



**EXPLORING THE LINK BETWEEN INTERNATIONAL MIGRATION AND  
REMITTANCES: A CASE STUDY OF AFRICAN IMMIGRANTS IN CAPE TOWN,  
SOUTH AFRICA.**

**BY**

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## DECLARATION

I..... undersigned, declare that *Exploring the link between international migration and remittances: A case study of African immigrants in Cape Town, South Africa*, has not been submitted before for any degree, or examination in any University, and that all the sources I have used or quoted have been indicated and duly acknowledged by means of referencing.

**Jonas Nzabamwita**

Signature .....

December, 2015.

## **ACKNOWLEDGEMENT AND DEDICATION**

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## **ABSTRACT**

Remittances from South Africa to other African countries have been a growing phenomenon over the past few years. A substantial proportion of such flow is informal and yet, the complexity and heterogeneity of migrants mean that relatively very little is known about which migrants remit, what they remit, how much and how, what the challenges are and how their remittance behaviour varies according to nationality. Using the case study of African immigrants in Cape Town, South Africa, this study sets out to explore the nexus between international migration and remittances, in particular the relationship between migrants' characteristics and remittance behaviour.

This study is anchored around the international migration system theory, prospect theory and the social capital theory. The methodological approach is both quantitative and qualitative. The information was collected from an extensive literature review, survey questionnaires administered to 83 immigrants from Zimbabwe, DRC, Rwanda and Somalia, selected using purposive and snowballing techniques, a focus group discussion with 12 participants from the case study and observations of two informal remittance sending sites.

This study found that African immigrants send cash, goods and social remittances to their respective countries. Furthermore, using nationality, education and income as the key variables of characteristics of immigrants, this study revealed that economic immigrants from Zimbabwe tend to remit cash and goods more frequently, Somalis remit more socially, Rwandese send goods using formal courier companies, while the Congolese remit through buses. In addition, educated and higher income African immigrants tend to remit formally, and more in terms of goods value and cash amount.

This study further established that informal remittance systems still dominate. Beside cost, speed, safety, reliability, customer care, friendliness, trustworthiness and convenience; informal remittance operators offer flexibility through loans and the collection of remittances from regular senders at low service charges. Informal remittance systems also provide other services that attract immigrants. Formal remittance systems on the other hand, have no strong appeal for African immigrants, especially the less educated remitting in rural areas due to low coverage. They are also bureaucratic burdens, by requiring proof of income, and address as well as

documentations that immigrants are not able to produce. In addition, the challenges related to the South African money transfer policy environment, the registration and licensing of Money Transfer operators drives remittances further underground. Within the context of remittances, the researcher recommended the measures needed to bolster the use of formal systems, this ranged from the government's relaxation of remitting requirements and licensing conditions, formal remittance operators' extension of their reach, provision of better information about their services and reduction in transfer cost, to informal remittance providers pooling their resources together in order to have a strong capital base that can be easily legitimized.

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## **LIST OF ABBREVIATIONS AND ACRONYMS**

AML	Anti-Money Laundering
ARS	Alternative Remittance Systems
DHA	Department of Home Affairs
DRC	Democratic Republic of the Congo
DNSC	Directorate of North-South Centre
FICA	Financial Intelligence Centre Act
IFAD	International Fund for Agricultural Development
IMF	International Monetary Fund
IMTS	Informal Money Transfer Systems
IOM	International organization for Migration
IVTMS	Informal Value Money Transfer Systems
KYC	Know Your Customer
MTOs	Money Transfer Operators
R	Rand (The South African currency)
SA	South Africa
SADC	Southern African Development Community
SAMP	Southern Africa Migration Project
SARB	South African Reserve Bank
UNHCR	United Nations High Commissioner for Refugees
USA	United States of America
US\$	United States Dollars

## **KEY WORDS**

- African
- Cape Town
- Channels
- Formal
- Immigrants
- Informal
- International
- Migration
- Remittances
- South Africa

## **CHAPTER 1: INTRODUCTION TO THE STUDY**

### **1.1. Introduction**

International migration is a phenomenon that is rising in scope and depth. Globalization, economic crisis, political instability, conflicts and civil wars, ethnic cleansings, natural disasters, social inequality, development of market economy, gender discrimination and other socio-economic and political transformations have contributed to the huge wave of human movement throughout the world. Since 2010, it has been estimated that about 215 million people, roughly three per cent of the World's population, has lived and worked outside their countries of birth, with refugees and people in a refugee-like situation representing 14 per cent of the international migrants (Flahaux & De Haas, 2014:5).

The increase in the number of migrants resulted in sharply rising flows of remittances to developing countries. Since the beginning of the 21<sup>st</sup> century, the flow of remittances has reacted largely to an increasing international migration, albeit the former grew more rapidly than the latter. The migration-inspired remittances have become a rational survival strategy to sustain livelihoods across a spectrum of low income countries. Remittance flows are expected to reach around US\$400 billion by 2015 (Kosse & Vermeulen, 2014:4), nearly twice the total flow of Official Development Assistance (ODA) from developed to developing nations, and far ahead of Foreign Direct Investments (FDI) of external financial flow (Ratha, et al, 2009). This led the total gross remittances to move within a range of 1-1.6% of the developing countries' Gross Domestic Product (GDP) (Ghosh, 2006:7).

The debate on migration and remittances has primarily focused on the impact of the flow of remittances on the economies of First World countries. Surprisingly, in recent years, attention has shifted to the situation in developing nations (Afaha, 2011). In the context of Sub-Saharan Africa (SSA), South Africa in particular plays a key role, both as a destination of immigrants and a source of remittances to other African countries and beyond (Bakewell, et al, 2012). The rainbow nation of South Africa attracts both legal and illegal, skilled and unskilled migrants, as well as refugees from various countries in Africa and elsewhere. The socio-economic crisis, political instability and natural disasters in many African countries led to the high intensity of immigrants, seeking greener pastures and political asylum in South Africa. Although reliable

figures are hard to find, Budlender (2013:16) estimated that there are more than three million immigrants living in South Africa, and the number continues to grow. More than two million are working (Statistics South Africa (StatsSA, 2014), a third of them are from the African continent, earning more than R10 billion each year, and more than half of this amount is sent home in the form of remittances (Fact Sheet, 2014:2).

While the proportion of international migrant stock in South Africa and its concomitant remittances continue to rise, and despite an ever-expanding body of literature, there is limited knowledge as to how and in what respect remittances might differ among migrants, and very little is known about remitting behaviour at the migrant individual level. Consequently, there is no conclusive evidence on the determinants of migrant remittances, and why remitting behaviour varies with the characteristics of migrants. Also, the high dependence on informal remittance systems, as well as the continued deficiency in the understanding of the fundamental aspects of remittances, necessitates finding answers to basic questions such as who remits, what is remitted, how much is remitted, why and how, and what are the challenges relating to remittance issues.

Using the case study of African immigrants from Zimbabwe, Democratic Republic of the Congo (DRC), Rwanda and Somalia living in Cape Town, this study sets out to explore the interplay between international migration and remittances. The overall aim is to obtain baseline information about characteristics of immigrants, gain insight into their remittance-sending patterns and behaviour, and to identify the challenges in order to recommend policy measures to the relevant authorities on how to enhance the remittance outflow with respect to the formalization of informal remittance systems in South Africa.

Both qualitative and quantitative research approaches were used and the measurements of key variables were made throughout. Purposive and snowballing sampling techniques were used in this study. The structured survey questionnaires were administered to mainly collect quantitative data, while focus group discussions and observations were used to obtain qualitative data. In order to place the study in a wider context, an extensive literature review was carried out. The international migration theory underpinned the point of departure in exploring migration, the social capital theory formed the basis to investigate the roles of migrants' networks in remitting,

while the prospect theory was used to understand how the decision to remit is derived and influenced.

This chapter offers an overview of international migration and remittances in general. In the subsequent sections, the researcher presents (1) background and contextualization of the study; (2) case study of African immigrants in Cape Town; (3) rationale of the study and; (4) problem statement, research question, aim, objectives and hypothesis. The chapter concludes with an outline of the mini-thesis.

The rest of the paper is organized as follows: Chapter 2 highlights a theoretical and conceptual framework for the study, Chapter 3 provides a review of literature in the domain of international migration and remittances, Chapter 4 outlines the research design and methodology, Chapter 5 presents the findings and discussions, Chapter 6 presents a summary of the findings; it also includes a set of suggestions and recommendations on how to improve formal remittance systems in South Africa.

## **1.2. Background and contextualization**

A range of explanations have been put forward as to the reasons why South Africa is an immigrant preferred destination. As a regional economic hub, South Africa has traditionally been a major destination for migrants, thus also the source of remittance outflow (Truen & Chisadza, 2012). Weiner (1997) traced the history of international migration to South Africa in the 19th century, when hundreds of thousands of European settlers immigrated to the country, establishing colonial rule and opening up trade, therefore attracting a large flow of immigrants. Crush, et al (2005) noted that in the early 1800s, the discovery and establishment of diamond and gold mines of the Apartheid regime, coupled with industrialization, lured thousands of workers to South Africa, coming as cheap laborers from neighboring countries to work in the gold mines. This paved the way for the country's economic success and development, ultimately attracting a massive influx of foreigners into South Africa.

Perbedy & Crush (1998) observed that, when apartheid was abolished in 1994, the African National Congress (ANC) -led government pursued a restrictive immigration policy, but offered amnesty to some refugees and asylum seekers from war ravaged countries such as the DRC,

Somalia, Rwanda, Burundi, Angola, Nigeria, Central African Republic, and even further afield. Despite its restrictive immigration policies, the number of economic migrants into South Africa continued to surge. Presently, South Africa is home to African migrants who come from as far as Egypt, Libya, Tunisia, Cameroon, Tanzania, Uganda, Ghana, Senegal, Mali, Kenya, Algeria and Morocco (Mukasa, 2012:28). In addition, Crush & Tavera (2010:1) coined the term "*Zimbabwean exodus*", which refers to migrants from Zimbabwe who joined their African counterparts in South Africa, following the collapse of the economy and the deterioration of the socio-political situation which was the direct consequence of the Zimbabwean government land reform fiasco (Polzer, 2010).

The movement of African migrants to South Africa often accompanies remittance outflows. South Africa is the regional economic powerhouse, a middle income country, and is one of the continent's top five countries that send remittances (Bakewell, 2011:35), remittance outflow accounts for 0.4 per cent of South Africa's total GDP (Pandelton, et al, 2006:7). According to Truen, et al (2005:1), approximately 68% of remittances originating from South Africa are remitted informally, and the size of the total remittance market from South Africa to African countries constitutes more than half of all remittances, this amounts to R11.9 billion per annum. Out of this, R6.16 billion go to the Southern African Development Community's (SADC) member states, while the annual remittance for the Zimbabwean corridor alone is between R 2.8 and 3.5 billion.

Despite the prevalence of informal remittance systems, the South African government discourages their use, because Bracking (2003), as cited in Mugumisi & Ndhlovu (2013:608), argued that informal remittances in the long run undermine inclusive governance and democratic state accountability. They also contribute to the informalisation of the economy. In sustaining livelihoods, informal transactions undermine longer-term development in that, they reduce government's fiscal space, since they represent undeclared income which cannot be taxed and also undermine the reliability of national income figures. Furthermore, informal remittance channels, as argued by McCusker (2005), are susceptible to abuse by criminal elements, serving as potential conduits for money laundering and sometimes informal channels promote corruption, gambling, trafficking as well as the funding of illicit activities. In the presence of

these debates, it becomes crucial, therefore, to explore the nature of informal remittance systems, and find ways to legitimize them.

### **1.3. The case study of African immigrants in Cape Town**

Adepoju (2003) observed that when South Africa was re-admitted to the global arena, its economy started to grow, and the ANC-led government felt obliged to repay political debts to other African countries for their contribution to the liberation struggle. The prospect of a booming economy in a democratic setting raised the expectations of many people, thereby opening a floodgate of African immigrants in search for a better life in South Africa. The continent's masses regard South Africa as a country with many opportunities and a higher standard of living compared to other African nations (Crush, 1999). According to Landau & Wa Kabwe-Segatti (2009:17) destitute Africans consider South Africa as "*a haven of freedom, peace and prosperity*" whereas prospective migrants view it as "*the Europe of Africa*".

The prospect of a better life prompts African immigrants to embark on a journey to South Africa. Upon their arrival, these immigrants settle mostly in the urban and semi-urban areas of the country's nine provinces, keeping with the broader and dramatic urbanization trend of the country (Pugh, 2014). The Province of the Western Cape in general, and Cape Town in particular, as one of the biggest, most rapidly growing migrant host city, is under considerable strain as it faces complex and considerable challenges in regard to its response to the increase in cross-border migration, compounded with internal migration (StatsSA, 2014).

The composition of migrants in Cape Town is made up of short-term contract labour, informal traders and long-term migrants. StatsSA (2014) classified them into three distinctive groups: the first group includes documented and permanent migrants, mostly professionally qualified such as medical doctors, academics and engineers, who benefit South Africa through the brain gain. The second group comprises short-term semi-skilled or unskilled, sometimes undocumented immigrant workers. The third group of immigrants entails refugees and asylum seekers - this category constitutes the majority because economic immigrants are likely to use a loophole in the asylum seeking system as an easy way to regularize their stay and get work permits (Segatti & Landau, 2011).



African immigrants in Cape Town have a relatively high level of education and skills compared to their South African counterparts, but refugees find it difficult to find employment in the formal sector, their labour is often grossly exploited by unscrupulous employers, and this pushes them into necessity-based entrepreneurship (Kalitanyi & Visser, 2010). According to Barker (2007), very few highly skilled and professional immigrants have been absorbed into the more protected job market segment where they earn high salaries, leaving the unskilled to compete with the locals in the unprotected niche of the labour market. According to Charman, et al (2011), a significant number of Somalis have applied their entrepreneurial flair to establish businesses, mainly spaza<sup>1</sup> shops. Rwandese and Congolese have managed to take advantage of their high level of skills and education in finding employment in different sectors of the economy (Kalitanyi & Visser, 2010), while the Zimbabweans have established themselves in the informal sector (Tavera & Chikanda, 2009; Makina, 2007).

The socioeconomic differences among African immigrants<sup>2</sup> affect trends in remittance outflows. For instance, Bindra (2012) believes that African migrants remit to rebuild their countries which have become dilapidated and shattered by decades of conflict, civil wars and economic meltdown. In this regard, Somalis send remittances to family members and fellow nationals to support them through famine, wars, and drought, and also to provide a real and substantial bulwark to protect their human rights (Cockyane & Shetret, 2012). Rwandese and Congolese remit to sustain the lives of those affected by civil wars, and Zimbabweans on the other hand, according to Tavera & Chikanda (2009), take advantage of the close proximity to their home country to primarily send remittances to support their family members affected by the economic turmoil. This study thus seeks to identify what type of remittances each nationality sends, and what are the factors underlying remittance decision.

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<sup>1</sup> The term Spaza shops refers to the home based grocery stores operating in many South African townships (Charman, et al, 2011).

<sup>2</sup> For the purpose of this study, African immigrants refer to anyone from within the borders of the African continent living in South Africa regardless of their immigration status. However, the sample was drawn from Rwandese, Congolese, Somalis and Zimbabweans.

#### **1.4. Significance of the study**

Despite the widening interest in international migration and remittances, the current debate on this subject as observed by (Agunias, 2006; Von Burgsdorff, 2012) continues to be complex, and frequently confusing, partly because of the incorrect methodological approach. Many studies have been undertaken, and an ever-expanding body of literature exists in the context of migrants' remittances in South Africa (Maphosa, 2007; Pendleton, et al, 2006; Makina, 2007; Kerzner, 2009; Tevera & Chikanda, 2009; Truen & Chisadza, 2012; Von Burgsdorff, 2010; Makina & Masenge, 2015; Chisasa, 2014).

In most of these studies and literature, however, the focus was on economic migrants' financial remittances and their importance for the development of the SADC countries. Thus, firstly, this study is justifiable by the fact that no particular attention has been given to conflict-induced remittances. Secondly, to the researcher's knowledge, there is no other study that has incorporated cash, non-cash and social remittances in the analysis. Thirdly, relatively little research on migrants' social remittances have been carried out in South Africa. Fourthly, beside the fact that informal remittance systems predominate, according to Von Burgsdorff (2010), not much is known about the characteristics of remitters in the choice of these channels. Therefore, by adopting a slightly different angle in a more balanced, and holistic approach, this study strives to bridge the gap, at the same time contributing to the literature on the on-going academic discourse, and making informed policy recommendations with the view to enhancing the use of formal remittance channels.

#### **1.5. Problem statement, research question, aim, objectives and hypothesis**

##### **1.5.1. Problem statement**

Remittances have significant impact on income growth and investment in migrants' countries of origin (Ghosh, 2006; IMF, 2003; IFAD, 2007; World Bank, 2011, 2012, 2014; Ratha, et al, 2009). Officially recorded remittance flows to developing countries reached US\$435 billion in 2014, an increase of 5% over the previous year. Global remittance flows, including those in high-income countries, are expected to follow similar trends rising from US\$582 billion in 2014 to US\$608 billion in 2015, accelerating from a 3.4 % expansion of 2013 (World Bank, 2014:3). Remittances from South Africa to African countries, particularly the SADC region, have more

than doubled (Fact Sheet, 2014; African Economic Outlook, 2014). A greater proportion of these flows are sent informally (Kerzner, 2009; Makina, 2007; Maphosa, 2007; Mungumisi & Ndlovu, 2013). It has been established that banks are the least used channels because they require a substantial amount of documentations (Truen, et al, 2005; Truen & Chisadza, 2012; Chisasa, 2014; Von Burgsdorff, 2010).

Migrant motivation to remit has been categorised into pure altruism, self-interest and loan repayment (Stark & Lucas, 1988; Becker, 1991; Agunias, 2006; Rapoport & Docquier, 2005; Taylor & Massey, 1996). Despite a plethora of literature, the supply side of remittance equation has been relatively under-examined; there is still inadequate understanding of the micro aspects of remitters and their impact on remittance behaviour, as well as the dynamics related to the remittance outflow and the choice of remittance channels at the individual level. Thus, this study seeks to explore the nature and characteristics of immigrants and their effect on remittance sending behaviour. The study also provides an opportunity to probe the challenges and opportunities that hinder or facilitate the process of remitting in South Africa in order to make recommendations to the relevant stakeholders.

### **1.5.2. Research questions**

Within the research problem identified above, the study seeks to provide the answers to the following general research questions:

- What are the nature and characteristics of African immigrants in Cape Town and to what extent do they impact on their remittance-sending patterns and behaviour?

### **1.5.3. The research aim and objectives**

The overall aim of this study is to explore the interplay between international migration and remittances, and particularly to gain background information on African immigrants living in Cape Town. The study also aims to gain insight into their remittance sending patterns and behaviour, in order to inform policy debates on how the sending of remittances can be properly managed and improved in South Africa.

The study has the following specific objectives:

- To understand the socio-economic conditions of African immigrants in Cape Town and what types of remittances they send home.
- To assess the type of channels they use when sending remittances and the factors influencing the choice of these channels.
- To identify the dynamics influencing remittance sending patterns and behaviour.
- To identify the challenges African immigrants encounter in their attempts to transfer remittances to their respective home countries.
- To make recommendations on how African immigrants can be encouraged to use formal channels of remittance.

#### **1.5.4. Hypothesis**

Immigrants in South Africa have different socio-economic and political characteristics. Given this diversity, the researcher predicts that a direct correlation exists between the characteristics of immigrants and remittance behaviour. Therefore, the following broad hypothetical statement was formulated and tested in this study:

- There is a significant relationship between immigrants' characteristics and remittance behaviour.

#### **1.6. Thesis outline**

This mini-thesis explores the connection between international migration and remittances. It reports on the dynamics pertaining to their remittance sending behaviour. Therefore, this study is divided into six main chapters, and their progression is as follows:

**Chapter One:** introduces the research by providing a brief introduction to the problem of international migration and remittances. Thus, it highlights the context and the rationale of the study. The chapter also provides the problem statement, research questions, hypothesis, aim and specific objectives of the study.

**Chapter Two:** provides the theoretical and conceptual framework for this study. It starts by presenting various perspectives on the theories of the international migration system, social capital as well as the theory of prospect. The chapter gives an extensive definition of the constructs of international migration, migrants, remittances and remittance-sending channels, and thereafter elaborates on the remittance transfer process as well as the implication of the policy framework.

**Chapter Three:** provides detailed information on the literature reviewed on the current knowledge of migration, remittances and remittance sending channels. Under the concept of migration, the literature presents evidence on why migration takes place, while the section on remittances provides extensive empirical studies on remittances and remittance channels. The literature review lays the foundation, helping to put the study into context as well as providing a research paradigm.

**Chapter Four:** provides discussion about the research design and methodology which the researcher has used to achieve the aim and objectives of the study. It describes the sampling method and how the sample was selected. It also discusses how the questionnaires were administered, how the interviews, focus group discussions as well as the observations were conducted. The chapter presents the limitations of the study and also sheds light on the issue of ethical considerations.

**Chapter Five:** presents the findings and evidence and other major themes emerging from the study, followed by the discussion of these findings. In general, this chapter interprets and compares the results with those from the literature.

**Chapter Six:** presents a summary of the findings, then the researcher makes recommendations with the view of improving and enhancing the formal remittance systems in South Africa.

