

ADDIS ABABA UNIVERSITY
SCHOOL OF GRADUATE STUDIES

**THE ROLE OF REMITTANCE AND RETURN MIGRANTS
ON URBAN GROWTH AND RURAL URBAN LINKAGE:
THE CASE OF HOSANNA**

**A Thesis Submitted to the School of Graduate Studies, Addis Ababa
University in Partial Fulfillment of the Requirement for the Degree of Master
of Urban Development and Management Studies**

BY: ABINET ERGANDO

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ADDIS ABABA



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BY: ABINET ERGANDO

TEGEGNE GEBRE-EGZIABHER (Prof)

Advisor

Signature

Date

Tesfaye Shiferaw
ተስፋዬ ሻፊራው ሜሻሻ (ዶ/ር)
Tesfaye Shiferaw Meshesha (Dr.)
Examiner

Signature

Date



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List of Abbreviations

CSA	Central Statistical Authority
EEPCO	Ethiopian Electric and Power Corporation
ETC	Ethiopian Telecommunication Corporation
FDI	Foreign Direct Investment
FGD	Focus Group Discussion
IICAMO	City Administration Municipality Office
IIFEDB	Hadiya Zone Finance and Economic Development Bureau
ILO	International Labour organization
IMO	International Organization for Migration
KV	Kilo Volt
MW	Mega Watt
NUPI	National Urban Planning Institute
ODA	Official Developmental Aid
OSCE	Organization for Security and Co-operation in Europe
RSA	Republic of South Africa
RUL	Rural Urban Linkage
SNNPR	Southern Nation Nationality People Region
SPSS	Statistical Package for Social Science
UNDP	United Nation Developmental Program
UNPD	United Nation Population Division
VAT	Value Added Tax

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ABSTRACT

The objective of this study is to understand the remittance and returnees' impact for growth and rural urban linkage together with the aim of identifying the pattern and magnitude of remittance. This study was conducted in Hosanna using methodological triangulation to collect primary data. In this regard respondents for Survey questionnaire (40 remitted 30 returnees and 90 non-migrants), FGD and In-Depth Interview were selected using a mix of purposive, snowball and stratified multistage cluster sampling techniques.

The study finding underlined that large amount of remittance is being injected in the economy of the town and the surrounding areas. The inflow remittance has been increasing as more and more people emigrate to RSA. Although, flow pattern exhibits unevenness across seasons (months) of a year, the annual figure confirmed a rapid increase of remittance both in terms of the magnitude and pattern of flow. Concerning the flow channel, the study highlighted the existence of informality where remittance from RSA most often reaches Ethiopia through pocket of travelers.

Regarding the impact of remittance and return migrants, this study indicated remittance and return migrants positively contributed for increase in both investment and consumption in general. Specifically the impact on housing construction, transportation sector and labour supply are positively affected by remittance and returnees activities. On the contrary, the impact on price of products (inflated prices), inequality and dependence get worse due to introduction of remittance and return migrants in to Hosanna's economy. Regarding human capital formation, the health impact of remittance and returnees activity found to be positive while the impact on education is remain inconclusive. This is because although remittance induced family migration and hence better education improved at primary education levels. Less positive side of story comes as remittance induced further migration of youngsters by giving less incentive to continue their education above secondary level. More importantly remittance and returnees activities have very clear impact on Hosanna's sprawl.

The study indicated that the increased income from remittance and return migrants increased demand for consumption and investment, addressing this need in Hosanna obviously presumes creating and/or strengthening linkages between the town and the hinterland. On the other hand, remittance and return migrants activity, and the asphalt road were the two main reasons for the dynamism of the town.

CHAPTER ONE

1. INTRODUCTION

1.1 Background of the Study

The rural-urban categorization is one of the most well known classifications of households in developing countries. Even though some livelihood differences exist within each of rural and urban sectors, it is widely acknowledged that urban welfare levels generally exceed those of rural areas. These differences often generate linkages between the two sectors. The linkages include migration, remittance flows, trade, and the utilization of resources across the two sectors.

