0714, indicating that inflation has a positive effect on poverty, though this is statistically insignificant at the 5% level, with a probability value of 0.7367. This suggests that a 1% increase in inflation (INF) will increase poverty by 7%. Although insignificant, this aligns with the a priori expectation that inflation reduces the purchasing power of households. Remittances also have a positive impact on poverty, with a positive coefficient of 13.7227 that is statistically significant at the 10% level, with a probability value of 0.0778. However, this is not in line with the theoretical underpinning. A 1% increase in remittances will increase poverty by 13.7%, especially when the remitted money is not efficiently utilised by the households receiving it. The interaction between remittances and financial development (FID1) has a negative effect on poverty, with a coefficient of -1.005536. It is statistically significant at the 5% level, with a probability value of 0.0439. When the interaction between remittances and financial development increases by 1%, poverty decreases by 100%. This suggests that households receiving remittances need financial services to access such funds.

With a coefficient of 1.4492 and a probability value of 0.0581, significant at the 5% level, the short-run estimates in Table 4.18 show that financial development (FID) has a favourable and statistically significant effect on poverty. This result, which implies that a 1% gain in financial development leads to a 14.4% increase in poverty, contradicts the a priori expectation. By contrast, the first lagged value of FID

has a negative and statistically significant effect on poverty, with a coefficient of -3.2733 and a probability value of 0.0012, both significant at the 5% level. This suggests that poverty is reduced by 32.7% for every 1% improvement in the prior period's financial development; this outcome again differs from theoretical predictions.

Inflation (INF) and its first- and second-lagged values have negative effects on poverty, with coefficients of -0.0465, -0.1756, and -0.1562, and corresponding probabilities of 0.4995, 0.0092, and 0.0313. Although these findings are inconsistent with a priori expectations, they suggest that a 1% increase in inflation reduces poverty by approximately 4%, 17%, and 15%, respectively. Remittances and their second lagged value have positive and statistically significant effects on poverty, with coefficients of 4.0168 and 2.3795 and p-values of 0.0347 and 0.0103, respectively. These results contradict theoretical expectations, indicating that a 1% increase in remittances and their second-lagged value increases poverty by 40.1% and 23.7%, respectively. The likely explanation is that remittances may be unevenly distributed or misused, thereby failing to reduce poverty effectively. In contrast, the first lagged value of remittances aligns with theoretical expectations, showing a negative and statistically significant relationship with poverty, with a coefficient of -6.7391 and a p-value of 0.0024. This implies that a 1% increase in remittances in the previous period reduces poverty by 673%.

With a coefficient of -0.2668 and a probability value of 0.0587, the interaction between remittances and financial development (FID1) has a statistically significant negative effect on poverty at the 5% level. This result, which shows that poverty falls by 26% for every 1% increase in the interaction term, is consistent with theoretical predictions. However, the first lagged value of the interaction term, with a coefficient of 0.4160 and a probability value of 0.0110, has a positive and statistically significant effect on poverty. This suggests that a 1% increase causes a 41% rise in poverty, which is consistent with theoretical reasoning

that the delayed effects of financial activities can initially widen inequality.

Additionally, convergence towards the long-run equilibrium is confirmed by the error-correction term (ECT), which has the expected negative sign and is statistically significant. According to the coefficient, the current period corrects about half (50%) of the preceding period's disequilibrium. With a coefficient of determination (R^2) of 0.73, the explanatory variables in the model account for roughly 73% of the variance in poverty in Nigeria, with the remaining 27% arising from factors not included in the model, represented by the stochastic error term.

5. Conclusion and Recommendations

The study concludes that, when measured by household consumption spending, remittances, financial development, and their combination, these factors reduce poverty in Nigeria. When remittances are channelled through reputable financial institutions, they increase access to credit and boost household welfare. Because regular remittance inflows boost banks' lending capacity and enable households to

access the credit market, the relationship between remittances and financial development is complementary. Based on the study's findings, the following recommendations are proposed:

- i. Remittances should be promoted through a robust financial system that effectively connects senders and recipients, ensuring funds flow through formal channels and providing unbanked households with access to financial services.
- ii. Financial institutions should implement mechanisms to monitor loan use, particularly for remittance recipients, to ensure proper utilisation.
- iii. Governments should also improve access to credit for the poor, supporting poverty reduction through job creation.
- iv. Households should be encouraged to open accounts with financial institutions, especially in rural or remote areas, and be made aware of the range of financial services available to them.

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