## **CHAPTER 2: THEORETICAL AND CONCEPTUAL FRAMEWORK**

*No matter how migration has been defined, it is a proven fact that it is considered one of the most pressing issues of the 21<sup>st</sup> century, as more and more people are on the move today than any other point in human history (International Organization for Migration (IOM), 2012:10).*

### **2.1. Introduction**

There are many ways to study migrant remittances. The aim of this chapter is to present a theoretical and conceptual framework underpinning the relationship between international migration and remittances. To build a logical sequence, the first section of the chapter provides a description of the theories of migration and remittances, with a particular emphasis on the international migration system theory, social capital theory and prospect theory. The second section provides definitions of the key terms used in the study; the main focus is on the concepts of international migration, remittances and remittance channels. In conceptualizing remittances, the remittance transfer process as well as the remittance transfer policy framework in South Africa is included.

### **2.2. Theoretical framework**

There are a number of theories that can be used to explain the interconnectivity between international migration and remittances such as dual labour market theory (Piore, 1975), relative deprivation theory (Stark & Wang, 2000), new economic labour migration theory (Stark, 1991; Taylor, 1996), network theory (Cassarino, 2004; Willems, 2005), and Wallerstein's (1983) world system theory. These theories place great emphasis on economic activities (Delva, 2010:12). In fact, Parkins (2010:13) stated that "*most of the early theories of migration suggest that people migrate based on whether there is available work in their immediate space*". Likewise, the early models of migration were developed especially in response to wage differentials (Dinbabo & Nyasulu, 2015:33); focusing mainly on the onset of macro-economic factors in migrants' destination countries (Kritz & Zlotnik, 1996).

The effect of socio-economic and cultural intervening variables on human mobility rendered the classical theories ineffective. Scholars such as (Massey, 1998; King, 2012; Parkins, 2010) suggested that the paradox of international migration requires an interdisciplinary and holistic

approach on both the macro and micro level. In view of the above arguments, all the aforementioned theories are synthesized to form the international migration system theory, under which the basis of migration is analyzed. Prospect theory constitutes the point of departure in understanding and exploring migrants' remitting patterns and decisions, while, the social capital theory complements prospect theory in assessing the dynamics underlying migrants' remittance behaviour, as well as the choice of remittance channels.

### **2.2.1. International migration system theory**

The international migration system theory of Kritiz & Zlotnik (1996), was expounded by Castels & Miller (1998), and later incorporated Ravenstein's (1885, 1889) push-pull law of migration. This theory assesses international migration on a micro, meso and macro levels. By placing significant emphasis on migrants' micro-variables such as personal background, motives and qualifications; meso-level variables such as household information, family income and family size; macro-variables of both sending and receiving countries such as socio-economic and political conditions, the international migration system theory suggests that individual rational actors decide to migrate because of a cost-benefit analysis or calculation that leads them to expect a net positive return or maximize expected utility (Massey, et al, 1998:19). In a nutshell, people move to geographical spaces where they believe they can be more productive based on their skills and ability (Lee, 1966:50).

From a migration system perspective, whether to arrive at a migration decision or not, there are four major factors that affect the decision, namely: factors associated with the area of origin, factors associated with the area of destination, intervening obstacles and personal factors (Parkins, 2010). The international migration system theory argues that international relations, political economy, collective actions, and institutional factors are the real motivators to migrate. In this regard, Neumayer (2005) pointed out that international migration comprises two or more countries exchanging migrants with each other. Furthermore, this theory cites linkages such as state to state relations and comparisons and mass culture connections. Likewise, the international migration system theory suggests that migratory movement occurs because of the existence of prior links between both sending and receiving countries based on colonization, political influence, trade, investment and cultural ties (Castels & Miller, 1998; Lee, 1996).

As stated earlier, the international migration system theory adopted Ravenstein's push-pull law of migration to add to the myriad reasons why migration takes place. According to Ravenstein (1885, 1889), human movement is governed by the push-pull process; that is the supply factors such as unfavourable conditions in a particular place "push" people out, and the demand factors such as favourable conditions in an external location "pull" them in. For (Ravenstein, 1885; King, 2012a), the primary cause of migration is better external economic opportunities. Migration occurs in stages, instead of one long move, the push-pull framework assumes that migration enables a person to achieve certain economic equilibrium.

Using a combination of individual rational choice theory, and developmental perspectives, Ravenstein came up with an empirical generalized law which governs the flow of human beings between places. Authors like (King, 2012; De Haas, 2009) paraphrased these seven laws from the original wordy text as follows: (1) migrants move mainly over short distances, those going longer distances head for the great centres of industry and commerce; (2) most migrations are from agricultural to industrial areas; (3) large towns grow more by migration than natural increase; (4) migration increases along with the development of industry, commerce and transport; (5) each migration stream produces a counter-stream; (6) females undertake short distance migration, while males are the majority in international migration; (7) the major causes of migration are economic. Within the demand-pull and supply-push frameworks, the international migration system theory concludes that migration is as a result of macro structures interacting with micro structures (Parkins, 2010).

### **2.2.2. Prospect theory**

The original prospect theory was developed by Kahneman & Tversky (1991) to explain the decision making process. It is a descriptive theory that departs from the normative expected utility approach, and is grounded in psychological and economical principle guiding decision making under conditions of risk or uncertainty. In the utility approach, when faced with decisions, the behavioural patterns of all decision makers will seek to maximize their utility, by first weighing each possible outcome that is available with the probability of occurrence and sum this up over all possible outcomes, selecting the strategy that offers the highest possible utility or payoffs (Kahneman & Tversky, 1991, 2000).



In the prospect framework, individual behavioural decisions are made on the basis of risk and values, and the decisions based on risky choices are anchored from a reference point. As a result, prospect theory suggests that the decision maker evaluates outcomes in terms of losses and gains relative to their choice selection (Carmerer, 2005). Central to decision making is reference dependence. In other words, the choice made is a function of change in wealth from a reference point, rather than a function of net wealth level as postulated by proponents of the utility approach. Hence, according to Opong (2012), what influences the decision maker most and thereby acts as carriers of value or utility are circumstances, rather than the final asset position that includes current wealth. This suggests that some people are risk-seekers in all their choices, while others are risk averse in the domain of gains (Kahneman & Tversky, 1991).

Linking prospect theory with the social and economic milieu of migrants and their remittances, Opong (2012:9) postulated that the frame of reference of most migrants, like all theoretic prospect decision makers, is deep seated in socio-economic conditions in their home countries, and this serves as a common reference point in remittance sending patterns and decisions. In turn, they are affected and interlinked to the migrants' social-economic conditions in the country of destination as well as the availability and prices of remittance channels, and the wealthy and well-offs of migrants in their new milieu. Coincidentally, the migrants' frame of reference is deeply affected by the pockets of information that pass through their cognitive, affective and social filters, which also shape migrants' perceptions of conditions in their countries of origin and the current environment.

In the prospect theory framework, according to (Stark & Lucas, 1988; Becker, 1991; Rapoport & Docquier, 2005), migrants' construction of reality of conditions in their home country influences their judgment, ultimately determining how much money is sent home, how often and how. Within the prospect theory, Opong (2012) argued that migrants' conditions at home are characterized by a deep sense of wanting and lack of a host of everyday basic necessities, associated with a wide range of issues such as lack of food, low income, extended family and instability. Stark & Lucas (1988) posited that most often the conditions in a country of origin shape the world view of the migrants and determine their priorities in life, and when constrained by conditions at destination such as regulations, they affect the migrant's loyalty and sense of

belongingness or attachment to the country of origin, to some extent preventing migrants from making contributions in the form of remittances for enhancement of familiar bonds.

The behavioural bias of prospect theoretic migrants, according to Opong (2012), suggests that in remitting, migrants become less risk-averse, but more sensitive to gains and losses by paying particular attention to the prevailing conditions, as well as prices of remittance channels relative to the reference point. Also in risk-aversion, the level of migrants' remittance flow depends on both migrant's ability, i.e. their income, savings and their motivation to remit. In this approach, remittance decision is a function of migrant's characteristics, motivation and willingness and ability to remit.

In view of the above, Taylor (1999) hypothesized the willingness and motivation of the prospective remitter to altruism and self-interest. Under the altruistic model, the intuitive motive of remitting is the migrants' concern about relatives left behind in the home country; this means that the migrant derives satisfaction from the welfare of his or her relatives. In a behavioral model of remittance prediction, altruism implies a utility function in which the migrant cares about the consumption needs of the family members left behind (Mukasa, 2012). The motive of remitting money to family members in the home country based on self-interest on the other hand, may be driven by the aspiration to maintain family income and financial stability, and the bequest and remittances are conditioned by behaviour (Agunias, 2006). A pure self-interest motive helps migrants to enhance their social status and keep up a connection with home in an effort to secure a better future.

Between the two extremes of pure altruism and pure self-interest, Opong (2012) highlighted that migrants behave like risk-averse economic agents who insure their future in the face of economic uncertainties by entering into an implicit family agreement, co-insurance and loan between family members. Stark & Lucas (1988) used an eclectic model labeled "tempered altruism" and "enlightened self-interest" to explain this family loan agreement. In this model, remittances are endogenous to the migration process, utilized as a familial strategy to maximize an income or insure against future shocks. In this regard (Poirine, 1997; Stark, 1991; Brown, 1997) argued that to reduce the risk of income, the family enters into an implicit pre-determined agreement with the prospective migrant through investing in education, then sponsors their migration to more

developed economies, so that they can send remittances, thus repaying the loan that financed the cost of migration and education.

In a similar vein, under self-interest, the determination of remittances sent is based on migrants' saving targets and portfolio-management decisions. The saving motive on one hand, assumes that the migrant's goal is to return home with a certain amount of savings. According to Stark & Lucas (1988), the migrant has an interest in reaching the saving target and to minimize the drain on the income. Thus, the current and expected future income is constantly revised and interrelated factors are adjusted; this includes shortening the duration of stay abroad, reducing the flow of remittances for the family's consumption, and increasing intensity of work.

The portfolio management of remittance determinants on the other hand, is based on macro-economic underlying considerations. Mohr, et al (2008) noted that some factors, both in the host and home country, may significantly affect remittance flows. Todaro (2012:541) identified interest rates, exchange rates, inflation, relative rates of return on financial and real assets to be the major macroeconomic factors that motivate migrants to remit savings that are not needed for personal or family consumption but that are for profitability of savings.

### **2.2.3. Social capital theory**

Social capital theory, as developed by (Bourdieu, 1979; Putnam, 1993; Coleman, 1998), is defined as the aggregate of actual and potential resources, linked to the possession of durable, more or less institutionalized relationships of mutual acquaintance, and recognition of membership in a group. Portes (2000) defined it as the norms and social relations embedded in the social structure of society that enable people to coordinate action and achieve desired goals. Mubangizi (2003) noted that there are five forms of social capital: human, natural, financial, physical and social. In this theoretical framework, Maggard (2004:8) highlighted that the only resource that migrants have upon their arrival in the destination country is the human resource whose important indicators are skills, education, experience, trust, reciprocity, connections and networks. De Haas (2011) suggested that another fundamental element is the migrant's financial capital.

Both the human and financial capital of migrants is inextricably bound up with what is generally referred to as “*resource accumulation*”, this is facilitated by networks and system sets of interpersonal ties that connect migrants, former migrants and non-migrants in origin or destination areas through connections, kinships, friendship and shared community origin (Maggard, 2004). Migrant networks facilitate remittance sending by informing members about the means of transferring money. Migrants with more contacts adjust quickly to different remittance channels, and are more likely to be employed in the same firms where their earning is high as is those of other members of the same network (Barker, 2007).

Furthermore, social networks exert pressure and influence remitter’s behaviour by providing information and referring good investment and savings opportunities or by imposing cultural norms. Those social norms may operate via social pressure and/ or via reinforcement of ties with the home country. The information mechanism operates in such a way that immigrants learn about inexpensive remittance channels when sending remittances back home through a home town association (Aparicio, 2011:4). In a similar view, according to (Massey, et al, 1998; Choe & Chrite, 2014; Mubangizi, 2003), the networks act as an accelerator for future opportunities because they can serve the potential migrants, by reducing the cost and risks of the perspective movement and increase the expected return to migration. These migration networks are sufficient conditions for migration to occur and perpetuate success.

Putnam (1993) argued that migrant networks act as a bridgehead for people of the same group; while (Portes, 1998; Bourdieu, 1979) conceded that these networks act as a gatekeeper for those migrants unwilling to help an outsider, and (Maggard, 2004; Wahba & Zenou, 2009) pointed out that social capital is turned into networks that play a role in remittance transfer at the same time providing access to informal systems for remittance transfer. Similarly, Massey, et al (1998) acknowledged that social capital shapes the ways in which social relations are strengthened among migrants, their host community and family members in the areas of origin, in turn giving them easy access to the informal remittance channels operated by migrants themselves.

### **2.3. Conceptual framework**

International migration and remittances are one of the most defining issues of human activities in the contemporary world. Since the dawn of human evolution, people have migrated across

countries and continents and the intensity of that mobility on the global scale is greater than ever before (Hristoski & Sotiroski, 2012). Migration and remittances are essential, potentially beneficial to the socio-economic conditions in many countries (IOM, 2013). The question should be as to how to properly and effectively manage migration and remittances, in order to fully exploit their benefits and reduce their negative effect. In this section, the concepts of international migration and remittances are briefly explored.

### **2.3.1. International migration**

Defining the term "migration" has become a daunting task. Hristoski & Sotiroski (2012:3) stated that "*there is no universally accepted definition for migration that exists*", it is a concept applicable to both humans and animals depending on the context. Indeed, according to (IOM, 2013; Human Migration Guide, 2002), there are many dimensions to the definition of human migration; each answer specific questions in a rather different way. Perruchoud's (2004) approach defines migration against the thresholds of time, space and distance involved—migration as a process of moving for any reason, either across international borders, or within a state. Similarly, the United Nations High Commissioner for Refugees (UNHCR, 2010) posited that international migration entails primarily the movement from across a political boundary for the purpose of taking up permanent or semi-permanent residence. This movement can either be "*voluntary*" or "*forced*".

Forced migration is where people are forced to leave their habitual homelands against their will; reasons for forced migration are usually conflict-induced, disaster-induced or development-induced displacements (Mukasa, 2012). Voluntary migration on the other hand, does not include an aspect of force, nor does it encompass the entire nation; instead, it involves individuals or families in a particular community within the state, who raise funds on their own to finance the cost of migration. According to Parkins (2010), voluntary migrants happen to be well informed, able and willing to migrate.

Unlike forced migrants, Portes (1988) is of the view that voluntary migrants have strong social capital, and are largely influenced by their need to strategically allocate their accumulated human capital to destinations where they will be better remunerated for their future personal and family development. Both voluntary and forced migration patterns occur in two streams or processes,

i.e. emigration and immigration. The former refers to the process of leaving the country and the latter refers to moving into a new country (King, 2012).

The international migration process complicates the definition and types of migrants. According to the Human Migration Guide (2002) “*international migrants*,” as defined by the United Nations, are those who live for one year or longer in a country other than the one in which they were born irrespective of the causes and the status. Based on this, many foreign workers, tourists and international students are counted as migrants, as are refugees and, in some cases, their descendants.

Scholars (Cohen, 1996; King, 2002) as quoted in King (2012a:8) deconstructed the meaning of international migrants based on what is variously called binaries, dichotomies or dyads of migration by referring to the dualities of temporary versus permanent, regular and irregular, legal and illegal or clandestine, economic and political migrants. Regardless of the length of stay, composition and causes or approaches used to define international migrants, in this study, the researcher adopted the approach of King & Skeldon (2010), which categorizes forced migrants (refugees and asylum-seekers) and economic migrants (voluntary migrants) as the two core types of international migrants.

### ***2.3.1.1. International migrants***

The international population of migrants consists of refugees, asylum seekers and economic migrants and emerges for different reasons. For refugees and asylum<sup>3</sup> seekers, their movement is deep-rooted in the socio-political conditions prevailing in their countries of origin, which forces them to flee to another country (UNHCR, 2010), while the supply and demand factors trigger the movement of economic migrants (Massey, 1988). Phillips (2011) refers to an asylum-seeker as someone who is seeking international protection, but whose claim for refugee status has not been determined. A refugee on the other hand, as defined by Delgado Wise et al (2013), is a person

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<sup>3</sup> In this study, the term refugee denotes forced migrant and includes asylum seekers.

4. The convention defines “*a refugee*” as any person who, owing to fear of being persecuted for reasons of race, religion, nationality, membership of a particular social group or political opinion, is outside his home country, and owing to such fear, is unwilling to avail himself of the protection of that country.

displaced by violence, conflict, war and political and social catastrophe and instability whose claim has been accepted, and who has been recognized under the *1951 convention relating to refugee status*<sup>4</sup>.

When in the countries of destination, international migrants establish diaspora communities. The Directorate of North-South Centre (DNSC, 2006) defined diaspora as the historical precursor of modern transnationalism comprising ethnic minority groups of migrants with similar origins and objectives residing and acting in host countries, but maintaining strong sentimental and material links with their countries of origin and their homelands. Based on the definition of diaspora, scholars (Ratha & Plaza, 2011; Crush, 2011) added that a diasporic relationship entails migrants' contributions to the development of their homeland through remittances.

### **2.3.2. Migrant remittances**

*The flow of money, goods, knowledge and universal ideas - called remittances, are prevalent – and can have a positive effect on what it is called development effect in the countries of emigration (Faist, 2008:21).*

Remittances are generally referred to as one of the positive effect of migration, migration as the means and remittances as the end (Taylor & Massey, 1996). Remittances are non-reciprocal cross-border transfers by migrants to home countries, either through themselves or in the form of compensation (IMF, 2003; IFAD, 2007). This entails tangible assets such as wages and properties (World Bank, 2014) and intangible assets such as value systems that immigrants have earned abroad (Mohamoud & Frechaut, 2006). Hence, one can conclude that migrants send different type of remittances.

#### **2.3.2.1. Types of remittances**

Global financial institutions such as the World Bank and the IMF have traditionally confined remittances to cash or financial transfers. This confinement underestimates and ignores the essence of remittances (Suliman, et al, 2014), as a substantial share of overall remittance

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outflows to developing countries is in fact in-kind transfers (World Bank, 2014). In a similar view, it occurred to Mohamoud & Frechaut (2006) that migrants build up social, economic and political networks in the countries of residence through which they acquire a wealth of information, values, intellectual capacity, as well as other valuable tools that are transferred to their countries of origin in the form social remittances. Thus, in this study, remittances were conceptually disaggregated beyond cash and goods to include social remittances.

#### ***2.3.2.1.1. Cash versus goods remittances***

Cash and goods are the most common, easy to understand and measure form of remittances (DNSC, 2006:34). Tavera & Chikanda (2009) defined cash remittances as a proportion of a migrant worker's income in his domiciled country that is sent to the country of origin, and goods remittances as part of an in-kind transfer that migrants send home for consumption. Cash and goods remittances are viewed as a redistribution of migrant income that provide recipients with an additional source of capital which enables them to either invest or consume more than their current income will allow. Delgado Wise, et al (2013) asserted that these transfers provide migrants and their dependents with access to resources that can bring them out of poverty, transforming them into agents of development.

Furthermore, cash remittances contribute to investment in health, food, and education, all of which benefits migrants, their families and their respective governments (Van Doorn 2002; IFAD, 2007), whereas goods transfers are a better way to respond to the immediate needs of recipients, especially in the case of a shortage of food. According to (Maphosa, 2007; Kerzner, 2009), the primary reason for the trend in goods remittances is an economic implosion in some countries, particularly the rapid decline in agricultural production that led to the hyperinflation, causing commodity prices to rise. In the broadest sense, cash remittances accompanied by in-kind transfer (De Fontain, 2006), along with social remittances (Levitt, 1988) have become viable options and development proxy for migrant sending nations.

#### ***2.3.2.1.2. Social remittances***

A social remittance is a term coined by Levitt (1988) to deviate from the most researched economic remittances. The notion was also developed by Mohamoud & Frechaut (2006) to refer



to the innovative ideas, practices, mindsets, values and attitudes, norms of behaviour, cultural influence, work ethics and social capital (knowledge, experience and expertise) that migrants mediate and transfer from host to home country. Levitt & Lamba (2011) added that social remittances consist of identities, worldviews, education, behaviours and technology that flow from the migrant receiving country to the sending country communities. These include the transfer of effective leadership styles, religious practices, patterns of civil and sound political participation and contribution as well as policy reforms (Levitt, 1998; Levitt & Lamba, 2011). Social remittances also comprise aspects of transparency, accountability and democratic governance used to describe the diffusion and circulation of social practices that migrants bring along when returning home (DNSC, 2006). Cash, goods and social remittances are transferred through various channels.

#### ***2.3.2.2. Remittance Transfer channels***

The channels used to transfer financial and good remittances are easily classified as either formal or informal. Social remittances on the other hand, are transmitted via a range of cross-linking modalities. The potential informal pathway along which social remittances are sent may take place in the form of exchange through letters, telephone calls, emails, internet chats or videos. Formal channels are where migrants meet and enter face to face talks with key political figures from their homeland (DNSC, 2006; Levitt, 1998).

The transfer of cash and goods is formal when sent using registered channels. These remittances are captured by the Central Bank's book of accounts or other national institutions and can also be obtained through the IMF Balance of Payment Statistics publications and other country reports (Buencamino & Gurbonov, 2002; World Bank, 2012). Informal remittances as the name suggests, are remittances sent through informal channels and by definition are not registered; instead they are estimated and included in the statistics of financial institutions.