In view of the desire to increase wellbeing, households and individuals are constantly exploring ways of enhancing their welfare. Thus, for instance, if a rural resident perceives that urban living standards are higher than that of rural areas, it is logical for him/her to attempt to establish an appropriate link for tapping into the welfare advantages enjoyed in the urban sector. Similarly, an urban household would want to link up with the rural sector if there is an aspect of rural livelihood that can be exploited to enhance their welfare. In view of these, peoples try to establish livelihood through different mechanisms, like migration, that span from rural and urban sector, and possibly beyond (Boakye-Yiadom, 2008).

In a global economy, migration has taken center stage. The causes of migration vary among individuals from seeking decent work opportunities and higher quality of education, to escaping poverty and violence. However, one thing that all migrants have in common is the goal of safeguarding a better future for themselves and their respective family by achieving human prosperity. This is evident through two things. One, the growing level of remittances migrants send to their loved ones living in different parts of the world (Garcia, 2009). The other way, other than remittance, where migrants try to make better future is through accumulating capital abroad and then returning to their home country to spend their assets on economic activities like consumption and/or investment. These returnees' activities may in turn have their own impact on the economy.

Migrants often send sizable portion of their increased earnings to families back in home country. Migrants' remittances, in fact, have become a major source of external development finance. It is

estimated that migrant remittance flows to developing countries now surpass official development aid receipts in many developing countries (Ratha, 2005). Migrants' remittances are currently ranked as the second largest sources of external inflows to developing countries after foreign direct investment. Since the 1980s, Remittances have decreased for first from USD 336 billion in 2008 to USD 316 billion in 2009 (6 percent) due to the financial crisis and now it is predicted that remittances worldwide will increase by 7.1 percent in 2011 (Irving, et al., 2010.)

Remittances can potentially help to promote economic development. However, from the viewpoint of economic theory, the overall impacts of remittances are uncertain (Chukwuone, 2007). Empirical evidence of previous studies of the impact of workers' remittances on economic growth as well as poverty reduction is mixed. Stark and Lucas (1988) and Taylor (1992) find the positive relationship between remittances and economic growth. Chami et.al (2003) and IMF (2005) found negative and no impact, respectively. Consequently, there is interest among academics, civil society actors, and the international community to study the potential impacts that remittances could have on economic and social development.

Migration patterns and dynamics in Ethiopia have significant socio-economic and political ramifications for the country. In particular, the growing rural-urban migration is contributing to rising urban unemployment, which in turn has led to increased international migration. However, there are also cases that show people from rural areas out migrate internationally without migrating to urban areas first. Environmental degradation with growing economically active populations has also increased labour and forced migration both within the country and across the borders (World Bank, 2010.)

Though it is difficult, to accurately estimate the magnitude of irregular migration, some assessments and studies show the huge increase in migration in and from Ethiopia, in particular by the youth. Poverty, overpopulation environmental changes in Ethiopia contribute in a variety of ways to encouraging migration out of rural areas. Poverty compounded with lack of availability of sufficiently productive land is the most common cause of rural-urban migration. Individuals are seen leaving the countryside to urban settings because of limited availability and poor productivity of land and in search of better livelihood which would allow them to support a household (World Bank, 2010.)

Migration has been a common characteristic of developing countries. Similarly, Individuals and households from Ethiopia migrate to different parts of the world especially to USA, Gulf States, Arab countries, Republic of South Africa and neighboring countries such as Djibouti, Kenya, Somaliland and Sudan. In particular, recently, there has been enormous amount of labor migration from Hadiya and Kembata, to the Republic of South Africa (RSA). These migrants have been sending large sum of money to their relatives. However, this large sum of money, being pumped from South Africa, may have both positive and negative impacts on these areas. In addition, out of those migrants to RSA, a significant number of people return to Ethiopia (mostly to Hadiya and Kembata zones) along with their assets accumulated in there. The returnees soon start to involve in some sort of economic activity whose overall effect on these areas is yet to be identified. This thesis, therefore, tries to study remittances' and return migrants' impact on urbanization and rural urban linkage by taking, the capital of Hadiya Zone, as a case study area.

