

18-20 February 2022

Milan, Italy

The Social Security Benefits of Remittances and Households' Consumption Post-Shocks

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Abstract

Although many studies affirm that remittances offer social security benefits to households in coping with negative social-economic shocks in developing countries, the efficacy when households are categorized in terms of severity have not been adequately explored. Using Nigeria as the case, this study therefore examines the benefits of remittances on the post-shocks' consumption of households. Applying unique identifiers, households are categorized into two: Households that experienced the most devastating types of shocks such as kidnappings and households that suffered less-devastating types of shocks such as unemployment to determine whether the benefits accruing from remittances differ for each group and for all households. Data is sourced from the General Household Survey (GHS) 2018/2019 conducted by the World bank for Nigeria from which variables have been generated. A two-stage methodological approach is used in the study: First, we test the hypothesis that 'there is no significant difference between the means of the two groups (Symbolically, $\text{mean diff} = \text{Mean}(a) - \text{Mean}(b) = 0$)' for the vector of shocks coping measures identified in the survey made up of international and domestic remittances, other coping measures, and a dummy each for geography and household characteristics for robustness. Our test of hypothesis showed significance and thus, an OLS equations for each category of households and for all households are specified. Results reveal that, international remittances are less effective compared with domestic coping measures. The study concludes that international remittances may be ineffective in the face of continual occurrence of shocks and the solution lies internally.

Key Words: Consumption, households, remittances, shocks, social-security.