##### ***2.3.2.2.1. Formal channels***

Formal remittance channels are various forms believed to be commonly used by documented migrants and short-term workers when remitting. As shown in Figure 2.1, this takes place in banks, post offices, exchange houses and Money Transfer Operators (MTOs) such as Western

Union and MoneyGram. Commercial banks are traditionally important vehicles for effecting international remittance transactions. In light of their extensive networks, and participation in international payment and settlement systems, Orozco (2006) observed that some banks with a global presence use their own networks for money transfer, while those with limited networks may use a franchise transfer service provided by a global operator, or utilize a correspondent banking network. The types of funds that may be sent through the banks may be cash, pre-paid, money orders, credit cards or checks.

The MTOs, according to (Chene, 2008; Orozco, 2006) are financial companies engaged in the international transfer of funds using either their internal systems or have access to other cross-border networks. In some countries like South Africa, MTOs are required to be registered with the South African Reserve Bank (SARB) as non-bank financial institutions (Bester, et al, 2010), while in others they operate as companies outside the financial sector. The MTOs have a wide network, less stringent identification requirements and often focus on low-value, high-frequency transactions (Orozco, 2006).

With regards to formal channels, an additional innovative model of money transfer has emerged which circumvents the need to transfer. One of them, but not yet well developed for cross-border transactions in South Africa, is M-payment. According to Bester, et al, (2010), M-payment is a local mobile money transfer system and operates in a similar fashion to the Eastern African regional model of M-Pesa. Mbiti & Weil (2011) explained that in M-Pesa, a customer issues instructions to the bank that initiates a payment of a specified amount to a specified beneficiary on the customer's behalf.

The advantages of formal money transfer systems are that they enhance the development of potential of remittances, and promote increased transparency and accountability in the remittance market; this positively affects government, the financial sector, individual remitters and their families as well. Likewise, Singh (2014) streamlined that a formal remittance system fosters development through accommodation and distribution of remittances. Haigner, et al (2012:2) stated that formal systems permit the transmission of high-value remittances indispensable for the development of institutions, businesses and infrastructure. Despite being subjected to a hard macro-economic environment which makes it very slow and cumbersome (Bolland, et al, 2010),

Kosse & Vermeulen (2014) argued that using formal remittance channels may bring individuals and households into contact with other financial services such as savings, loans, mortgages and insurances which may foster economic wide development.

#### **2.3.2.2.2. Informal channels**

Initially developed to facilitate trade between countries and regions within countries, informal channels emerged to be an effective method to transfer remittances in remote areas, also serving illegal immigrants and short-term workers who do not have access to formal channels. The main thrust of these systems is that they are not regulated or reported on, and operate outside the mainstream of the financial sector (Truen & Chisadza, 2012), and the mainline of money transfer businesses (McCusker, 2005). Informal remittances are generally transferred through hand carriage (when going home), or by family, friends, networks of transfer agencies, or money couriers, via call shops, ethnic stores or travel agencies without declaration (World Bank, 2014).

Due to the nature of their operations and the magnitude of the transactions processed, the informal money transfer systems (IMTS) have been labeled and called various names in the literature such as *Hawala system*<sup>5</sup>, *Hundi system*<sup>6</sup> (McCusker, 2005), *underground banking systems*, or *informal value money transfer systems (IVMTS)* (Buencamino & Gurbonov, 2002). Other names given to IMTS include *Alternative remittance systems (ARS)* (Todoroki, et al, 2011), *poor man's banking system*, *Colombian black market peso exchange systems* and *ethnic stores* (Miklian, 2009).

The most distinctive element of Hawala systems is the extensive utilization of family connections such as family relationships and regional affiliations (Heigner, et al, 2012; Chene, 2008; Faith, 2011). This results in the arrangement and connections between remitters and Hawaladars (Hawala operator) in both the sending and receiving countries (Maggard, 2004). The IMTS operate from ships, out of a rented storefront without sophisticated equipment such as

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<sup>5</sup>The word Hawala is commonly used to describe the alternative remittance system and banking system used in India, prior to the introduction of modern banking practice (Jost & Sandhu, n.d).

<sup>6</sup>Hundi is the word used to reflect the additional meanings of trust, and refers to the manner in which Hawala systems of remittance operate. In popular usage, both Hundi and Hawala are often used to refer to any sort of financial crime, particularly money laundering or fraud (Jost & Sandhu, n.d). For the purpose of this study, the concept Hawala denotes informal remittance systems, while the term Hawaladar or Hawala broker are used to refer to the operator of these systems.

vaults, even share space with other businesses to cut down on operating and overhead cost. Hawala businesses are advertised in the migrant language to avoid local authorities, Hawala transactions can be concluded within a day, there is no record keeping, and their continued existence depends on migrant networks and connections (Jost & Sandhu, n.d).

ARS attract many immigrants because they are free from bureaucracy, and are reliable because they are streamlined, involving few parties (Buencamino & Gurbonov, 2002). Demanding relatively document-free transactions, Hawala systems also offer discretion, secrecy and anonymity of the users. The discretion provided by the informal channels to its clients makes the elements of trust and connections its essential features. In most cases, the informal remittance channel dealers are universally honest in their businesses. In some respects, the informal channels are self-regulated, defrauding and cheating is not sanctioned and is punished by effective ex-communication and loss of honour which is tantamount to an economic death sentence (Ozaki, 2012; McCusker, 2005).

The anonymity serves illegal immigrants who might fear that using formal financial institutions could lead to their discovery or arrest by immigration authorities (Chene, 2008:4). Informal channels also offer benefits to legal migrants, who because of language, limited education or illiteracy, may experience difficulties with formal institutions (Ozaki, 2012). In a similar vein, Buencamino & Gurbonov (2002:12) stated “*the main advantage of informal remittance systems is their high accessibility, resilience and versatility as well as ability to withstand sudden and dramatic economic changes*”. In this regard, Hawala systems provide stabilizing macro effects, given that they operate as a safety valve and provide liquidity in times of political and social upheaval in war ravaged nations (Maimbo, 2003).

Despite their benefits, there are have been growing concerns that the underground banking system is used to facilitate a range of disparate crimes, involving intellectual property, drug trafficking, customs and tax evasion, the smuggling of illegal immigrants, fraud, inside trading and gambling (McCusker, 2005; Chene, 2008). Several authors (Jost & Sandhu, n.d; Chene, 2008; Ballard, 2003) argued that Hawala systems serve as potential vehicles for money laundering activities and terrorism funding. For instance, Chene (2008:7) claimed that terrorists might have used informal systems to transfer funds used to carry out the September 11 attack on the World Trade Centre.

On the legality of the Hawala system, Chene (2008:5) cautioned that “*the remittance channels should not be strictly identified as formal or informal*”, the reason is that a particular channel may be viewed differently based on the regulatory regime, institutional structure, and legal system prevailing in each country. Ozaki (2012:15) stressed that “*informal channels are not per se illegal*”, because a specific system may be formal in one country, but informal in another, given the country’s regulatory treatment of money transfer. For instance, Maimbo (2003) observed that Hundi is illegal in India, while it is used by the government in Afghanistan, and major Non- Governmental Organizations (NGOs) in Somalia. In South Africa, IMTS are not in line with government’s commitment under the Finance and Investment Protocol (Bester, et al, 2010), but they are less supervised, or the South African government has less capacity or interest in enforcing regulations for informal systems (Pieke, et al, 2005).

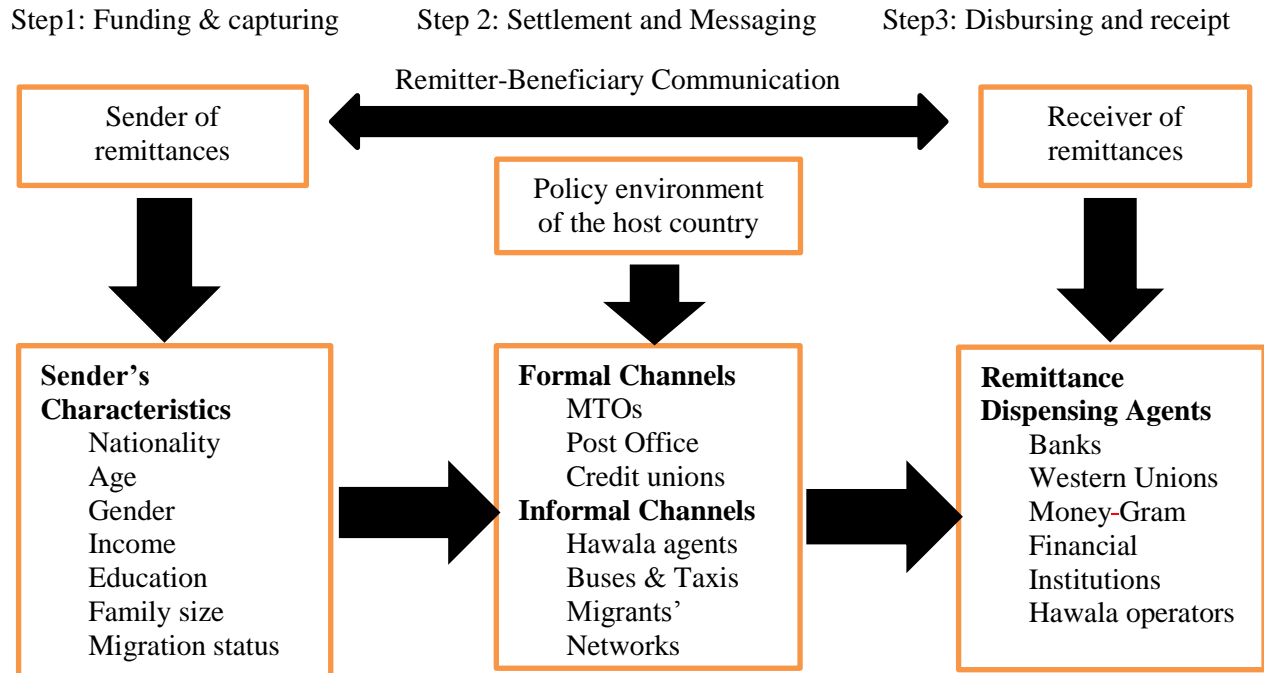
### **2.3.3. The process of remittance transfer**

The cash remittance transfer process in both formal and informal channels follows a similar basic pattern. Nonetheless, the process in the informal system deviates from the norm, and sometimes becomes more complex and sophisticated, because in many instances, the money is sent to recipients without necessarily the physical transfer of currencies. In essence, as figure 2.1 shows, the money transfer system involves a series of distinctive steps with the sender securing the funds, deciding on the channels, the transfer agent capturing the transaction and disbursing. Ozaki (2012:15) explained that the remitter delivers remittances to the agent, or dealer in the host country, and then the transaction is captured and remittances are transferred to another agent or partner agent in the destination country who makes the remittances available to the final beneficiary.

The process of remittance transfer is also influenced by the environment of the potential sender, country to country remittance corridor, and the environment of the potential receiver. From the sender’s side, motivation, income, family size, education attainment, gender, legal status and ethnicity determine the amount, the types as well as the frequency of remittances (Arestoff, et al, 2010; Loschmann & Siegel, 2014). As displayed in the figure below, information exchange and connection between sender and receiver play a role in the selection of remittance channels in

addition to the influence of the migrant’s host country policy framework as discussed in the next section.

**Figure 2.1: General remittance transfer systems**



Source: Adapted from Ozaki, (2012: 15)

### 2.3.4. Money transfer policy framework in South Africa

Remittance transactions in South Africa are monitored by the SARB, are also subject and governed by the Anti-Money Laundering (AML) legislation, and by the Financial Intelligence Centre Act (FICA) enacted in 2002 which was initially shaped by the Financial Action Task Force (FATF) recommendations following the events of 9/11 (Bester, et al, 2010; Orozco, 2006). The policy framework for money transfers in South Africa seeks to insure stability and integrity of the market, as well as the adherence to immigration laws. It is also tailored to address the issues of government’s broader objectives of market development and consumer protection. In this light, the issues and policy option affecting remittance transfers originate from the FICA and SARB’s requirements under which informal remittance systems do not fall.

Money transfer regulation in South Africa has more indirect cost effect and convenience of transacting. Researchers (Truen & Chisadza, 2012; Truen, et al 2005; Bester, et al 2010) identified exchange rate controls, AML legislation and immigration laws to be the three most

important regulatory barriers that function both individually and in tandem to decrease remitters' ability and to decrease remittance systems, ultimately causing both documented and undocumented migrants to be ineligible to use formal remittance systems.

The exchange control sets out the limits of the amount to be transferred across the border, and regulates who is allowed to deal in foreign currency. In practice, exchange control creates a significant barrier for new entrants in the remittance market (Genesis Analytics, 2005). For example, potential remittance players are subjected to rigorous screening and requires approval as stipulated in the exchange control handbook which in particular requires the identity of the remitters, the dealer or provider of remittance services to provide proof of registration and licenses which is very difficult to obtain and to have a foreign exchange reporting system which is very expensive to install (Bester, et al, 2010:18).

With regards to the AML; the FICA and SARB require banks and MTOs to adhere to the practice of banking supervision. According to Haigner (2012) the key obstacle in remitting is that financial institutions must do due diligence and stick to the Know Your Customer (KYC) practice. Before performing any transaction, migrants in South Africa must provide full name, date of birth, identity number (nationality and passport with valid visa and proof of residential address as well as proof of income). This rigorous verification and submission of client's economic profile has proved extremely difficult, particularly for low income migrants (Bester, et al, 2010), as well as refugees and asylum seekers (Bidandi, 2014).

With respect to immigration laws, the reminder of the apartheid legacy makes provision for a corporate permit system which does not cater for unskilled immigrants in South Africa. This makes it difficult to access to work permits. In addition, according to the FinMarkTrust, (2009) temporary immigrants such as those on study permits, partnership permits and some business permits might not be allowed to have certain types of accounts such as Mzansi<sup>7</sup>, unless they are permanent residents. In a similar view, the Immigration Act of 2002 places further obligations and legal duties on financial institutions to endeavour to ascertain the status or citizenship of their clients (Bester, et al, 2010:18). Any person whose status or citizenship cannot be ascertained is reported to the Department of Home Affairs (DHA) for arrest, detention or

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<sup>7</sup> Mzansi Account is a low income transactional account offered by all major banking institutions in South Africa allowing the account holder to transact widely, efficiently and effectively (FinMark Trust, 2009).

deportation. Therefore, according to Musonda (2012), the outcome of certain aspects of these policies deters many migrants from accessing formal remittance systems.

## **2.4. Chapter Summary**

A range of approaches and theoretical perspectives have been proposed for the exploration of international migration and remittances. In the description of the international migration system theory, migration is motivated by the interaction of push-pull factors which interact with migrants' circumstances. Prospect theory explained that migrant remittance behaviour is influenced by a reference point which is in turn framed by the socio-economic condition in the current milieu and the place of origin. In this framework, the decision to remit is a function of individual characteristics, motivation and willingness. In this regard, the prospect theory has hypothesized the remittance motive of self-interest and pure-altruism. Social capital theory on the other hand, complemented other theories by highlighting migrants' resources, networks and connections in informing prospective remitters of the required investments and accessing the cheapest channels of remittance.

The second section defined the concept of international migration in its complexity where “*voluntary*” and “*forced*”, or “*economic*” and “*refugees*” types of migrants were identified. Also, the chapter identified three types of remittances, namely: cash, goods and social. The chapter sheds light on the process of sending remittances, by expounding on the formal and informal remittance systems together with their advantages and disadvantages. In discussion of remittance systems, the South African money transfer policy environment subjects both remitters and remittance operators to rigorous screening and requirements; thus creating challenges and hindrances in accessing formal systems. In the next chapter, the study looks at the empirical evidence on migration and remittance behaviour through the review of literature.



## **CHAPTER 3: LITERATURE REVIEW: EMPIRICAL EVIDENCE**

### **3.1. Introduction**

International migration, remittances and their determinants have been widely researched. To follow on the theoretical and conceptual framework, this chapter presents a review of the relevant literature on the subject matter. The aim is to place migration and remittance into a global and local context. The chapter starts by introducing empirical studies on international migration. The second section looks at the empirical evidence that has been produced over the last decade on remittances; the focus ranges from comparing the remitting behaviour of forced and economic migrants, to the dynamics that influence the use of informal remittance channels. In most cases, a brief description and methodology, as well as the findings of the reviewed study, are provided.

### **3.2. Perspective on international migration**

Prior to reviewing the literature on remittances, it is helpful to briefly reflect again on the determinants of migration, given that migration is a pre-requisite for remittance (Cohen, 2005; Carling 2008), and that it is a compensation for migration (Mahuteau, et al, 2010; Borajas, et al, 2009). In a similar vein, Loschmann & Siegel (2014) argued that the migration decision predominantly depends on individual characteristics which determine where that person will be more productive and earn the highest income possible that permits remittance. Beyond individual factors, Taylor & Dyer (2009) found that the migration decision is potentially influenced by the larger socio-economic context. Thus, migration is not only driven by income maximization, but risk minimization as well.

While there is a consensus that the motivation to migrate is often influenced by the political, economic, social, cultural and environmental context of migrant sending and receiving countries (Bakewell, 2011; Bakewell, et al, 2012; IOM, 2012; UNHCR, 2010; De Haas, 2010, 2011; Delgado Wise, et al, 2013; King, 2012, 2012a; Landau, 2008; Shaw, 2007), there is a disagreement among scholars on the weight and influence of each factor on migration across different regions. Globally, scholars identified political insecurity, economic inequality (Bakewell, 2011; Bakewell, et al, 2012), cultural and social expectations (Mayda, 2005;

Neumayer, 2005), to be the sets of driver complexes operating in the places of origin in the migration corridor. Others (De Haas, 2011; Parkins, 2010; Samer, 2010) highlighted better livelihoods and perceived opportunity as driver complexes on the side of the destination.

Based on the study that investigated migration inflows into 14 countries of the Organization for Economic Cooperation and Development (OECD), using time-series and cross-country variation in immigrant inflows, scholars (Bolland, et al, 2010; Spatafolo & Freund, 2005) established the unequal income opportunities distribution to be the most common economic motivator of migration. Mayda (2005) cited geographical, cultural and demographic factors as well as policies in the destination. While (Neumayer, 2005; Clarke, et al, 2007) found the language, culture, history, distance and common borders between the two countries, their colonial link and immigration policies of the destination to be related to the migration flow, researchers such as (Willems, 2005; Karooma, 2014) on the other hand, insisted on the network effect as being the most important factor.

Relating to the policies of the destination, Gilbert & Koser (2006) argued that refugees prefer to go to the United Kingdom (UK), because of the generosity of the welfare system and the ability to get employment in the informal sector. However, in Gamlen's (2006, 2008) view, the possibility of achieving citizenship is the main driver. Other scholars supported the view of opportunity driven migration, for instance (Levitt & Jaworsky, 2007; Suro, 2006) reported that Latin Americans immigrate to the United States of America (USA) looking for a better life inspired by the American dream. This view was discarded by Sequeira & Rasheed (2006:359), who stated that "*political instability and recurring financial crises often inspire Latin Americans to migrate to USA*". Contrary to Latin Americans, Lee & Simborski (2005) found that the Irish and British immigrated to the USA for several other reasons including famine, oppression, prolonged depression and social hardship, religious incongruence, pleasant climate and better medical facilities.

Reporting on migrants' characteristics, Kannankutty & Burrelli (2007:4) indicated that almost two-thirds of immigrants in the US are scientists and engineers. 63% of them are between the age of 18 and 34, 24% are younger than 18, and 14% are 35 or older, and 75% of all immigrants have been in USA for 10 years or more. Two fifths of immigrants in US have tertiary education

degrees. Furthermore, Kannankutty & Burrelli (2007) found that the primary reasons why immigrants from developing countries go to the USA are often family related.

In the context of Africa, scholars (Shaw, 2007; Flahaux & De Haas, 2014) found that migration to Sub-Saharan Africa (SSA) is a result of human insecurity resulting from endemic conflict and inability to access a secure livelihood. In this regard, Dodson, et al (2008:6) reported that the survey conducted in Botswana, Lesotho, Mozambique, Swaziland and Zimbabwe using a standardized questionnaire and randomized sampling strategy, showed that migration was mostly dominated by men; that female migrants were more likely to be older and to be married than male cross border migrants. The female migrants tend to be younger and less likely to be married than male migrants. The proportion of females in all the countries surveyed falls in the age brackets of 15 to 24, while that of men is between 40-59. With regard to education, females were found to be more educated than men in both Lesotho and Swaziland. In a similar view, Timberg (2005:15) pointed out that “*two-thirds of immigrants in South Africa hold a high school diploma or higher*”.

In the context of South Africa, Makina (2007, 2012) identified economic and political instability to be the reasons why Zimbabweans come to South Africa. A similar view was echoed by many migration experts, for instance (Polzer, 2010; Crush, 2011; Segatti & Landau, 2011) claimed that migration to South Africa is more driven by economic consideration, and/ or personal concerns which could include persecution, widespread violence and insecurity prevalent in many African nations. Landau (2008) insisted on the policy that guarantees a plethora of rights and freedoms to migrants, rather than the human security they frame. Based on Landau’s view, Crush, et al (2005) complemented that migratory movement to South Africa is driven by the protection offered to asylum seekers. Barker (2007) found the labour market policy and accessibility that allows migrants to maximize economic opportunities to be the attraction, and the Consortium for Refugees and Migrants in South Africa (CoRMSA, 2008) agreed with Barker’s view by reiterating that South Africa, which does not recognise refugees on a *prima facie basis*,<sup>8</sup> attracts migrants because it allows asylum seekers to work.