1.2 Statement of the Problem

Remittances have the potential to affect a large number of variables in the recipient country and its impact varies vastly across regions of the world, due to differences in culture, migration patterns and the stage of economic development (Pfau and Giang, 2010). Accordingly, remittances may have both beneficial as well as detrimental effects.

One of the main arguments from those who argue that remittances have a positive impact on economic development is that remittances are often used for investment in the home country such as for housing and small businesses development in receiving countries (Page and Plaza, 2005.) Moreover, even if remittances are simply spent on consumption it can be argued that the additional demand for products in the home country can benefit the receiving economy (Ibid). Hence, remittances, whether spent for investment or consumption can create additional demand for different resources obtained from urban, rural or both. This, in turn, raises the need for creating new forms of linkage or else requires strengthening the existing ones. On the contrary, others argue that remittances negatively affect economic development because remittances can create inflationary pressures and decrease in labor supply.

Despite, the observed ever-increasing size of official international remittance, little attention has been paid to examining the impact of remittances in developing countries (Adams, 2005).

Specifically, there is no study made so far about remittances and return migrants impact on urbanization and rural urban linkage of Hosanna. Therefore, a detail study about the impact of remittance in improving rural- urban linkage and economic development of is crucial.

1.3 Objectives of the Study

1.3.1 General Objective

The main objective of the thesis is to study the impact of remittance and return migrants on urban growth and rural urban linkage in Hosanna.

1.3.2 Specific Objectives

The specific objectives of the study are to:

- Identify the magnitude and patterns of remittance
- Identify the role of remittance and activities of return migrants for Hosanna's growth
- Assess impact of remittance and return migrants on rural urban linkage (Hosanna and its hinterland).

1.4 Research Questions

Based on the above objectives, this thesis answers the following main research questions.

- (i) What is the pattern and magnitude of remittance?
- (ii) What are the mechanisms through which remittance and return migrants influence urban growth?
- (iii) How do the remittance and return migrants affect the process of rural urban linkage and what dimensions of rural urban linkages are affected because of the remittance and return migrants' activity?

1.5 Research Methodology

This study is intended to identify the impact of remittance and return migrants' from RSA for the growth of the town meanwhile it also tries to assess the role remittance and return migrants may have on strengthening and/or creation of linkage between Hosanna and its surrounding hinterland.

1.5.1 Study Design

This study uses a cross sectional survey method as study design to collect both qualitative and quantitative data form primary and secondary sources. A cross sectional survey method is employed to assess remittance and return migrants impact for Hosanna's growth and derived linkage with the hinterland. However, considering the limitation of cross sectional method in capturing changes over time, some questions are designed to approximate process of changes over time. That is, certain questions are included to measure change and process over time. Therefore, cross sectional method is used because of its effectiveness in terms of both time and money and approximating longitudinal survey by cross sectional methods is used to answer research questions involving process of changes over time.

1.5.2 Data Sources and Type

This study employed both primary and secondary sources to generate appropriate data. Primary data collected from return migrants, remittance receiving households, non-migrant residents of the town, head administrators of the town administration and municipality, bank manager's, focus group participants and other primary sources. Secondary data, on the other hand, are collected from relevant documents such as books, articles, statistical reports. Besides, important documents from Hadiya Zone, Municipal and town Administration Office, Urban Development and Management office Bureaus and any other stakeholders were used as sources of secondary data collection.

1.5.3 Method of Data Collection

Methodological triangulation used to generate primary data through open ended and close-ended type Survey Questionnaires, In-Depth Interview and Focus Group Discussion. This triangulation is done because of its advantage to increase the reliability of data and hence the validity of the

study which otherwise could have been affected by limitations of each single data collection methods.

I. Questionnaires

The survey questionnaires used for this study is categorized in to three sections. Section I contains questionnaire for return migrants from RSA. Section II comprises set of questions for remittance receiving households and lastly, section III of the survey questionnaire developed to collect data from the community (residents). The survey mainly aimed at providing information on the role of remittance and return migrants for Hosannas' development and the derived linkage with surrounding rural areas. It has also covered socio-demographic background variables such as age, sex, literacy status, educational status and marital status. The survey questionnaire has used both close-ended and open-ended questions. Most questions have pre-coded answers with assigned numbers.