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<sup>8</sup> Prima facie refugee determination is a process where a refugee is presumptively recognised on the basis of readily apparent and objective circumstance in the country of origin (Rutinwa, 2002).

In their analysis, several other authors highlighted poverty, unemployment, low wages, lack of basic health and education (Tsheola, 2008), poor governance, corruption, human rights abuses, discrimination based on ethnicity, gender, religion and the like (Landau & Wa Kabwe-Segatti, 2009) to be the factors pushing migrants to South Africa, while the prospect of higher wages, the potential of an improved standard of living (Dinbabo & Nyarusulu, 2015), and personal or professional development are the factors pulling them into South Africa. The above literature, which outlines the motive to migrate, is inconsistent. In addition, the authors do not provide much information on migrants' characteristics, and failed to differentiate between forced and voluntary migration. Thus, this study seeks to explore migrants' socio-economic conditions and see if they impact on remittance.

### **3.3. Perspective on migrants' remittances**

A great deal of literature relating to economic migrant remittances exists and covers a relatively broad field (Ratha, et al, 2009; Rapoport & Docquier, 2005; Oucho, 2008; Barajas, et al, 2009; Bollard, et al, 2010; Chisasa, 2014; Pandelton, et al, 2006; Makina, 2007, 2010, 2012). On the contrary, very few studies deal with remittance in the case of "*forced migration*" (Lindley, 2007; Fagen & Bump, 2006). The reason is that, according to Lindley (2008), conflict-induced migration is characterized by the absence of the positive intent to move, it happens in response to ongoing conflict which threaten the migrant's life and livelihoods. Forced migrants move to save their lives, rather than diversify family income, their intention to remit depends on the context. In this regard, Lindley (2008:14) argued that "*remittance behaviour in forced migrants may or may not differ to that of economic migrants*".

#### **3.3.1. Remittances from forced migrants**

According to Riak Akuei (2005), refugees may not have planned to remit home when fleeing, in what is described as a "*post-hoc strategy*" developed after migration or an "*unforeseen burden*", forced migrants do indeed send remittances. The situation of the family left behind (demand side), as well as the post migration situation (supply side), exerts pressure on refugees to remit (Jacobsen, 2005). Globally, Loschmann & Siegel (2014) noted that in the paradigm of insecurity, the transnational behaviour of Bosnian and Eritrean refugees in Western Europe showed that

refugees remit money home, because of the social pressure from their own household or by the community at large. In line with the post- strategy, Lindley (2009) reported that the study that looked at Somali refugees in London revealed that while many remit, they do so less because of pre-migration strategy to diversify income and more because of post-hoc considerations of those affected family members left behind to overcome the unforeseen circumstances.

The other study compared the remitting pattern and behaviour of Sudanese men, refugees in Canada with those of economic migrants, and according to Phyllis & Kathrin (2008) the same study concluded that economic migrants remit more than refugees. Ghosh (2006:27) made similar remarks in that, those forced to leave their home country due to political persecution and flagrant human rights violation are not likely to have enough resources during the initial period. However, when fully integrated into the non-discriminatory labour market, refugees remit funds to help those left behind in order to facilitate escape from persecution and violence. Similarly, researchers (Jacobsen 2005; Riak Akuei, 2005) concluded that temporary refugees hoping to return home in the non- distant future are likely to remit.

Another milestone study investigated the remittance behaviour of migrants from an environment of systematic insecurity in high risk areas of Afghanistan using only a random sampling method. In that study, Brown & Poirine (2005) reported that refugees sent remittances because they come from a poor and extended family in the first place, and that factors related to income potential, including education and income are less significant, with the propensity to remit increasing in the short term and tapering off in the long term. This finding is consistent with Jacobsen's (2005), and is in consonance with Loschmann & Siegel's (2014:12) *remittance decay hypothesis* which states that "*remittances gradually decline as time goes by*". However, these results are not in line with Phyllis & Kathrin's (2008) idea that refugees start remitting after integration.

In Africa, Arestoff, et al (2010) reported that the University of Witwatersrand, in association with the French Institute of South Africa and Tufts University in Boston conducted a survey to determine the remitting behaviour of forced migrants. The study used a micro-data survey among African migrants residing in Johannesburg. Beside income, age, household size, and political variable in the country of origin, the study revealed that migrants whose countries are characterised by high insecurity are more likely to remit more cash than goods - this is because,

according to (Lindley, 2007, 2008, 2009), refugee remittances constitute an important mechanism of insurance to face the risk of income or the shocks undergone by family members. The same study from the University of Witwatersrand revealed that, the size of the household in the host country negatively and significantly influences the probability of transfers and the amount.

Contrary to all the aforementioned studies, Briant (2005) used the variable of political conditions, and observed that migrants who left their countries because of violent conditions such as war, and conflict have a weaker probability of transferring remittances, because they are more likely to break the emotional links they have with their countries of origin. Most of the studies and literature on forced migrants' remittances drew different conclusions. The current study sought to get first-hand information on forced migrants' remittance behaviour and compare them with that of economic migrants.

### **3.3.2. Remittances from economic migrants: Social remittances**

Contrary to forced migrants whose remittances are constrained to cash, Ouch (2008:3) argued that economic migrants send cash, goods and social remittances. Regarding social remittances (Turcu & Urbatsch, 2015; Cordova & Hiskey, 2015; Perez-Armendariz & Crow, 2009; Marcellini, Cornelius, 2005; Levitt & Lamba-Nieves, 2011) acknowledged that migrants are agents of learning and democratic diffusion, and transfer these attributes to their home countries.

In a global context, in a nationwide poll that interviewed 650 voting age Mexican citizens residing in the US and Canada, Brinks & Coppedge (2006) found that migration led to influence policy changes and activism in Mexico. In a similar vein, scholars such as (Kapur & McHale, 2005; Tarrow, 2005) asserted that skilled and graduate migrants formed and joined transnational epistemic communities such as diaspora organizations and associations. As a consequence, it was found that their ideas, skills, and expertise affect mass opinion and lead to cross-border transfer and adoption of democracy, new culture and beliefs.

Authors (Merrino, 2005; Burgess, 2005) argued that social remittances go with economic remittances, because according to (Germano, 2013; O'Mahony, 2013), they are endogenous

material remittances that strengthen the remitter's position in their community of origin. This led Tilly (2008) to conclude that potential social remitters are likely to remit cash and goods as well.

Relating to migrant's personal attributes; Perez-Armendariz & Crow (2009) ascertained that income and education greatly influence social remittances, because migrants from poor countries whose economies are marginalized can easily change attitudes and political behaviour. Migrants with higher income have the ability to change and influences decisions, and are more likely to participate in political and cultural diaspora meetings to change the situation in their home countries. Similarly, education gives migrants, both cognitive skills and knowledge that enable them to meaningfully participate in the socio-economic affairs of their countries. With regard to gender and age, older people tend to be reluctant in sending social remittances, because they are not well adapted to technology, are less critical of their political democracy (Goodman & Hiskey, 2008). According to Dekker & Engerbersen (2012), gender shapes attitudes and behaviour of migrants toward social remittances, especially exerting pressure on both male and female migrants to have access to politics and information, as well as decision making in their countries of origin.

In the African context, studying the impact of Return of Qualified African Nationals in circular migration in Ghana, Zambia and Zimbabwe, Oucho (2008:13) stated that the new wave of African diaspora members constitutes a transnational group of people who utilize their skills, education, technology and culture upon their return. Similarly, the DNSC (2006) asserted that Africans in the diaspora contribute knowledge, peace-making practices, and expertise badly needed in their respective homelands. However, Mohamoud & Frechaut (2006) cautioned that African migrants from the first world and more democratic countries do not transfer social remittances regularly, because Gamlen, (2006, 2008) believes that this kind of remittance does not go well with many African dictatorial regimes.

### **3.3.3. Remittances from economic migrants: Cash and goods remittances**

A large number of authors (Barajas, et al, 2009; Carling, 2008; De Haas & Plague, 2006; Kerzner, 2006; Lindley, 2008, 2009; Mahuteau, et al, 2010; Makina & Masenge, 2014; Ratha, et al, 2009; Tavera & Chikanda, 2009; Von Burgsdorff, 2010, 2012) contend that there is a relationship between migrants characteristics and remittance behaviour. However, there is little

consensus on the impact as some variables are more pertinent in determining behaviour than others.

Globally, the study reported by Kosse & Vermeulen (2014) which was commissioned by the De Nederlandsch Bank on migrants from North America, Asia and Europe. The general findings indicated that remittances are relatively high when a migrant is young and has strong ties with family left behind, however, when the families join them, the ties with the home country become weaker and remittances taper off. Similarly, the longer the migrant stays abroad, the lesser the bond and the lower are the remittances.

In another noteworthy study, the United States Agency for International Development (USAID, 2005) cited in Developing Markets Associates (DMA, 2011:15) undertook a technical and quantitative study, using samples of immigrants from the US, UK and Germany who remitted to Ghana, applying Ordinary Least Squares multiple regression analysis. The results showed that those who remit more than average are older, less educated, have a higher income, are in regular phone contact with their relatives, and send money with less frequency but over a longer period of time.

In contrast to the USAID study, scholars (Ghosh, 2006; Mahuteau, et al, 2010) argued that educated migrants remit less. In a similar view, Evtimova & Koekoek (2010) reported a study that surveyed Indian fixed-term contract workers in the Gulf States, the United Kingdom and Australia. It confirmed that the highly educated and well paid migrants save more and invest more in the host country, rather than sending money home. However, Carling (2008:587) discarded this view by stating that educational attainment does not have a consistent effect on remittance sending. Instead, Carling (2008:487) went so far as to claim that the legal status of immigrants and their residence rights have an inconsistent effect on remittance behaviour. For Konica & Filer (2005) the residence status, combined with the intention to return, becomes relevant.

Relating to the migrant nature of employment, Kosse & Vermeulen (2014) reported that migrants on fixed-term contracts transfer a much higher proportion of their income home. On the influence of future return migration plans on remittances, Lindley (2007, 2008) noted that those intending to return soon will send more money and goods in the form of investment, and that



migrants who regularly visit their home countries are more likely to send remittances. However, gender differences not always statistically significant, men are more generally likely to remit, and remit larger amounts, but the exceptions are that according to Craciun (2006) women remit a substantially larger proportion of their wage than men.

Concerning the issue of age and marital status, Craciun (2006) argued that age has a more consistent impact on remittance as remittances tend to increase with the age of migrants. The marital status of the potential remitter may be unimportant, but when combined with the context of family migration histories, it becomes significant. For instance, in Carling's (2008) view, married migrants accompanied by their spouses are much less likely to remit than those who have spouses in their countries of origin. Combining the migrant socio-economic issues and contextual factors in the country of origin, Osili (2007) cited that the study of different immigrant groups in the UK revealed that the assets of the receivers often determine how much to remit and when. Similarly, Clarke & Drinkwater (2006) observed that migrants who live in the same environment with many more from the same ethnic background might have a propensity to remit more and often, because of social pressure, and better transnational ties intensified by exchange of information.

In Africa, Dodson, et al (2008) pointed out that studies in Mozambique, Lesotho and Zimbabwe showed that women remit less than their male counterparts, but remit more in terms of goods. In assessing the variation in levels of remittances on account of the amount of time the migrant had lived in the SADC region, researchers (Makina, 2007, 2010; Makina & Massenge, 2014) reported that a cross-sectional modeling survey of Zimbabwean immigrants indicated that the level of remittances first increases with the time spent in the host country and later starts declining. This conforms to the remittance decay hypothesis, which, according to several scholars (Agunias, 2006; Holts & Schrooten, 2006; Vargas-silva, 2006; Amuedo- Dorantes & Pozo, 2006; Echazarram, 2011) agreed that remittances decline as the migrant length of residence increases. However, De Haas & Plugue (2006) had a reservation about the remittance decay hypothesis by arguing that remittances may increase as the income increases.

In South Africa, researchers (Chisasa, 2014; Makina, 2007, 2010) found that when the destination and origin are in close proximity, there is a likelihood of an increase in remittances

being sent. Carling (2008) rejected this view by insisting that migrants remit despite the circumstances and the length of distance. Also, using the variables of kinship (Von Burgsdorff, 2010, 2012; Chisasa, 2014) confirmed USAID's finding (cited above) by reporting that migrants are more likely to remit more money and goods when their relatives are still in the countries of origin. Conversely, according to (Sana & Massey, 2005; De Haas, 2008) they would remit smaller amounts and less frequently when spouses, children and parents are with them in the country of migration.

### **3.4. Perspective on remittance systems**

Several authors and researchers contend that informal remittance systems are preferable because of speed, cost, discretion, convenience, trust and reliability (Orozco, 2006; Chene, 2008). However, this seems not to be supported by others. For instance, Kosse & Vermeulen (2014:4) maintained that the choice of one remittance channel over another varies across migrants, and is a function of a combination of personal characteristics, transactional, economical and institutional factors. In a related view, the Centre for Migration and Policy Society (COMPAS, 2005) found that the use of informal remittance channels is closely related to the background of the migrants and the frequency with which remittances are sent, where less-skilled migrants tend to send remittances more often, and are more likely to use formal channels, while elite migrants often remit informally, especially through courier services or cash in hand transfers during their visits home.

The DMA (2011) conducted a survey on the Providers of Remittances Services in the UK to the Sub-Saharan (SSA) market on behalf of the World Bank, from the operators' perspective. The findings outlined market characteristics, including the regulatory environment and pricing approach to be some of the reasons why migrants are attracted to the informal system of remittances. In other studies (Langhan & Kilfoil, 2011; Spatafolo & Freund, 2008) reported that the majority of respondents surveyed in the Euro Zone were very satisfied with the significant customer care provided by the informal remittance system.

Unlike the above reports, De Luna Martinez, et al (2006) cited availability and distance from services, banking policies and minimum account balances, familiarity and trust in informal channels to be the reason for satisfaction. Contrary to the previous study, Singh (2014) claimed

that migrants who use formal channels attribute their choice to penetration of technology, and increased reliability. However, the same migrants who use informal channels indicated that the informal transfer system was the preferred method to send remittances in the form of hard goods such as electronics (TV and Hi-Fi).

Another important study investigated the choice of remittance channels, by linking it to the migrants' daily payment behaviour. The study was of members of the Ghanaian Diaspora in the UK using multinomial logit estimation techniques, and the DMA (2011) reported that people who frequently use the internet and have bank accounts are more likely to use more formal channels. Also the size of the remittance and perceived availability of remittance options are important and statistically significant. In contrast to the COMPAS' study, educated migrants are less likely to use informal channels or to bring cash themselves to the recipients; also people living in urbanized areas are more likely to go to MTOs than those living in a rural environment. In a similar vein, those who remit more often prefer formal channels and goods are likely to be sent informally. In addition to that, Orozco (2006) maintained that highly paid, professional and skilled migrants appear more likely to use formal channels. Likewise, it was found that the legal and permanent resident prefers formal over informal channels compared to undocumented and temporary migrants, while Todoroki, et al (2011) established that gender is insignificant in using specific remittance channels.

In South Africa, literature on the choice and use of remittance channels seems ambiguous. For instance, Chisasa (2014) found speed, cost, and convenience to be the reasons why bus and taxis are used in sending money for some Zimbabweans, while (Pandleton, et al, 2006; Pieke, et al, 2005; Chisasa, 2014; Von Burgsdorff, 2012) cited that other migrants prefer the use of a courier system which involves regularly driven transport to move goods and funds. De Vletter (2007) argued that the most common method for African immigrants for remitting both money and goods is by taking them personally or using a friend. In a similar vein, Maphosa (2007) indicated that short term workers use cross border transfer, especially by frequently travelling back home. In a slightly opposing view, Mukusa (2012) found that Ugandans in South Africa use different remittance channels, both formal and informal, to reduce the risk of non-delivery.

Scholars (Crush & Chikanda, 2012; Bestel, et al, 2010) argued that the institutional impediments of the money transfer policy environment (discussed in section 2.3.4) drives migrants to rely on informal channels, while (Von Burgsdorff, 2012; Pieke, et al, 2005) insisted that language, cultural and institutional barriers may hinder the use of bank services. Genesis Analytics (2005) found that financial illiteracy, distrust, privacy concerns, lack of product knowledge and consumer inertia are factors which lead migrants in South Africa to favour informal remittance channels. Mukasa (2012) identified useful information, the role of the family, diaspora groups and ethnic groups as well as hometown associations to be the stimulating factors in the use of the informal systems.

### **3.5. Chapter Summary**

The literature on international migration and remittances is vast, and most authors focus on migrants who move from the developing to the developed nations. The key elements of literature in this chapter are that around the globe, migration is generally driven by income inequality and economic opportunity, as well as cultural and social expectations inculcated in the immigration policy of migrant receiving countries. In Africa, the literature showed that cross-border migration is mostly dominated by married males, with a relatively high level of education, and its key drivers are human insecurity resulting from endemic conflict and the inability to access secure livelihoods. In a similar vein, the literature identified personal considerations, perceived safety, gross human rights violations and a plethora of rights enshrined in refugee protection to be the principal drivers of international migration to South Africa.

Concerning remittances, the literature showed that the motive to migrate is often linked to remitting behaviour. In this regard, it is assumed that refugees do not have resources on their arrival, but as time goes by, those who left their countries because of political instability (refugees) remit only cash to help their relatives to escape from persecution and violence, while economic migrants form diaspora organizations in the host country and send cash, in-kind and social remittances for the development of their native countries. Although, there seems to be general consensus on the remittance decay hypothesis, the literature also revealed that the effect of migrant characteristics on remittances behaviour is inconsistent, unless when it is combined with migration history and family context, where the propensity to remit becomes less when the

migrant has many dependents in the host country, and the opposite happens when the migrant has many dependents in the country of origin.

With regards to remittance channels, the review of the literature indicated that informal remittance systems are used by less educated migrants, without proper documentation, while these systems are preferred by all kinds of migrants to send goods remittances such as electronics. The literature further showed that informal remittance channels are preferred because of the convenience, cost-saving and reliability, while migrants who use formal channels attribute their choice to the penetration of technology. Despite the fact that there is a large amount of literature on remittances, the authors fail to provide detailed information on migrants' socio-economic conditions in the host countries. Thus, this study seeks to explore migrants' characteristics and their impact on remittance behavior, and the next chapter presents the design and methodology of the study.

## **CHAPTER 4: RESEARCH DESIGN AND METHODOLOGY**

### **4.1. Introduction**

In social science research, there are many ways to investigate a topic. One must firstly specify as clearly as possible what needs to be studied, and then determines the best way to do it. This study explores the interplay between international migration and remittances, and the purpose of this chapter is to clarify the approach used to achieve that objective. The chapter starts by elucidating on the research design. The second part consists of research methodology where the sampling method, data collection tools, data analysis and presentation are discussed. In each case, the researcher explains the approach, before justifying its use. The chapter ends with the limitations encountered and how the issue of ethical considerations was dealt with during the course of the study.

### **4.2. Research design**

People often confuse the dimensions of research design and methodology, research design focuses on the logic of research, while methodology consists of the research process (Babbie & Mouton, 2001:74). Research design refers to the overall strategy chosen by the researcher to integrate the different components of the study in a coherent and logical way (Henning, et al, 2007). It constitutes the blueprint of how one intends to conduct the research (Mouton, 2001). According to (Neuman, 2000; Rowley, 2002), there are many research designs or strategy alternatives, this include action research, ethnographical, experimental, cohort, cross-sectional, descriptive, historical, longitudinal, historical, sequential and case study.

This study is exploratory in nature and its design is a case study. The case study is non-normative research that investigates a situation without prejudice, examines a clearly defined site and reports on it. According to Glesne (2005), a case study is an in-depth study of a particular research problem rather than a sweeping statistical survey. It is often used to narrow down a very broad field of research into one or a few easily researchable examples. The case study research design is also useful for testing whether a specific theory and model actually apply to phenomena in the real world. It is a useful design when not much is known about a phenomenon. Yin (1984) further noted that case study is a method for learning a complex situation, based on a

comprehensive understanding obtained through an extensive description and analysis of that situation taken as a whole in its context and relevance.

This study used the comparative case study of African immigrants living in the city of Cape Town, South Africa. Cape Town is of interest because of its cosmopolitan life as a recipient of immigrants coming from the continent and its simultaneous history of migrant settlement (Lefko-Everett, 2008). Also, in the researcher's observations, Cape Town's largest inner city sections account for a high number of migrants from Rwanda, DRC, Zimbabwe, as well as Somalia.

The rationale for the choice of the case study design is because the researcher believes that the approach excels at bringing an understanding of a complex issue pertaining to African immigrant socio-economic conditions, providing a detailed contextual analysis of their remittances, which are explored in relation to the prevailing conditions in both South Africa and their countries of origin. In this regard, the case study provides a detailed description of specific and rare cases of immigrants' remittances, thereby allowing the researcher to gain a complete picture of what is happening and why in relation to migrants' choice of remittance channels.

### **4.3. Research methodology**

There are two major research methodologies used in social sciences, i.e. qualitative and quantitative methods (Gerson & Horowitz, 2002; Mouton, 2001; 2006; Neuman, 2000). Quantitative researchers are independent of the phenomena that are being investigated, and they study the object without affecting it or being affected by it, as long as these researchers stick to the scientific procedures. *“These researchers put emphasis precisely on measuring variables and testing hypotheses that are linked to general cause–effect explanations”* (Babbie & Mouton, 2001:49). Qualitative researchers, on the other hand, focus on qualitative aspects such as meaning, understanding and experience from the viewpoint of the research subjects, also on the context in which the action takes place. These researchers strive to understand human behaviour and their actions, through interacting with people to try to understand the world (Henning, et al, 2007; Mouton, 2001; Glesne, 2005).

In the context of this study, both qualitative and quantitative approaches were used to guide the process. Each of these methods has strengths and weaknesses; the combination of the two offer

strengths that offset the weakness of the other (Teddlies & Tashakkori, 2011). The researcher employed the quantitative method to collect data that can be analyzed statistically such as those pertaining to migrants' characteristics, and remittance patterns and behaviour. The quantitative approach was used because according to Mertens & Gisenberg (2009), it provides data for the purpose of aggregating, quantifying, modeling, correlating, predicting and measuring relationships and phenomena.

The qualitative method, on the other hand, has been used to collect data on migrants' views and perceptions on the remittance sending process, this includes their needs, priorities and preferences, as well as the challenges faced in the whole process. The rationale behind the use of the qualitative approach is because, as Neuman (2006:93) stated "*it endeavours to describe and analyze participants' experiences, beliefs in a non-numerical way, enabling the researcher to explore and contextualize views and garner meaning from personal experience*". The qualitative technique also, as stressed by Creswell (1994:145) "*helps to extract intricate details on issues often difficult to fathom through other conventional research methods*".

#### **4.3.1. Sampling method**

Before embarking on data collection for any research, Hussey & Hussey (1997:64) argued that "*the most critical stage is the identification of the sample*". Sampling is the use of a subset or sample of the population in such a way that their description accurately portrays the parameters of the total population from which the elements were selected (Babbie & Mouton, 2001:175). There are two types of sampling methods: non-probability sampling and probability sampling. According to Babbie & Mouton (2001:169), the non-probability method is often used when a researcher cannot select the kinds of probability samples used in a large scale survey. A probability sample, on the other hand, is used when all members of the population are identical in all aspects, including demographic characteristics, attitudes as well as behaviour.

According to Neuman (2006), to reflect the group from which the sample was drawn, the larger the sample, the more precisely it reflects the target group, also the rate of improvement in the precision decreases as the sample size increases. In this regard, a researcher must make a decision about the sample size based on factors such as time available, resources and the degree of precision. Taking into account all the above sampling factors, in this study, a total sample of



83 immigrants, that is: 20 from Zimbabwe, 23 from the DRC, 20 from Rwanda, and 20 from Somalia were selected, using the non-probability sampling technique.

Both purposive and snowballing sampling approaches were used. The researcher applied the purposive method to select the sample of migrants as an entry point based on his knowledge and the nature of the research aims, then the sample was extended to referral by means of snowballing to reach more participants for the survey questionnaires. The purposive sampling was used because the researcher knows some immigrants who send remittances, and there was no sampling frame from which participants could have been selected.

To mitigate the risk of bias and errors that are associated with the non-probability sampling method, the researcher used a combination of techniques. Further to this, the deficiencies were eliminated by making considerable effort to ensure that the sample was varied in terms of age, gender, occupation, nationality and legal status. In addition, from a researcher's point of view, these methods enabled him to overcome the difficulty of locating undocumented immigrants. In a similar view, the scholars (Babbie & Mouton, 2001; Henning, et al, 2007; Mertens & Gisenberg, 2009) are of the view that combining purposive and snowballing sampling methods enables the researcher to choose those respondents that are tied to the study and increases subjects' variability, thus minimizing the challenges of finding the representative sample.

#### **4.3.2. Data collection**

There are many tools /instruments one can use to collect data in social science research. Kumar (2005) classified data collection into primary and secondary data. Primary data collected first hand from participants were collected over a period of four weeks (from 5<sup>th</sup> July to 1<sup>st</sup> August, 2015). Secondary data on the other hand came from already existing sources. In the context of this study, the researcher employed the literature review, survey questionnaires, focus group discussion and observations as data collection instruments.

##### ***4.3.2.1. Literature review***

Scholars (Babbie, 2007; Mouton, 2001) contended that through the literature review; the existing body of knowledge can be built upon, while avoiding duplication. Reviewing the literature formed part of the major undertaking in this study as it enabled the researcher to place the

research in a wider context; the literature also demonstrated the utilization of a conceptual and theoretical framework; while also helping to address the issues surrounding international migration and remittances. The review of the literature consisted of reviewing the empirical evidence, and the critical points of the current knowledge of methodological approaches, moving to other research in the area of migration and remittances in order to identify the gaps and flaws. It included both primary and secondary data from different sources. The selection of the literature focused on those that are relevant, drawn from academic sources such as articles, books, journals, internet sources, as well as relevant reports from governments and international organizations and financial institutions.

#### ***4.3.2.2. Survey questionnaires***

Cooper & Schindler (1988) suggested that research data can be collected by means of personal interviews, telephone interviews and self-administered questionnaires. For the purpose of this study, structured survey questionnaires were utilized. Langdridge & Hagger-Johnson (2009) posited that questionnaires are a valuable means by which to collect data from a very large number of respondents; they make it easy for statistical analysis. In this regard, 83 survey questionnaires were administered to the participants selected using the purposive or snowballing sample method. In most cases, the researcher agreed with participants on a time and meeting venue, and then questionnaires were completed in the researcher's presence. In other cases, the questionnaires were self-administered after they were dropped at the participants' workplace and completed by the respondents, thereafter returned to the researcher.

The set of questions developed for the questionnaire is divided into three sections (see Appendix A). The first section extracts information about the African immigrants' profile, the second section explores remittance sending behaviour, and the third section delineates information on the remittance sending systems as well as the views of the South African remittance landscape. The kind of information obtained through the questionnaire helped to answer questions such as who is the remitter, what is remitted, how and how often, and why?. The design and phrasing of the questions were made easy by including open ended, closed ended, multiple choice and scaled questions to elicit relevant information from the research target. The rationale behind the use of a questionnaire is because as postulated by (Welman & Kruger, 1999; De Vaus, 2002),

questionnaires allow the researcher to use a probe with a view to clearing up confusing responses and to ask for elaboration on incomplete answers.

#### ***4.3.2.2.1. Pilot-testing***

Before proceeding with the actual task of collecting data from African immigrants, the researcher pre-tested the questionnaires on four individuals to ascertain the feasibility of the project, and check the relevance and the level of understanding of the questionnaire content. The advantage of pilot-testing a questionnaire according to Barker (2003), lies in the fact that it enables the researcher to identify factors such as variation, meaning, task difficulty, participants' attention, flow of questions and timing. During the pilot-testing, questions pertaining to social remittances needed to be explained in detail as it seemed that the concept is not widely used. After the pilot-testing process, the researcher agreed with the supervisor that the questions that seemed irrelevant, ambiguous and confusing were either to be discarded or modified in order to get the desired results.

#### ***4.3.2.3. Focus group discussion***

Sim (1998:189) defined the use of a focus group as discussions centred around a specific topic generally facilitated and coordinated by a moderator, with the primary purpose of generating qualitative data and capitalizing on the interaction that occurs within the group setting. Krueger (1994:35) asserted that the focus group discussion is an economical way of tapping the views of a number of people, because the respondents are interviewed in a group rather than one by one. Mason (2007) contended that focus group discussion provides an opportunity to be interactive, and strengthens the message, hence, it serves the purpose of reinforcing the data obtained through other tools.

For the purpose of this study, the focus group discussion with 12 African immigrants who previously have sent remittances using different channels was held at the City of Cape Town Central Library discussion room. The group members were drawn from each of the four countries of the case study using the purposive sampling method. The researcher guided the discussion using a semi-structured checklist of questions (see Appendix B) and a tape recorder. The discussion provided qualitative data on the varieties of attitudes and opinions of migrants in

the context of sending remittances in contrast to the static ways that these phenomena were portrayed in the questionnaires. The focus group enabled the researcher to obtain information on African immigrants' social remittances, their views on informal channels' contribution to the issue of money laundering, terrorism and other crimes, as well as the challenges that migrants face when sending remittances.

#### ***4.3.2.4. Observations***

Neuman (2000) posited that observation is very important in research as it helps to further the depth of the phenomenon under investigation. Scholars (Mouton & Marais, 1998; De Vos & Fouche, 2001) explained that observation is a process by which the researcher establishes the link between reality and its theoretical assumptions. In the context of this study, observations reinforced other instruments, and served the purpose of observing non verbalized information that is difficult to divulge through questionnaires and focus group discussions.

The researcher visited two informal remittance sending sites Bellville area, and Cape Town Central Business District (CBD) selected by means of purposive sampling. In one instance, the researcher was a participant observer, simultaneously a member of the group remitting money. In another case, the researcher was simply an outside observer, who was making full and accurate notes of what was going on. Babbie & Mouton (2001:292) argued that “*one cannot observe and record everything*”. To overcome these challenges, the researcher prepared a standardized recording form in advance with important aspects to be observed and, thus unearth more information on the role of migrants' networks in the remitting process.

The major types of observable data included: the environment in which the sending of remittances occurs (interior and exterior), behavioural pattern of remitters such as interaction, nonverbal communication and nuances, physical characteristics of informal remittances transfer channels, as well as their operators. The data collected from observations were compared with those gathered through other instruments in order to ensure validity and reliability, also to make sure that there is consistency in the data collected through different instruments.

### **4.3.3. Data analysis and presentation**

Data analysis is essential in research as it provides a platform to scrutinize, modify and format the collected information in order to find convenient data, propose deductions and reinforce solutions (Judd & McClelland, 1989). It serves as a stage for the movement from data to information (Kultar, 2007), hence reducing the size of data to a more controllable proportion and enabling the researcher to identify diverse themes and patterns in the data. In the context of this study, the quantitative data were analyzed using statistical software (Stata MP 12.0). The analysis applied both descriptive and inferential statistics. The descriptive statistics are mathematical quantities that summarize and interpret the properties of data set in the sample (Creswell, 1994). These statistics were used to describe, explain and summarize migrants' characteristics and their remittances. The descriptive statistics were presented using graphical representations in the form of charts, tables and figures.

Inferential statistics on the other hand, are statistics derived from a sample to infer information about the population from which the sample has been drawn (Singh, 2007). In the context of this study, inferential statistics were used to determine if remittance patterns and behaviour differ based upon the nature of migrants. These statistics were presented using frequency distributions in tables. The inferential statistics specifically focused on hypothesis testing, the technique used is non-parametric, while the statistical tool used is the Pearson's chi-square test.

The chi-square test is a statistical test of the significance of the association in contingency tables (Pallant, 2005), and in this study it was used to examine whether there is any relationship between migrant characteristics and their remittance behaviour. While the chi-square test might not provide much information about that relationship, Pallant (2005:287) contends that their ease of use and their wide applicability renders it extremely worthwhile, especially when the variables under-examination can be measured at any level, nominal, ordinal, interval or ration. In this regard, the chi-square test is appropriate and ideal for this study since the variables are measured in nominal (categorical) and ordinal (ranked) scales.

The qualitative data in this study were analyzed using thematic content analysis. Terre Blanche, et al (2006:324) defined thematic analysis as a process involving reading through the data repeatedly and breaking them down into more manageable chunks (themes and categories). The

data generated by qualitative variables through survey questionnaires were in different themes. These data were transcribed and triangulated with those from the focus group discussions and observations, then combined under common themes in different sections before comparing them with the information from the literature review and drawing conclusions.

#### **4.4. Limitations of the study**

The target group of the study is African immigrants in Cape Town. Because of the limited time and resource constraints, the researcher restricted the data collection to a small sample of Congolese, Somalis, Zimbabweans and Rwandese. Hence the findings may not be used to make generalizations about remittance trends. The researcher also encountered a problem with some respondents who were reluctant to divulge information about their income and immigration status. Another challenge was incorporating social remittances into the study, as these kinds of remittances are intangible in nature, unfamiliar, and difficult to measure (DNSC, 2006:34) as opposed to cash and goods remittances. This necessitated a disaggregation of the three types of remittances, which might have created incoherence in this paper. Furthermore, due to the limited space in the paper, certain aspects of remittance behaviour were not properly explored and explained in detail. In addition, some of the participants were not fluent in English; the researcher had to translate the questions into French which might have resulted in loss of information.

#### **4.5. Ethical considerations**

The researcher carried out the study only after approval from the Senate Research Committee, the Board of Faculty of Economics and Management Sciences and the Management of the Institute for Social Development of the University of the Western Cape. Permission was sought from the participants and participation was voluntary, the researcher ensured anonymity of the respondents and all the information gathered was kept strictly confidential. The respondents' personal information, including their names were not to be disclosed to anyone, only pseudonyms were to be used in the final report and in all published reports to protect privacy.

The research did not cause any harm to any party involved, information on the tape recorder was used for the research purpose and thereafter destroyed. Also, the survey questionnaires were kept in a locked cabinet and can only be accessed by the researcher. The respondents were briefed and it was explained to them that they could decide to withdraw from the study at any time. Furthermore, both participants and researcher had to sign a consent form that binds them to adhere to what they have agreed upon. To maintain academic honesty, all the material used in this study was appropriately acknowledged by a complete list of references.

#### **4.6. Chapter Summary**

This study was exploratory in nature, the chapter established that the design is a case study and the methodology involved both qualitative and quantitative techniques. Both descriptive and inferential statistics were used for quantitative data, and these data were subjected to statistical analysis using STATA, while qualitative data was subjected to categorization and thematic content analysis. The sample was selected using purposive and snowballing techniques, the study used a literature review as a tool to collect secondary data, and survey questionnaires, focus group discussion and observations were instruments applied to gather primary data. The chapter highlighted the limitations of the study, and how ethical considerations were dealt with during the course of this study. In line with the research design and methodology, the next chapter presents the findings of the study.

## **CHAPTER 5: RESEARCH FINDINGS AND DISCUSSIONS**

### **5.1. Introduction**

The link between international migration and remittances has always been at the forefront of policy-makers and development practitioners. Much of the debate has highlighted that migration is the current that drives remittances. In this regard, an extensive body of literature has shed light on some of the peculiar contextual aspects that determine migrants' remittances. The scope of this chapter is to present the empirical findings from the data collected using different instruments to research on African immigrants' remittances. In the discussion, the findings are compared with the information from the literature in accordance to the aim and objectives of the study.

The first part of the chapter comprises the findings on the nature and characteristics of the respondents. The second part discusses the findings on the respondents' remittance behaviour, followed by the challenges that immigrants encounter in remitting, as well as their views on the remittance sending landscape in South Africa. The chapter ends with the hypothesis testing, and then provides a conclusion.

### **5. 2. Characteristics of the respondents**

One of the objectives of this study is to obtain background information on the socio-economic conditions of African immigrants. Using the number of respondents (N), the frequency (F) and percentages (%), this section present the descriptive statistics relating to the profile of the respondents. These include their demographic information, migration information, as well as family history and context.

#### **5. 2. 1. Demographic information of the respondents**

The variables pertaining to the demographic profile consisted of nationality, age, gender, education, marital status, duration of stay in South Africa, as well as the income level. The summary of the data procured in this study is displayed in Table 5.1. In essence, out of a sample of 83 respondents, 20 participants (i.e. 24%) are from Zimbabwe, 20 (i.e. 24%) are from Rwanda, 20 (i.e. 24%) are from Somalia, and the remaining 23 respondents (i.e. 28%) are from



DRC. More Congolese were chosen for this study, partly because they constituted the largest group of applicants for asylum in South Africa since 1994 (De Groot, 2004:38).

Concerning marital status and gender, this study revealed that 32% of the sampled migrants are married, 29% are single, 28% living with a partner, while 11% are divorced. In general, the majority of respondents were males (i.e. 55% of the sample), and 45% were females. This gender imbalance can possibly be attributed to the fact that in the international migration system theory' push-pull framework, men are more likely to emigrate than women (Ravenstein, 1885, 1889). The exception was in the case of Rwandese where females outnumbered males (see Table 5.1).

With regards to age, the majority of the participants are relatively young, 30 out of 83 respondents (i.e. 36%) fall within the 25-35 age categories, 29% between the age of 35-45 years, 16% and 19% fall in the 15-25 and 45 and above age category respectively. This age distribution is not surprising in the light of early studies. For instance, Dodson, et al, (2008) discovered that on average young people are more likely than older people migrate to South Africa, while Kannankutty & Burrelli (2007) revealed that the practice of immigration in the USA is about people in the age cohort of 18-34 pursuing a long-term career-path.

The result shows that many respondents (40%) have lived in South Africa for a period of 5-10 years, 19% less than five years, and the rest of the sample, that is 18% and 23% of the respondents, have lived in South Africa from 10-15 years and more than 15 years respectively. The overconcentration of 5-15 years in the duration of stay is a possible replication of the observations of Crush, et al (2005) that almost a decade ago, serious socio-economic challenges prompted migrants to seek refuge in South Africa.

As illustrated in Table 5.1, there is no considerable difference in terms of educational background across nationalities, apart from the Rwandese of whom half attained university degrees. Otherwise, many of the pooled samples (31%) indicated that they have completed secondary school, 17% have attained primary school, 23% have achieved a college qualification, 28% have completed tertiary education and 1% has obtained other type of education. In general, the figure regarding education level coincides with Timberg's (2005) findings that foreign nationals in South Africa have at least completed high/ secondary school, yet it slightly deviates

from the trends in the USA, where a larger proportion of immigrants are university graduates (Kannankutty & Burrelli, 2007).

**Table 5.1: Respondents' demographic representation**

Nationality	Zimbabwe		DRC		Rwanda		Somalia		Total	
	N=20		N=23		N=20		N=20		N=83	
Variables	F	%	F	%	F	%	F	%	F	%
<b>Gender</b>										
Male	10	50	15	65	8	40	13	65	46	55
Female	10	50	8	35	12	60	7	35	37	45
<b>Marital Status</b>										
Single	9	45	4	17	8	40	3	15	24	29
Married	7	35	6	26	5	25	9	45	27	32
Divorced	1	5	3	13	1	5	4	20	9	11
Living with a partner	3	15	10	44	6	30	4	20	23	28
<b>Age category</b>										
15-25 Years	2	10	4	17	3	15	4	20	13	16
25-35 Years	10	50	8	35	5	25	7	35	30	36
35-45 Years	5	25	6	26	8	40	5	25	24	29
>45 Years	3	15	5	22	4	20	4	20	16	19
<b>Stay in SA</b>										
<5 Years	3	15	6	26	3	15	4	20	16	19
5-10 Years	10	50	6	26	6	30	11	55	33	40
10-15 Years	5	25	4	17	3	15	3	15	15	18
>15 Years	2	10	7	31	8	40	2	10	19	23
<b>Education</b>										
Primary	0	0	4	17	2	10	8	40	14	17
Secondary	7	35	9	40	4	20	6	30	26	31
College	7	35	4	17	4	20	4	20	19	23
University	5	25	6	26	10	50	2	10	23	28
Other	1	5	0	0	0	0	0	0	1	1
<b>Income</b>										
<R1500	0	0	0	0	0	0	0	0	0	0
R1500-4000	7	35	2	9	8	40	1	5	18	22
R4000-8000	7	35	7	30	5	25	9	45	28	34
R8000-15000	2	10	9	39	3	15	8	40	22	26
> R15000	4	20	5	22	4	20	2	10	15	18

Source: Survey questionnaire, 2015

According to social capital theory, income is one of the migrant's resources (De Haas, 2011; Maggard, 2004). This study established that many respondents' (34%) average monthly income falls between R4000-8000<sup>9</sup>, 22% receive an average monthly income of between R1500-4000, 26% and 18% receive an average of between R8000-15000 and R15000 or above respectively.

<sup>9</sup> One South African Rand= 0.14 US Dollars as at 27/11/2015.

The dispersion of income across nationalities follows similar trends. As Table 5.1 indicates, the few exceptions are where many Rwandese (40%) earn the lowest income compared to the rest.

### 5. 2. 2. Migration information and family history of the respondents

The variables surveyed on migration history and family context of the respondents include migration status, reason for immigration and return intention, family size in both South Africa and home country, as well as the level of social capital and access to financial institutions and banking facilities. The findings on the family history are presented in the table below.

**Table 5.2: Respondents' family history and context**

Nationality	Zimbabwe		DRC		Rwanda		Somalia		Total	
	N=20		N=23		N=20		N=20		N=83	
Variables	F	%	F	%	F	%	F	%	F	%
<b>No. of dependents in SA</b>										
None	1	5	6	26	3	15	6	30	16	19
One	7	35	6	26	6	30	5	35	24	29
Two	3	15	3	13	3	15	8	40	17	21
Three	4	20	6	26	4	20	1	5	15	18
Four or more	5	25	2	9	4	20	0	0	11	13
<b>No. of dependents in home country</b>										
None	1	5	0	0	0	0	1	5	2	2
One	3	15	4	17	7	35	1	5	15	18
Two	3	15	5	22	9	45	2	10	19	23
Three	2	10	5	22	2	10	4	20	13	16
Four or more	11	55	9	39	2	10	12	60	34	41
<b>Type of origin in home country</b>										
Urban	17	85	10	43	10	50	6	30	43	52
Rural	3	15	13	57	10	50	14	70	40	48
<b>Belonging to an organization</b>										
Yes	10	50	14	61	13	65	15	75	52	63
No	10	50	9	39	7	35	5	25	31	37
<b>Access to financial institutions in SA</b>										
Yes	15	75	13	57	13	65	12	60	53	64
No	5	25	10	43	7	35	8	40	30	36
<b>Access to financial institution at home</b>										
Yes	19	95	9	39	14	70	6	30	48	58
No	1	5	14	61	6	30	14	60	35	42

Source: Survey Questionnaire, 2015.

In general, most of the respondents have dependents either in South Africa or in their countries of origin; this is in line with the theory of social capital's prediction that migrants are bound by kinship and familiar relations (Maggard, 2004). The data show that with those with dependents in South Africa, the majority, which is (29%) have one dependent, 21% have two dependents, 18% have three dependents, and 13% have four or more dependents, while the rest, 19%, do not have dependents. In contrast, as Table 5.2 demonstrates, 41% of the respondents have four or more dependents, 16% have three dependents, 23% have two dependents, 18% have one dependent, and the remaining 2% do not have dependents in their home countries.

The high level of social capital among the respondents is reflected by the level of interactions as African immigrants in South Africa live close by people of their own nationality. As illustrated in Table 5.2, 63% of the respondents belong to an association, or diaspora organizations compared to the remaining 37% who do not. These findings again are not striking, because the proponents of social capital (Aparcio, 2011; Maggard, 2004), assume that migrants maintain social ties, connections or physical investment while abroad.

A relatively high number of immigrant banks with formal institutions, when asked about access to banking or financial institutions in both South Africa and their countries of origin. 64% of the respondents indicated they have bank accounts in South Africa, compared to 36% who do not. Similarly, 58% of the respondents indicated that their relatives have access to financial and banking institutions in their home country. However, with respect to the presence and accessibility of financial institutions in the country of origin, more than half (i.e. 52%) replied that they are from urban areas with greater coverage of these institutions, while 48.2% are from rural areas without bank penetration. The worst case scenario is among Somalis and Congolese where the majority indicated that they have to travel long distances to the institutions where remittances can be withdrawn.

Motive to migrate, intention to return and frequency of visits to the home country is a potential frame of references, accounting for the variation in remittance behavior (Carling, 2008:583). With regard to returning home, in this study, 61% of participants reported that they intended to return home permanently at any point in time, while 39% said that they did not have such

intentions. Out of those who intend to return and settle permanently in their countries of origin, the majority (65%) are planning to do so in a period of over four years.

Concerning a visit to their home countries, more than half of the sample (51%) stated that they had not visited their home country, 18% indicated that they have travelled home once, 12% indicated that they visit every few years, 11% visit once a year, 6% twice a year and the remaining 2% visit their home country every three months. As depicted in Table 5.3, Zimbabweans' frequency of home visits is high, and the intention to return permanently is common, while on average the majority of respondents from Rwanda, Somalia and DRC, do not visit their respective countries very often.

The above findings of return intentions and frequent home visits of Zimbabweans confirm the assumptions of the international migration system theory, that circular cross-border movement is stimulated by the proximity of origin and destination (Neumayer, 2005). Also, the low incidence of intention to return, among other respondents is probably linked to the fact that Rwanda and DRC have experienced political instability in the past and according to Cockayne & Shetret (2012), Somalia is still characterized by insurgency.

In a similar view of the above, the frequency of home visits is possibly linked to the documentation types and the motive for migration. According to the Lawyers for Human Rights (LHRW, 2009), the DHA revokes the residence permits of asylum seekers and refugees who travel to their native countries. As Table 5.3 indicates, the majority of the respondents (beside Zimbabweans) are holders of refugee status (i.e. 33%) and asylum seeker permits (i.e. 17%), and the rest of the type of document is as follows: work permit (12%), partnership permits (4%), permanent residence permit (14%), study permit (6%), business permit (2%), other permits (1%), and the remaining 11% are undocumented.

The migration system theory postulates that supply and demand factors determine cross-border movement (Lee, 1996) and the study revealed that, more than half of the surveyed respondents, 51% cited political instability in their respective countries, 7% indicated study reasons, 18% indicated economic reasons, 13% family reunification, 10% business opportunity, and 1% cited other reasons as the motivation for coming to South Africa. When disaggregated, as displayed in Table 5.3, many respondents from Zimbabwe cited perceived economic and business

opportunities as the motive for coming to South Africa, as opposed to those from DRC, Rwanda and Somalia who indicated political instability. The finding on the reasons for immigration realigns with information in the literature (see for instance Tsheola, 2008; Flahaux & De Haas, 2014), this nevertheless differs with studies on developed nations where migration is driven primarily by educational needs (Kannankutty & Burrelli, 2007).

**Table 5.3: Respondents' migration history and context**

Nationality	Zimbabwe		DRC		Rwanda		Somalia		Total	
	N=20		N=23		N=20		N=20		N=83	
Variables	F	%	F	%	F	%	F	%	F	%
<b>Reason for immigration</b>										
Instability	2	10	13	57	13	65	14	70	42	51
Study	2	10	1	4	2	10	1	5	6	7
Economic	10	50	2	9	2	10	1	5	15	18
Reunification	1	5	4	17	3	15	3	15	11	13
Business	5	25	2	9	0	0	1	5	8	10
Other	0	0	1	4	0	0	0	0	1	1
<b>Documentation types</b>										
Refugee status permit	0	0	6	26	10	50	11	55	27	33
Asylum seeker permit	2	10	4	18	5	25	3	15	14	17
Work permit	10	50	0	0	0	0	0	0	10	12
Partnership permit	0	0	3	13	0	0	0	0	3	4
Permanent residence	2	10	3	13	4	20	3	15	12	14
Study permit	2	10	1	4	1	5	1	5	5	6
Business permit	1	5	1	4	0	0	0	0	2	2
Undocumented	3	15	4	18	0	0	2	10	9	11
Other	0	0	1	4	0	0	0	0	1	1
<b>Frequency of home visits</b>										
Every 3 months	1	5	1	2	0	0	0	0	2	2
Twice a year	4	20	1	6	0	0	0	0	5	6
Once a year	8	40	1	11	0	0	0	0	9	11
Every few years	4	20	2	12	3	15	1	5	10	12
Only once	1	5	6	18	2	10	6	30	15	18
Never visited	2	10	12	51	15	75	13	65	42	51
<b>Permanent return intentions</b>										
Yes	18	90	14	61	8	40	11	55	51	61
No	2	10	9	39	12	60	9	45	32	39

Source: Survey Questionnaire, 2015

The majority of Zimbabweans' movement to South Africa is voluntary. According to the (LHRW, 2009; UNHCR, 2010), a person who leaves his or her home country for fear of persecution, can apply for asylum and if accepted will be called a 'refugee'. Using the reason for migration and the type of documentation, one can conclude that the majority of Zimbabweans are "*economic migrants*", as opposed to Rwandese, Congolese and Somalis whose movement to

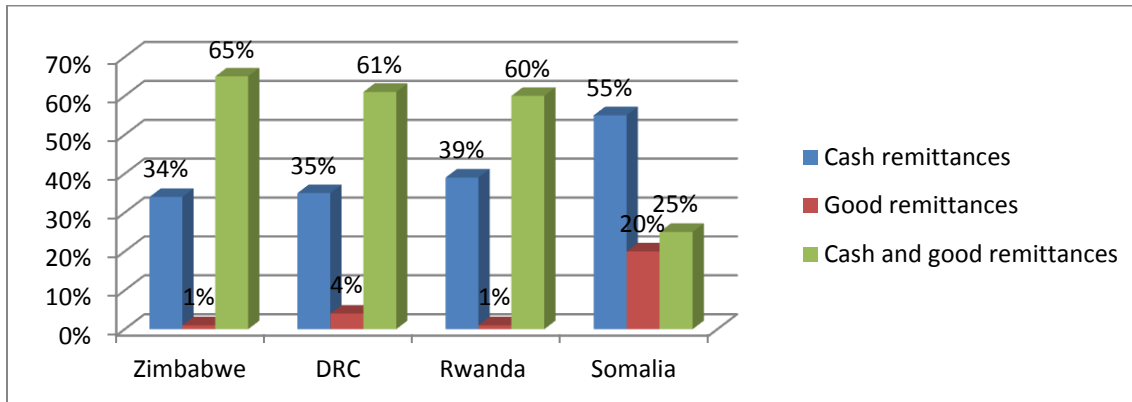
South Africa is forced, and qualify to be called “*refugees*” or “*forced migrants*” (see Table above for details).

### **5.3. African immigrant remittance behaviour**

The current study sought to understand migrant remittance behaviour. The remittance behaviour is used to denote propensity to remit, type of remittances, amount, value and quantity, as well as frequency of remittances (Truen, et al, 2005). In some cases, this study used the variables related to remittance decisions. While one can argue that decision to remit may be independent of other dynamics determining remittances, Amuedo-Dorantes & Pozo (2006:240) contend that it is not easy to conceive factors that affect the decision to remit money home, but do not influence the amount remitted. In this regard, remitting pattern, behavior, decisions and motives may overlap. This led the researcher to disaggregate remittance behaviour to include remittance systems. The remittance systems were further segmented into formal and informal.

The survey questionnaire asked a series of questions to ascertain remittance behaviour, and all the 83 (100%) respondents agreed that they send some kind of remittance. The types of remittances identified were cash, goods and social remittances. Remitting cash and goods simultaneously appeared to be the most popular trend at (53%), remitting cash only accounted for (41%), and sending goods only accounts for 6%. When disaggregated according to nationality, the remittance patterns do not vary considerably. However, as the Figure 5.1 illustrates, Zimbabweans tend to remit more than any other nationality in terms of cash and goods, while goods only predominate among those from DRC and Somalia. The relatively high level of transfer among Congolese is probably linked to the availability of channels as discussed under qualitative information (using a bus from South Africa to DRC). In a similar vein, the dominance of remittances among Zimbabweans corresponds to other studies, for example (Von Burgsdorff, 2010; Makina, 2007) found that the share of remittances to Zimbabwe have increased because of its rapidly declining economy, accentuated by severe drought.

**Figure 5.1: Cash and goods remittance**



Source: Survey Questionnaire, 2015

This study also revealed that 80% of the respondents transmit social remittances, as opposed to the remaining 20% who do not. This is complemented by the information gleaned from the qualitative research as one male participant from Rwanda explained below:

*South Africa is technologically advanced with modernized learning and democratic institutions that can help our countries to develop. We have learnt a lot in terms of skills and democratic practices, next time when we go home, we will ensure accountability and transparency in the public sector.*

There appears to be slight differences according to nationalities in terms of social remittances. Somalis accounted for the highest number (90%). As displayed in Figure 5.2, social remittances are also relatively low among immigrants from the DRC (70%). When complemented with information from the focus group discussion, the Somalis' social remittances can undoubtedly be attributed to the fact that they belong to the Somali Association of South Africa (SASA) with one of its missions being that of facilitating learning and integration.

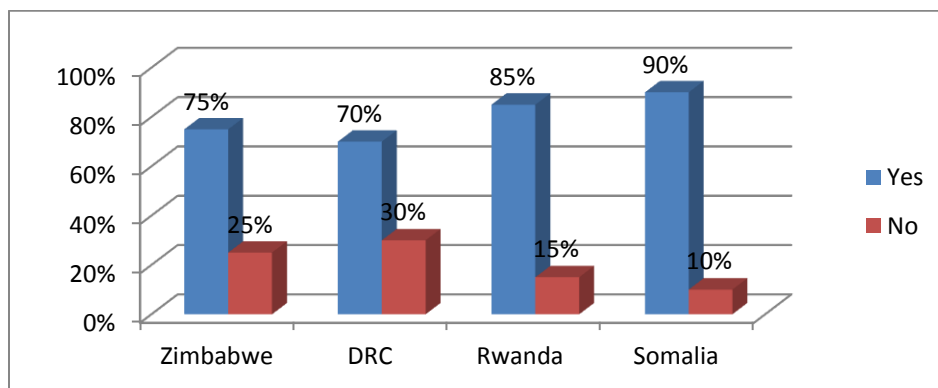
Further investigation revealed that besides skills, technology, and politics that migrants export to their respective countries, there were also some negative elements of culture (participants referred to these aspects as negative social remittances) that migrants transmit to the countries of origin as highlighted by one female participant from the focus group:



*South Africa is a country where everything is tolerated and acceptable. In our countries, homosexuality and lesbianism are taboo, this Western like culture has been adopted and promoted by the South African constitution and passed to us and our children.*

The above excerpt is an indication that African migrants transfer cultural practices upon their return. These findings substantiate information in the literature (see for example DNSC, 2006; Levitt & Lamba-Nieves, 2011), however, they reflect the opposite to Gamlen’s (2006, 2008) idea that migrants from the Third World do not remit. Furthermore, respondents’ expression of negative social remittances suggests that they feel that social remittances are not necessarily linked to the proxy of positive development as is generally claimed in the literature (e.g Levitt, 1998).

**Figure 5.2: Social remittances**



Source: Survey Questionnaire, 2015

Prospect theory posits that migrants’ altruistic motive is concerned about the well-being of their family (Taylor, 1999), and this study found that the majority, 30% of the respondents, remit to support their families. The remaining 20% of the respondents remit to repay their families, 13% to save and invest in their countries, 11% to inject cash in their businesses, 23% to respect their families, and the remaining 2% remit for other reasons. These findings again somehow represent many of the prospect hypotheses that remittances are determined by enlightened self-interests, risk-aversion behaviour of portfolio management (Lucas & Stark, 1985) as well as co-insurance motive (Todaro, 2012).

A deeper analysis of Table 5.4 reveals that many Zimbabweans remit to invest and save in the home country, while Somalis and Rwandese remit for family related reasons. This is not

surprising, the current study found the majority of Zimbabweans to be economic migrants, while Rwandese, Congolese and Somalis are refugees, and according to (Cockyane & Shetret, 2012) refugees remit mainly to help the family members left behind to escape human rights violations.

**Table 5.4: Remittance motive**

Motive	Support the family	Repay back the family	Invest and save	Run business	Respect of the family	Other motives	Total
<b>Nationality</b>							
Zimbabwe	20%	5%	35%	20%	15%	5%	100%
DRC	17%	22%	13%	18%	26%	4%	100%
Rwanda	45%	30%	5%	20%	0%	0%	100%
Somalia	40%	25%	5%	30%	0%	0%	100%

Source: Survey Questionnaire, 2015

With regards to the values of remittances, out of 78 respondents who indicated that they send cash, each time the majority, 39% send between R1000-2500, and the rest of the remittance transactions vary as follows; 9% remit between R500-R1000, 32% send between R2500-5000, while the remaining 19% send an amount of above R5000. As indicated in table below, the amount of cash remitted does not follow a specific pattern based on nationality, but many Zimbabweans tend to remit the highest amounts, followed by Somalis.

**Table 5.5: Amount of money remitted each time**

Amount	< R500	R500-R1000	R1000-R1500	R1500-R2500	R2500-R5000	> R5000	Total
<b>Nationality</b>							
Zimbabwe	10%	10%	15%	25%	5%	35%	100%
DRC	0%	9%	27%	46%	0%	18%	100%
Rwanda	0%	15%	55%	5%	15%	10%	100%
Somalia	0%	0%	6%	12%	69%	13%	100%

Source: Survey Questionnaire, 2015

Regarding the value of goods, each time goods are sent, the majority of the respondents (66%) indicated that they send goods worth between R500-3000, 12% remit goods to the value of less than R500, 8% send goods worth between R5000-8000, and the remaining 8% remit goods to the value of more than R5000 each time goods are sent home. A closer look at Table 5.6 shows that the Congolese and Zimbabweans remit relatively high value goods compared to the rest of the

group. Goods remittances to Zimbabwe are perhaps related to production that dwindled after the implementation of land reform policies (Kerzner, 2006, 2009).

**Table 5.6: Value of goods remitted each time**

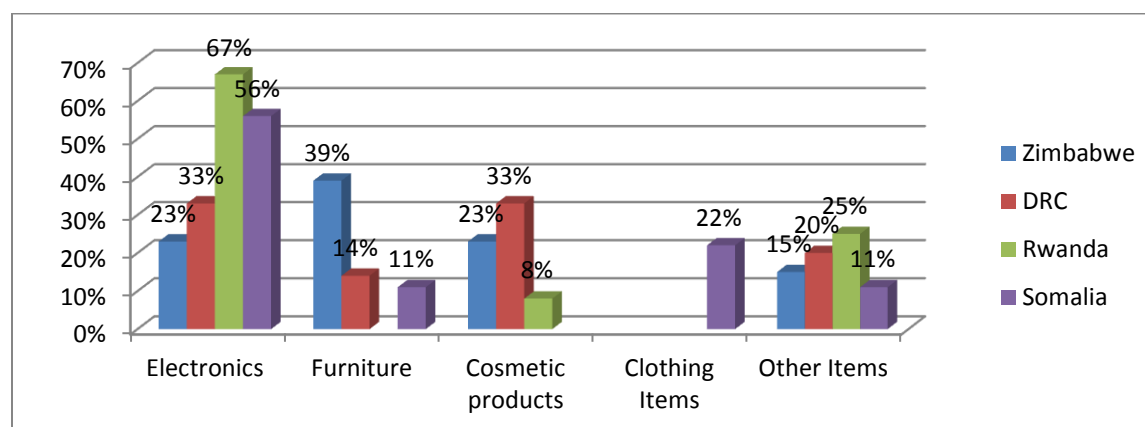
Amount	<R500	R500-1500	R1500-3000	R3000-5000	R5000-8000	<R8000	Total
<b>Nationality</b>							
Zimbabwe	15%	31%	23%	0%	15%	16%	100%
DRC	0%	6%	46%	26%	7%	15%	100%
Rwanda	34%	9%	33%	16%	8%	0%	100%
Somalia	0%	12%	55%	33%	0%	0%	100%

Source: Survey Questionnaire, 2015

When asked about the kinds of goods that are mostly remitted, electronics are the most preferred goods at 43%, cosmetic products at 18%, clothing items at 4%, furniture at 16%, and other items such as motor spare parts, medicine and stationery at 18%. This is a true reflection of prospect theory's assumptions that remittances are anchored in the needs and conditions arising in the migrants' country of origin. As Figure 5.3 indicates, the Rwandese have the highest percentage in sending electronics (67%), while the Zimbabweans lead in furniture. This is not a coincidence, the geographical proximity of Zimbabwe and South Africa facilitates the remittance of durable goods (Von Burgsdorff, 2012), while tax exemptions on Information Computer Technology (ICT) items provided by Rwandan Revenue Services (Harrison, 2005) possibly attract migrants in remitting electronic goods.

Furthermore, migrants tend to remit irregularly; 12% do so every three months, 10% twice a year, and 8% once a year, 17% every few years, 17% remitted only once, and the remaining 36% remit whenever it is possible. On close examination of Table 5.7, Zimbabweans tend to remit more frequently and Somalis less frequently; this confirms the view that economic migrants remit more often than forced migrants (Briant, 2005).

**Figure 5.3: Type of goods remitted**



Source: Survey Questionnaire, 2015

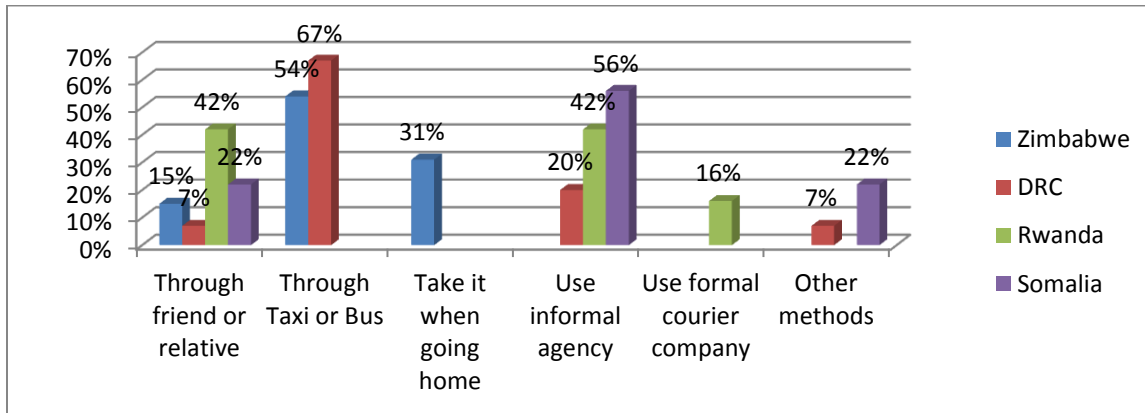
**Table 5.7: Frequency of remittance**

Frequency	After 3 months	Twice a year	Yearly	Only once	Whenever possible	After few years	Total
<b>Nationality</b>							
Zimbabwe	35%	10%	5%	10%	40%	0%	100%
DRC	8%	16%	4%	17%	38%	17%	100%
Rwanda	5%	10%	0%	20%	45%	20%	100%
Somalia	0%	0%	25%	20%	20%	35%	100%

#### 5.4. Characteristics of remittance systems

The current study sought to determine the channels which the immigrants use when remitting. The results from the sample demonstrated that the difference in the choice of channels depends on the type of remittances. Informal remittance systems are significantly dominant when sending goods, this was accounted as follows: out of 49 goods remitters 20% remit through friends or relatives, 35% through taxi or bus drivers, 8% take goods by themselves when returning home, 4% use formal and registered organizations, 27% use migrant informal courier organizations, while the remaining 6% indicated that they use other methods to send goods home. This is not surprising as the popularity and preferences of informal channels over formal channels have been highlighted in the literature (e.g. Chisasa, 2014; World Bank, 2011).

**Figure 1.4: Channels used to remit goods**



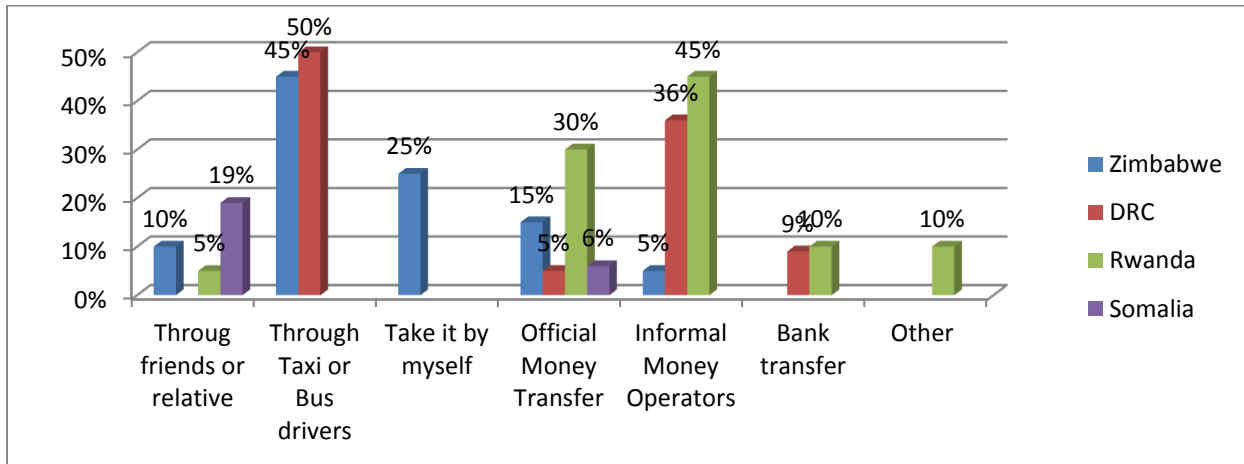
Source: Survey Questionnaire, 2015

Cash remittances flow through different channels, both formal and informal. Out of 70 respondents who send cash remittances, 26% send money through the use of taxi and bus drivers, 38% use informal money transfer operators, 8% use friends or relatives, 6% take the money themselves when going home, 5% use bank transfers, 14% use Official Money Transfer Organizations such as MoneyGram and Western Union, and the rest, 3%, send money using other methods. As illustrated in Figure 5.4, the Congolese accounted for the highest use of taxi and bus drivers at (50%), followed by Zimbabweans at 45%. The Rwandese is the only group who remits goods formally. The use of taxi and buses among Zimbabweans collaborates with other studies (Truen, et al, 2005; Truen & Chisadza, 2012).

Unsurprisingly, remitting through buses and taxis was also highlighted by the qualitative data. The participants reported that the so-called “*Congolese Agency*”, situated in Cape Town’s CBD, operates a weekly express bus that departs from South Africa to Lubumbashi (Town in the DRC), and participants use the bus passengers to send remittances as described by a male respondent from the DRC:

*...Nowadays, we don’t struggle to send something home; it is just the matter of waiting for the bus to arrive from Lubumbashi, and then send something home.*

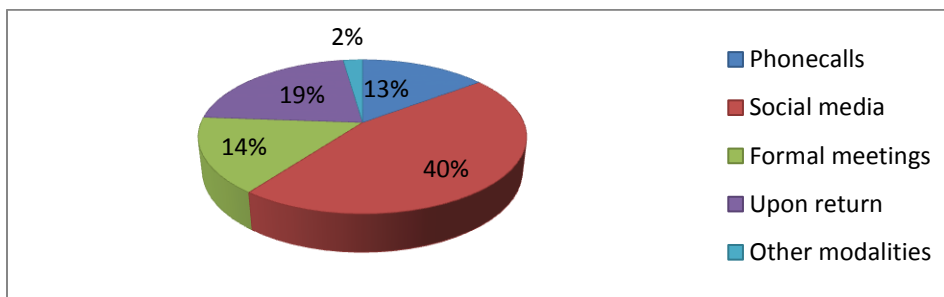
**Figure 5.5: Channels used to send money**



Source: Survey Questionnaire, 2015

This study also revealed that social media is the most dominant channel used to transmit social remittance at (40%); the remaining 60% do so using a different modality cross-linking them to their countries of origin. As shown in Figure 5.6, 13% transmit social remittance via phone calls, 14% use official meetings, and 19% remit socially upon their return home, whereas 2% remits socially through other modalities. The pre-dominance of social networks is not a surprise; Seery (2013:6) asserted that in the age of technological advancement, “one does not need to travel home to deliver a message; you simply do it online with the click of a button”.

**Figure 5.6: Channels used to transfer social remittances**

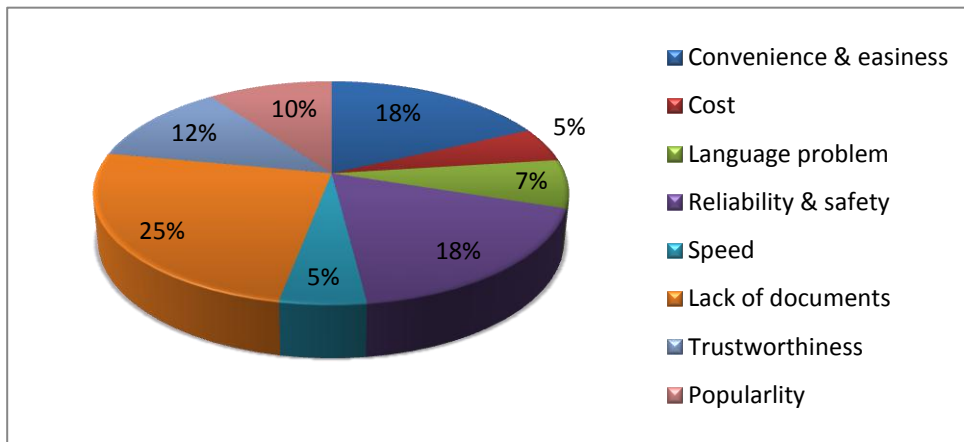


Source: Survey Questionnaire, 2015

The choice of remittance channels is also influenced by many factors; from the remitter’s point of view, the majority (25%) mentioned lack of documentation to be the main reason why they remit informally, the rest of the respondents as shown in Figure 5.7 cited convenience (18%), cost (5%), safety and reliability (18%), language problem (7%), speed (5%), trustworthiness

(12%), and popularity (8%). The findings on the lack of documentation confirm the role of institutional impediments created by the policy environment in accessing formal remittance structures (Von Burgsdorff, 2010; 2012). It is also surprising, since many scholars articulated that that reduced cost is the primary determinant of the choice of informal remittance systems (DMA, 2011; Orozco, 2006).

**Figure 5.7: Reason for the choice of channels**



### 5.5. Challenges and migrants' views of remittance landscape in South Africa

The South African remittance sending landscape is highly regulated. Remittance providers must be registered and licensed, and also comply with AML legislation (Genesis Analytics, 2005). KYC requirements demand that immigrants have proper documentation, and proof of income and address to enter into formal transactions. Although, 63% of the surveyed respondents bank in South Africa, this study found that the majority earn an income of between R4000-8000, perhaps work in the informal sector (see Kalitanyi & Visser, 2010), and this makes it impossible for them to provide proof of their income. In addition, as displayed in Table 5.2, African immigrants are holders of temporary permits or are undocumented, and as stressed by Von Burgsdorff (2010:48), most of them live in informal settlements, therefore face challenges in providing proof of address to access formal remittance systems.

Respondents who remit through well-established institutions such as MoneyGram and Western Union reiterated the problem of a long wait in the queues, accompanied by tiresome bureaucratic

procedures of filling in many and complicated forms. Also, migrants revealed that the financial institutions and banks where remittances can be withdrawn are in some cases situated or concentrated in urban areas without branches in rural areas, forcing the recipients to walk long distances. In a similar view, Zimbabweans raised concerns over the unavailability of cash (due to lack of currency) at institutions in their home country as one female participant stated:

*I sent money to my son for school fees, he travelled from the village to town and when he went to get it, he was told to come back the following day, because the bank did not have money.*

On a positive note, participants from Zimbabwe reported that some formal remittance channels such as Mukuru.com and Mama Money offer convenience and flexibility. According to these participants, Mukuru.com is a subsidiary of Standard Bank that allows the potential remitter to open an account with relaxed requirements and deposit money into the account for the beneficiary without necessarily travelling to the branch. The cash deposit can be made via retail shops such as Pick and Pay, and the remitter requests the transfer to the beneficiary. In a similar vein, respondents from Zimbabwe indicated that they send money through Shoprite supermarkets and request their relatives to cross the border to withdraw it in South Africa.

In addition to those factors that attract African immigrants to choose informal systems as Figure 5.7 illustrates, the qualitative data revealed that remitters are persuaded by friendliness and care, as well as other services such as telephonic notification to the receiver through Short Message Service (SMS). Furthermore, informal systems offer other services such as the migrants' home staple food and groceries, as well as internet and telephone services at reasonable cost, as explained by young Somali respondents:

*When we go to send money, the best thing is that we also buy food imported from home country; we can also take the opportunity to do other things such as surfing the internet.*

The diversification of service was also confirmed during the observations; the researcher unearthed that the providers of informal remittances run parallel businesses such as barber shops, cosmetics and groceries, secretarial services, imports and exports, as well as restaurants specializing in migrants' home cuisine and recipes, probably to spread the overhead costs and attract more clients.



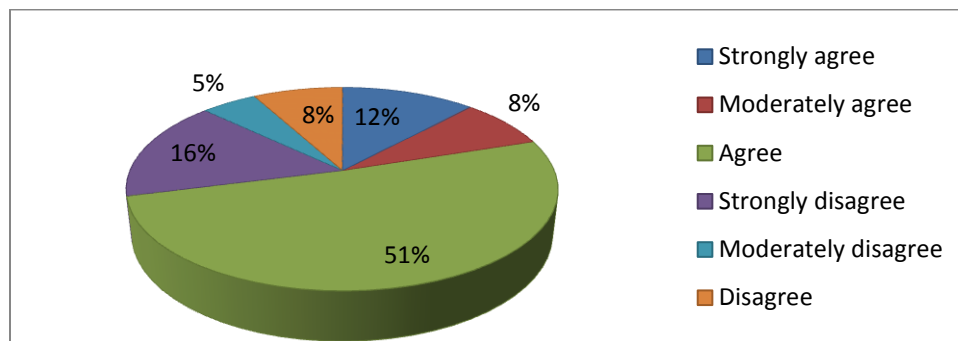
In a similar view, focus group discussion members revealed that Hawala operators offer more flexibility by collecting cash or goods from the potential remitter's address for a small collection fee. A few participants also indicated that the regular users of the Somali agency are offered other facilities such as cash loans where one can request money to be sent to a specific receiver in a specific country, and then the settlement of the bill takes place at a later stage. This demonstrates the social capital assumption that connection and networks facilitate remittances (Maggard, 2004; Wahba & Zenou, 2009)

Contrary to the literature that Hawala systems operate from a low class area without equipment (Orozco, 2006), during the observations, the researcher found that informal remittance agencies are located in the CBD sharing premises with other well-established financial institutions. For instance, the Congolese Agency is housed in Cape Town's city centre, close to ABSA, FNB and Standard Bank, which Bidandi (2014) believes to be the biggest banks in South Africa, while the Somali Agency is located in the heart of Bellville CBD. They are both established with equipment such as vaults, telephone, security camera, laptops and computers which makes their branches electronically interlinked. This is not surprising - De winter, et al (2014:15) found that in the Netherlands, Hawala has become the e-hawala, because of technology and e-services.

When asked for their views on informal systems, the focus group members alluded to the possibility of contributing to corruption and tax evasion. This was reinforced by the results from the survey questionnaire where more than half (51%) of the respondents indicated that they agree, 12 % strongly agree and 8% moderately agree that informal remittances contribute to crime, terrorism and money laundering (the rest of the results are shown in Figure 5.8).

With regard to corruption and other crimes, participants confirmed that if possible, they would not mind bribing law enforcement authorities in order to protect their interests and avoid constant raids carried out by the South African security agency in what is termed a "*Fiela Operation*" (reclaim operation) which many respondents feel targets immigrants' unlicensed remittance channels. Moreover, participants added that they don't pay taxes; also criminal elements wanting to process big transactions can only do it using informal remittance systems to conceal their identities and the origin of their proceeds.

**Figure 5.8: Views on the possibility of informal systems' contribution to crime**



Source: Survey Questionnaire, 2015

The challenges posed by the money transfer regulatory policy environment were repeatedly mentioned in the qualitative research. The information from the survey questionnaire shows that asylum seekers and refugee status permit holders are denied the opportunity to conduct remittance transactions; even opening bank accounts is not easy. This finding was complemented with participants of the focus group who acknowledged that, banks' documentation requirements drives them away as one young man from DRC explained:

*The bank refuses to enter into transactions with us, because our documents are in A4 size, they say these documents are not acceptable and yet they have been issued by the South African government through its DHA.*

With regards to opinions on the South African remittance sending landscape in South Africa, the information from the survey questionnaires and focus group discussion and literature demonstrates that the South African regulations and money transfer environment causes obstacles, this prompts African immigrants to rely on informal channels to escape the challenges in the utilization of formal remittance systems.

### **5.6. Revisiting the hypothesis: Relationship between migrants' characteristics and remittance behaviour.**

In chapter one, the hypothesis formulated was to ascertain whether there is a relationship between the nature of African immigrants and remittance behaviour. Beside the nationality, income level and education are the principal independent variables of migrants' characteristics that are used in this study; the motivation for this selection is because these variables have been

prominent in the literature to be linked to remittances. The key dependent variables related to remittance behaviour consist of type of remittances, value of remittances and frequency of remittances, as well as the channels of remittances (Truen, et al, 2005; Amuedo-Dorantes & Pozo, 2006). Other variables such as gender, age, marital status, duration of stay, reason for immigration, return intention, immigration status, frequency of home visits, and number of dependents and membership of the association are indicated, but not explored in details due to limited space in the paper.

To determine whether there is a relationship between migrants' characteristics and remittance behaviour related variables, the chi-Square ( $\chi^2$ ) test was used. In carrying out the test, a significant level of 0.05 (5%) was used for the test of 1 degree of freedom. The decision rule is that the significance level of 0.05 is allowed, and Pearson chi-square value or p-value higher than the significance level, indicates that the difference between the groups is not significant (Pallant, 2005:286). The chi-square works on the general assumption that the samples are random, each person or case is counted once (Field, 2009). The formula for the chi-square test is:

$$\chi^2 = \sum \frac{(\text{Observed count} - \text{Expected count})^2}{\text{Expected count}} \quad [1]$$

The chi-square test conducted provided mixed results; this section only report on those variables that are statistically associated and the discussion is limited to the variable of income, education and nationality (the full chi-square test results are indicated in Table 5.8). The test revealed that there is a significant relationship between nationality and type of remittances ( $\chi^2=14.31$ ,  $P=0.026$ ), amount of cash remitted ( $\chi^2=46.83$ ,  $P=0.000$ ), type of goods remitted ( $\chi^2=23.33$ ,  $P=0.025$ ), remittance frequency ( $\chi^2=34.88$ ,  $P=0.003$ ), goods remittance channels ( $\chi^2=47.74$ ,  $P=0.000$ ), as well as cash remittances channels ( $\chi^2=62.896$   $P=0.000$ ). Tables and figures in section 5.3 present detailed information of remittance behaviour by nationality. In this regard, Zimbabweans remit high goods value, more frequently, using informal channels compared to immigrants from other countries of the case study. This is in consonance with Phyllis & Kathrin's (2008) finding that economic migrants remit more than refugees. Also, immigrants from Rwanda are the only one who sends goods using formal courier.

With regard to education, the test result shows a significant relationship between education and the amount of cash remitted ( $\chi^2=33.14$ ,  $P=0.032$ ), channels for cash remittances ( $\chi^2=36.17$ ,

P=0.050) as well as channels for social remittances ( $\chi^2=40.73$ , P=0.004). In this study, the finding indicates that more educated immigrants are likely to send more in terms of goods and cash through formal channels. In a similar view, highly educated African immigrants are more likely to remit socially upon their return home. This finding on social remittance corresponds with Perez-Armendariz & Crow's (2009) idea that education influences social remittance. The results on material remittances contradicts the original claim of Evtimova & Koekoek (2010) that educated migrants remit less and invest more in host countries, this however substantiates and supports the view of Orozco (2006) that educated migrants remit more formally.

In addition, the income level is significantly related to social remittances ( $\chi^2=7.42$ , P=0.060), amount of cash remitted ( $\chi^2=76.31$  P=0.000), as well as the value of goods remitted ( $\chi^2=52.35$  P=0.000). The current study revealed that immigrants earning a high income remit more in terms of cash and goods, and are also more likely to remit socially. These results are not surprising, as they collaborate with certain authors (DMA, 2011; De Haas & Plague, 2006) who have suggested that there is a positive relationship between income and remittance.

For other variables, the reason for coming to South Africa is significantly related to the cash remittance channels ( $\chi^2=58.77$ , P=0.001), as well as goods remittance channels ( $\chi^2=48.57$ , P=0.003). In a similar view to the above, there is a significant relationship between immigration status and cash remittance channels ( $\chi^2=67.95$ , P=0.030). Also the intention to return home is significantly related to the frequency of remittances ( $\chi^2=32.69$ , P=0.005), as well as the cash remittance channels ( $\chi^2=25.13$ , P=0.048). Access to banks or financial institutions in South Africa is significantly related to cash remittance channels ( $\chi^2=17.84$ , P=0.007). Furthermore, the frequency of visits to the home country is significantly related to the value of goods remitted ( $\chi^2=41.63$ , P=0.020), cash remittance channels ( $\chi^2=46.33$ , P=0.029), as well as goods remittance channels ( $\chi^2=38.67$ , P=0.040). The level of association in South Africa is significantly related to social remittances.

Though, variables such as age, gender, marital status and duration of stay in South Africa are not related to remittance behaviour, a closer examination of the chi-square test results in Table 5.8 demonstrates that more than half of variables representing migrants' characteristics are significantly associated with remittances behaviour. Therefore, one would be correct to conclude

that there is indeed a relationship between the nature and characteristics of African immigrants and their remittance behaviour, this proves the hypothesis to be correct or accurate.

**Table 5.8: Relationship between African immigrants' characteristics and remittance related variables**

Migrants characteristic variables	Remittances						Channels used for sending		
	Cash & Goods	Social remittances	Cash amount	Goods value	Type of goods	Remittance frequency	Cash remittances	Good remittances	Social remittances
Nationality	$\chi^2=14.31$ P=0.026*	$\chi^2=3.36$ P=0.338	$\chi^2=46.83$ P=0.000*	$\chi^2=21.36$ P=0.126	$\chi^2=23.33$ P=0.025*	$\chi^2=34.88$ P=0.003*	$\chi^2=62.896$ P=0.000*	$\chi^2=47.74$ P=0.000*	$\chi^2=21.81$ P=0.113
Age	$\chi^2=5.64$ P=0.464	$\chi^2=6.82$ P=0.078	$\chi^2=13.88$ P=0.534	$\chi^2=17.38$ P=0.296	$\chi^2=4.18$ P=0.980	$\chi^2=15.33$ P=0.493	$\chi^2=14.36$ P=0.639	$\chi^2=14.36$ P=0.498	$\chi^2=24.24$ P=0.061
Gender	$\chi^2=1.11$ P=0.571	$\chi^2=3.50$ P=0.61	$\chi^2=8.60$ P=0.126	$\chi^2=8.52$ P=0.130	$\chi^2=4.28$ P=0.369	$\chi^2=6.55$ P=0.256	$\chi^2=7.54$ P=0.273	$\chi^2=3.92$ P=0.561	$\chi^2=7.54$ P=0.183
Marital status	$\chi^2=6.92$ P=0.328	$\chi^2=2.60$ P=0.456	$\chi^2=18.71$ P=0.227	$\chi^2=14.89$ P=0.459	$\chi^2=11.61$ P=0.477	$\chi^2=9.46$ P=0.852	$\chi^2=16.46$ P=0.560	$\chi^2=14.02$ P=0.523	$\chi^2=12.77$ P=0.620
Educational level	$\chi^2=7.58$ P=0.475	$\chi^2=3.28$ P=0.511	$\chi^2=33.14$ P=0.032*	$\chi^2=26.53$ P=0.149	$\chi^2=9.18$ P=0.906	$\chi^2=30.61$ P=0.060	$\chi^2=36.17$ P=0.050*	$\chi^2=24.03$ P=0.241	$\chi^2=40.73$ P=0.004*
Immigration reasons to SA	$\chi^2=7.150$ P=0.711	$\chi^2=5.97$ P=0.309	$\chi^2=27.10$ P=0.351	$\chi^2=35.53$ P=0.079	$\chi^2=22.25$ P=0.327	$\chi^2=32.46$ P=0.014	$\chi^2=58.77$ P=0.001*	$\chi^2=48.57$ P=0.003*	$\chi^2=28.89$ P=0.268
Document types in SA	$\chi^2=19.37$ P=0.250	$\chi^2=7.04$ P=531	$\chi^2=45.23$ P=0.263	$\chi^2=48.71$ P=0.162	$\chi^2=29.46$ P=0.595	$\chi^2=45.36$ P=0.258	$\chi^2=67.95$ P=0.030*	$\chi^2=48.84$ P=0.159	$\chi^2=38.07$ P=0.557
Return intentions	$\chi^2=5.43$ P=0.489	$\chi^2=3.18$ P=0.364	$\chi^2=18.04$ P=0.261	$\chi^2=8.66$ P=0.894	$\chi^2=8.15$ P=0.773	$\chi^2=32.69$ P=0.005*	$\chi^2=25.13$ P=0.048*	$\chi^2=20.34$ P=0.061	$\chi^2=16.72$ P=0.160
Duration of stay in SA	$\chi^2=6.88$ P=0.332	$\chi^2=2.36$ P=0.500	$\chi^2=18.79$ P=0.223	$\chi^2=12.42$ P=0.647	$\chi^2=16.39$ P=0.174	$\chi^2=12.04$ P=0.675	$\chi^2=8.73$ P=0.966	$\chi^2=21.53$ P=0.121	$\chi^2=21.08$ P=0.131
Income level	$\chi^2=6.17$ P=0.404	$\chi^2=7.42$ P=0.060*	$\chi^2=76.31$ P=0.000*	$\chi^2=52.35$ P=0.000*	$\chi^2=7.16$ P=0.846	$\chi^2=19.90$ P=0.176	$\chi^2=12.16$ P=0.838	$\chi^2=17.48$ P=0.291	$\chi^2=11.92$ P=0.685
Access to banks in SA	$\chi^2=1.01$ P=0.601	$\chi^2=2.61$ P=0.106	$\chi^2=8.04$ P=0.154	$\chi^2=2.87$ P=0.719	$\chi^2=4.60$ P=0.331	$\chi^2=8.43$ P=0.134	$\chi^2=17.84$ P=0.007*	$\chi^2=1.60$ P=0.901	$\chi^2=6.54$ P=0.256
Frequency of home visits	$\chi^2=10.45$ P=0.401	$\chi^2=5.31$ P=0.379	$\chi^2=35.58$ P=0.078	$\chi^2=41.63$ P=0.020*	$\chi^2=22.53$ P=0.312	$\chi^2=35.59$ P=0.078	$\chi^2=46.33$ P=0.029*	$\chi^2=38.67$ P=0.040*	$\chi^2=24.52$ P=0.489
Associations level in SA	$\chi^2=0.94$ P=0.624	$\chi^2=18.50$ P=0.000*	$\chi^2=6.97$ P=0.222	$\chi^2=6.59$ P=0.253	$\chi^2=4.92$ P=0.295	$\chi^2=1.31$ P=0.933	$\chi^2=11.94$ P=0.063	$\chi^2=9.13$ P=0.104	$\chi^2=6.22$ P=0.285

\*Statistically significant at the level of 0.05

Source: Survey Questionnaire, 2015.

## **5.7. Chapter Summary**

This chapter has provided the empirical results from both quantitative and qualitative research. The focus was on the characteristics of African immigrants and their remittance behaviour. According to the findings of this study, several results presented in the literature were confirmed. In analyzing the socio-economic conditions of the respondents, the study revealed that many Zimbabweans are economic migrants with work permits, while immigrants from DRC, Rwanda and Somalia are refugees with refugee status and asylum seeker permits. This study also revealed that African immigrants in South Africa are relatively young, male, educated, and married with dependents in both South Africa and their home countries. African immigrants are from urban and rural areas in their home countries, they have lived in South Africa for more than five years, earning between R4000-8000, and seem to be banked in South Africa. African immigrants do not frequently travel to their countries of origin, however the majority of them intend to return and settle back home in a period of over four years.

With regard to remittances, it was established that African immigrants send cash, goods and social remittances; however, the trend of sending cash and goods at the same time is very popular. Informal remittances predominate and remitting through buses and taxis is the preferred method for both documented and undocumented immigrants. Beside, speed, cost, reliability, convenience and safety, informal remittance systems also provide other services to attract more immigrants. Formal remittance systems on the other hand, have no strong appeal for African immigrants, because they are bureaucratic burden, by requiring proof of income and address, and documentations that immigrants are not able to produce. However, formal systems are well received by the highly educated and high income migrants in the towns, but exclude the majority, especially low income earners and less educated remitting in rural areas due to low coverage. The qualitative data analysis also revealed that formal MTOs face the shortage of cash in Zimbabwe. In a similar vein, this study and literature revealed that the South African money transfer environment imposes stringent conditions that pose obstacles for migrants in accessing formal remittance systems. In addition to these challenges, testing the hypothesis showed that nationality, education and income of immigrants are significantly related to remittance behaviour. In this regard, the next chapter summarizes the findings and provides suggestions and recommendations of this research.

## **CHAPTER 6: SUMMARY OF FINDINGS, RECOMMENDATIONS AND CONCLUSION**

### **6.1. Introduction**

Migrants leave their home countries to improve their situation, livelihoods, and opportunities as well as to support their family left behind. The current study focused on the remittances of African immigrants living in Cape Town, and the purpose of this chapter is to highlight the findings and make suggestions and recommendations. The onset recommendations are based on the findings and information obtained from reviewing the relevant literature. Also, the recommendations seek to enhance the use of formal remittance channels in South Africa. In the last part of the chapter, the researcher pinpoints the areas that require further investigation, before providing the concluding remarks and a summary of the chapter.

### **6.2. Summary of findings**

International migration and remittances are inherently interlinked, the decision to migrate and remit are correlated (Bollard, et al, 2010:4). African immigrants have bank accounts, have lived in South Africa for quite some time, but they still lack proper documentations that can allow them to remit formally. The fact that many immigrants from Somalia, Rwanda and DRC hold refugee status and asylum seeker permits and migrated because of political insecurity make them forced migrants, while Zimbabweans are voluntary migrants whose motive for immigration is economic.

With regards to remittance behaviour, this study found that African immigrants send all types of remittances to their respective countries, and their nature and characteristics have a significant impact on remittances. Economic migrants remit to invest and save in their home countries, while refugees on the other hand, remit to support their family members. This study further revealed that the nationality of immigrants determines type of remittances sent, amount of cash remitted, type of goods to be sent, the frequency of remittances, channels used to remit cash, as well as the channels to use when sending goods, while education and income determine the value of remittances as well as the channels used to remit. Among immigrants who remit, Zimbabweans tend to remit cash and goods more frequently. Somalis, on the other hand, take



advantage of their associations to send social remittances. Rwandese remit electronic goods and they tend to use registered courier companies. Highly educated and high income African immigrants remit more in terms of amount of cash and value of goods; they also tend to use formal channels.

In terms of challenges and opportunities offered by remittance channels in South Africa, the study established that: Firstly, informal remittance systems predominate; less documentation requirements, language, cost, speed, reliability, accessibility, trustworthiness, customer care and friendliness are the factors which lead to informal channels attracting more customers.

Secondly, informal remittance operators provide other parallel services needed by immigrants such as home recipes; internet, phone calls, loans and remittance collection, and they also offer flexibility such as SMS notification to the beneficiaries, loans and remittance collection to regular remitters at reduced service fees.

Thirdly, informal remittance channels are potential contributors to illegal activities such as money laundering, tax evasion, corruption and trafficking. They are also prone to possible abuse by some criminal elements who might want to conceal the source of their income. Formal channels of remittances on the other hand, concentrate their services in big towns, leaving those remitting in rural areas with no other option. Formal remittance systems are also constrained by the South African money transfer legal framework which drive remittances further underground by making remitting, registration and licensing very difficult, In this regard, the researcher compiled a set of the following suggestions and recommendations to legitimize informal remittance systems and enhance the flow of formal remittances in South Africa.

### **6.3. Suggestions and Recommendations**

Informal remittance systems have been operating alongside the formal system, and a complete ban is neither feasible nor effective (Ozaki, 2012:23). The best approach is to address the issues related to remittance through regulatory measures. This study showed that the informal remittance market in South Africa is a fast growing industry that requires a forward-looking approach. The study also found that money transfer regulation serves to drive informal money transfer further underground; therefore a concerted effort by different remittance stakeholders is vital to enhance the use of formal systems. In this regard, the following suggestions and

recommendations are made to the South African government, formal providers of remittance services, as well as operators of informal remittance systems.

### **6.3.1. Recommendations for the South African government**

The more restrictive the government is, the more important informal transaction systems become (Buencamino & Gurbonov, 2002:9). The remittance landscape in South Africa is adversely affected by policy and a regulatory environment. To enhance the formal flow of remittances, the South African government should consider reviewing its remittance policies along with other macro-economic policies. This can be achieved through the relaxation of policy pertaining to registration and licensing of remittance providers, as well as removing administrative hurdles which go along with rigorous reporting system requirements. Government can also promote the use of the formal channel through awareness and consumer education. The sensitization can help to build a better confidence in formal remittance systems and the financial sector as a whole.

Furthermore, to encourage migrants to remit more formally, the South African government should consider introducing policies that tackle the cost of remittances such as lowering the cost of remitting. Other policy strategies that could stimulate formal remittances can be in the form of incentives. For instance, the government can consider lowering remittance charges, if possible, offer tax breaks and concessions, especially to those migrants who remit lower amounts and lower value goods.

### **6.3.2. Recommendations for formal remittance service providers**

The popularity of informal remittance systems is because many rural areas lack banking facilities, as well as innovative methods designed to suit the needs of receivers. Thus, to improve access to formal remittance systems, providers need to improve on conventional financial infrastructure, and they need to expand their reach or consider partnering with other microfinance and non-financial organizations that are closer to remittance recipients in remote areas in order to increase speed of delivery.

There is also an urgent need for formal operators to consider offering door to door cash collection and delivery in order to compete with taxi and bus drivers who are currently utilized by remitters. Furthermore, they must also consider opening on Sundays and public holidays, or

extend their trading hours to cater for low skilled migrants working in the informal sector in order to compensate for the lack of infrastructure in rural areas. Similarly, to enhance remittances, formal providers, along with the South African government, should embark on a financial literacy drive to inform potential remitters about the benefits associated with their product and services. Less educated migrants are not aware of the benefits of formal remittance institutions and the variety of the financial products available from these institutions (COMPAS, 2005 as quoted in the DMA, 2014:14). This knowledge gap could be overcome by offering services that explain bank products and charges in order to cultivate trust. The above measures, along with lower transaction costs, can enhance the outreach of formal remittance providers, and in turn make formal remittances more accessible and attractive.

### **6.3.3. Recommendations for migrants and operators of informal remittance systems**

This study has found that African immigrants in Cape Town have a strong social capital; hence to benefit from a significantly reduced cost of remittance, the researcher suggests that migrants should put their remittance together and endeavour to remit in bulk through formal channels. Furthermore, migrants can capitalize on their associations, and diaspora organizations to build a strong capital base and other financial products that can be easily registered and licensed. Alternatively, informal remittance operators can pool their resources together and apply for licensing or enter into cooperation with banks and other registered financial institutions that provide remittance services.

### **6.4. Areas for future research**

Despite the fact that the findings of the study show the popularity of informal systems in South Africa, the researcher acknowledges that respondents believe that these systems may be contributing to criminal activities. In this regard, further research is needed to establish whether remittances transferred informally from South Africa may end up in non-productive use. Also, the economic implications of the suggestions and recommendations made by the researcher are beyond the scope of this study. This requires further research that can investigate the implication and impact of the legitimization of informal channels in South Africa. This would provide a clear picture of the importance of informal remittance networks for the development of South Africa. Also, a deeper and thorough analysis of the relationship between African immigrants'

characteristics and remittances is needed to ascertain the direction, nature and strength of that relationship.

## **6.5. Chapter summary and concluding remarks**

Informal remittance systems were developed long before the start of modern banking systems, they cater for a segment of the migrant population who are unable to access formal channels for a variety of reasons. In South Africa, informal remittance channels operate alongside a conventional banking system which is over-regulated, this is exacerbated by the high cost of remitting formally that drives migrants' remittances deeper underground. The paper recommended measures that can promote the flow of formal remittances and legitimize informal remittance systems. The measures entailed the relaxation of the government's licensing conditions and remitting requirements, formal operators' provision of better information, easy access, and reduction in transfer cost, to informal remittance operators pooling resources together in order to ease the legitimization of their service and products.

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## APPENDICES

### Appendix A: Survey Questionnaire to the African immigrants

My name is Jonas Nzabamwita, a Master's student at the University of the Western Cape. I kindly invite you to participate in a study "*Exploring the link between international migration and remittances among African immigrants in Cape Town, South Africa*". The research is for academic purpose and aims at understanding the nature and characteristics of African immigrants and their remittance sending patterns and behaviour, to identify the challenges and opportunities that hinder/ facilitate remitting process in order to make informed policy recommendations to the relevant authorities. The questionnaire is designed for easy and quick completion and should take less than 30 minutes. Please respond by ticking and answering the appropriate question on each item. Your responses will be completely anonymous and will be treated with highest confidentiality; it will only be used for academic purpose.

#### A. Respondent's biographical information

##### 1. Nationality

1	Zimbabwe	2	Congo	3	Rwanda	4	Somalia
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##### 2. Gender

1	Male	2	Female	3	Other (Specify)
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##### 3. Marital status

1	Single	2	Married	3	Living with partner	4	Divorced
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##### 4. Age category

1	15-25 years	2	25-35 years	3	35-45years	4	Above 45 years
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##### 5. What type of document do you hold in South Africa?

1	Refugee status	4	Partnership permits	7	Business permits
2	Asylum-seeker permit	5	Permanent residence	8	Undocumented
3	Work permit	6	Study permit	9	Other

##### 6. Is your household living in urban or rural areas in your home country?

1	Urban area	2	Rural area
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##### 7. Do you have a bank account in South Africa?

1	Yes	2	No
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##### 8. Is there a bank or an institution in the town/ city where cash remittances can be withdrawn in your home country?

1	Yes	2	No
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##### 9. If No, how far away is the nearest bank or financial institution in your town or city?

1	5-10km	2	10-20km	3	More than 20km
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##### 10. How long have you been living in South Africa?

1	Less than 5years	2	5-10years	3	10-15years	4	More than 15years
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##### 11. What is the main reason you came to South Africa?

1	Political instability	3	Economic reasons	5	Business opportunity
2	Study reasons	4	Family reunification	6	Other (Specify)



**12.** Are you planning to move back to your home country permanently at any point?

1	Yes	2	No
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**13.** If yes, how soon are you intending to return to your home country?

1	less than year	2	1year -2 years	3	2years-3years	4	Over 4 years
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**14.** What is your highest level of education?

1	Primary school	3	College	5	Other (Specify)
2	Secondary school	4	Technikon/University		

**15.** What is your source of income?

1	Employment	2	Business	3	Employment & Business	4	Donations & other
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**16.** On average, how much is your income per month?

1	R0-800	3	R1500-4000	5	R8000-15000
2	R800-1500	4	R4000-8000	6	R15000+

**17.** How often do you travel to your home country?

1	Every 3 months	3	Once a year	5	Only once
2	Twice a year	4	Every few years	6	Never

**18.** How many dependents do you have in South Africa?

1	None	3	Two	5	Four
2	One	4	Three	6	More than Four

**19.** How many dependents do you have back home?

1	None	3	Two	5	Four
2	One	4	Three	6	More than Four

**20.** Do you or someone in your household have a bank account in your home country?

1	Yes	2	No
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**21.** Do you live close by people from your home country in South Africa?

1	Yes	2	No
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**22.** Do you belong to any diaspora organization, association or group of people from your home country?

1	Yes	2	No
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## B. Remittances

**23.** Do you send remittances?

1	Yes	2	No
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N.B: If your answer is No, thank you. There is no need to continue with the questionnaire.

**24.** What types of remittances do you send back home?

1	Cash	2	Goods	3	Cash and Goods
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**25.** Have you learnt/ acquired something in South Africa in terms of ideology, culture, technology, skills and expertise (social remittances) that you do transmit to your home country?

1	Yes	2	No
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**26.** If you answered yes to Question 22, how does your organization, association contribute to your home country?

**27.** What motivates you to send remittances in your home country?

1	To support your family	3	To invest or save	5	Respect of family
2	To repay back my family	4	To run my business	6	Other (Specify)

28. Per average, what is the estimated value of money (excluding goods) do you send each time in your home country?

1	<i>Less than R500</i>	3	<i>R1000-1500</i>	5	<i>R2500-5000</i>
2	<i>R500-1000</i>	4	<i>R1500-2500</i>	6	<i>More than R5000</i>

29. What is the estimated value of goods that you sent each time?

1	<i>Less than R500</i>	3	<i>R1500-3000</i>	5	<i>R5000-8000</i>
2	<i>R500-1500</i>	4	<i>R3000-5000</i>	6	<i>R8000+</i>

30. If you send Goods, what kind of goods do you mostly send home?

1	<i>Clothing</i>	3	<i>Food</i>	5	<i>Cosmetics</i>
2	<i>Electronics</i>	4	<i>Furniture</i>	6	<i>Others (Specify)</i>

31. In particular, whom do you send remittances to?

1	<i>My spouse</i>	3	<i>My parents/grandparents</i>	7	<i>My friends/Colleagues</i>
2	<i>My children</i>	4	<i>My relatives</i>	8	<i>Others (Specify)</i>

32. How often do you send remittances?

1	<i>Every 3 months</i>	3	<i>Once a year</i>	5	<i>Only once</i>
2	<i>Twice a year</i>	4	<i>Every few years</i>	6	<i>Whenever possible</i>

### C. Remittance sending channels

33. How do you normally send goods to your home country?

1	<i>By a friend or relative</i>	3	<i>Take it myself</i>	5	<i>Informal courier</i>
2	<i>Taxi or Bus driver</i>	4	<i>Formal courier</i>	6	<i>Other (Specify)</i>

34. How do you normally send cash remittances?

1	<i>By a friend or relative</i>	4	<i>Bank transfer</i>	7	<i>Other( Specify)</i>
2	<i>Taxi or Bus driver</i>	5	<i>Official Money Transfer</i>	8	
3	<i>Take it myself</i>	6	<i>Informal operators</i>	9	

35. What is the reason for the choice of this method?

1	<i>Convenient/easiest</i>	4	<i>Most reliable/ safest</i>	7	<i>Most trustworthy</i>
2	<i>Cheapest</i>	5	<i>Fastest</i>	8	<i>Most popular</i>
3	<i>Language</i>	6	<i>Lack of documentation</i>	9	<i>Other (Specify)</i>

36. What is the reason why this method of choice is preferred by the person that you are remitting to?

1	<i>Convenient for them</i>	3	<i>Cheaper for them</i>	5	<i>Other (Specify)</i>
2	<i>Fast for them</i>	4	<i>No other option for them</i>	6	

37. Are you asked to provide identification by the service provider when sending remittances?

1	<i>Yes</i>	2	<i>No</i>	3	<i>Sometimes</i>	4	<i>Not sure</i>
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38. Are you asked to provide proof of income when sending money?

1	<i>Yes</i>	2	<i>No</i>	3	<i>Sometimes</i>	4	<i>Not sure</i>
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39. If your answer is yes to question 25, do you transmit what you have learnt/ acquired in South Africa to your home country via?

1	<i>Email</i>	3	<i>Social media</i>	5	<i>Upon return home</i>
2	<i>Phone call</i>	4	<i>Formal meetings</i>	6	<i>Other (Specify)</i>

#### **D. Respondent's opinion on remittances and remittance channels**

**40.** To what extent do you agree that informal remittance sending channels contributes to crime such as money laundering, corruption and terrorism?

<i>1</i>	<i>Strongly agree</i>	<i>3</i>	<i>Agree</i>	<i>5</i>	<i>Moderately disagree</i>
<i>2</i>	<i>Moderately agree</i>	<i>4</i>	<i>Strongly disagree</i>	<i>6</i>	<i>Disagree</i>

- 41.** If you answered 1, 2 or 3 on previous question, please elaborate your answer?
- 42.** Please describe the situation in your home country in terms of remittance need?
- 43.** What challenges do your household face when receiving remittances in your home country?
- 44.** What challenges did you face when sending remittances in South Africa?
- 45.** What do you think should be done to enable / facilitate remittance sending in South Africa?
- 46.** What are your views about the providers of formal remittance services in South Africa?
- 47.** What are your views about provider of informal remittance services in South Africa?
- 48.** What is your message to the Government with regards to African immigrants' remittances?
- 49.** What is your general comment on remittance sending landscape in South Africa?

**Thank you very much for your participation**

## **Appendix B: Focus group discussion semi-structured questions checklist**

### **A. Remittances**

1. What do you understand about remittance sending by African immigrants in Cape Town?
2. What information do you have about remittances from African immigrants in Cape Town?
3. What do you know about social remittances (Political ideology, Technology, Knowledge, Skills, Experience, Expertise and Culture) transfer by African immigrants in Cape Town to their respective home countries?
4. When you send money home, do you normally give instructions on how it will be spent? If yes, what do you do when your instructions are not adhered to?

### **B. Remittance sending channels**

5. What do you think attracts African immigrants in Cape Town to use informal channels of remittances?
6. What are your views on formal channels of remittance transfer such as MoneyGram and Western Union?
7. Informal remittance channels are alleged to be contributing to crime such as, corruption, fraud, money laundering and terrorism, what are your views on that?
8. What is your understanding of formal remittances transfer channels in Cape Town?
9. What are your views on the operation of informal channels in Cape Town?
10. What are the kinds of services you can get from informal channels that are not available in formal channel?
11. What do you think can attract migrants to use more formal channels in sending remittances?

### **C. Challenges and opportunities of remittance sending**

12. What are the facilitating/enabling or inhibiting factors to sending money to your home countries?
13. What are the facilitating/enabling or inhibiting factors to receiving money in your home countries?
14. What do you suggest and recommend to the authorities to ensure that remittances and remittance channels become more beneficial to the African immigrants in Cape Town?

**Thank you very much for your participation.**