II. In-depth Interview

The In-depth interview questionnaire is developed with intention of getting richer information than what is usually available from surveys. Here, unstructured questions were used to allow respondents to express their views in their own words without restriction. In-depth Interview was made with the head administrators of the Municipality, town Administration and Urban Development and Management Office.

III. Focus Group Discussion(FGD)

In addition to Survey and In-depth Interview, FGD were used as a part of the data collection method to increase the reliability of data collected by other methods. Three FGD were conducted; one FGD with residents of Hosanna, one with farmers and Development Agents and the last with experts recruited from department heads of different core process in Municipality, town Administration, and Urban Development and Management Office (See table1). Except the FGD with experts (consisting of six participants), the rest two FGD's comprises the conventional eight participants. In order to let the participants prepare and smoothen the discussion, FGD checklist was given to each participant before getting in to the formal discussion.

Table 1:1. Primary Data Collection through Methodological Triangulation

	Unit of Analysis	Observation Units/ Data Source	Method of Data Collection
1	Hosanna	Municipality Head Urban Development and Management Head Town Administrator	In-depth Interview
2	Municipality City Administration Urban Development and Management Office	Experts/heads of different core process	Focus Group Discussion
	Residents of Hosanna	Traders Civil Servants	
	Hinterland	Farmers and Development Agents	
3	Individuals	Return migrants Remittance receiving households Residents of Hosanna	Survey Method

Before taking its final shape, the draft questionnaires were tested by undertaking a pilot study in Hosannas. Based on the result of the pilot study, the questionnaires were amended. The questionnaires used in field for data collection were first prepared in English and then translated to Amharic. A copy of the questionnaires is attached as Annex of this study for reference.

1.5.4 Sampling Techniques

Remittance receiving household respondents and return migrants were selected through a mix of purposive and snowball sampling. Purposive sampling, one form of non-probability sampling techniques, is best suited when it is difficult to determine the probability of the any given element that would be selected in sample. It is also an important research tool when the target population is difficult to locate or identify. Consequently, absence of complete sampling frames providing list of remittance-receiving households and return migrants in Hosanna justifies the use of purposive sampling. Accordingly, data from 30 returnees and 40 remittance-receiving residents of Hosanna were collected with their full consent to cooperate and participate in surveying process. Meanwhile, data from community is collected using accidental sampling. The

application of the accidental sampling is required due to the fact that there were no workable sampling frame which would allow the application of probability sampling methods on one hand and infeasibility of trying to prepare such frames due to large number of population size on the other hand. In doing so, municipality clustered in to three *kifleketemas* (*Addis Ketema, Sechi Dunna and Goffereda*). Each *kifleketema* further clustered in to *kebeles*. At this stage, purposively six *kebeles* out of the total eight *kebeles* (i.e. 2 from each *kifleketemes*) selected from the town. Subsequently, 15 respondents from each kebele were accidentally selected comprising 90 survey respondents from the study town.

In addition to survey method of data collection, further information were obtained through In-depth Interview and Focus Group Discussion from purposively selected respondents in the assumption that they are stakeholders and, hence, will have detail information for this study.

1.5.5 Methods of Data Analysis

This study uses both qualitative and quantitative method of data analysis to meet its objectives. Qualitative data from Open-ended survey questionnaire, FGD and In-depth interview were analyzed using description, narration as well as crosschecking their validity and reliability with the quantitative data set. Quantitative data analysis was made using SPSS software form the filled-in survey questionnaires.

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1.6 Significance and Justification of the Study

Previous studies on remittance focuses at macroeconomic and micro level with divergent claims on its positive, negative and sometimes undetermined effect. Most of the studies were undertaken at national level taking macroeconomic variables with intention to identify the impact of remittance on the nation. This study, however, differs from others for two reasons. First, it

focuses only on the cash remittance flows from RSA to Hosanna. Second, there is no prior study made in Hosanna to identify the remittance and returnees' impact for the growth of the town.

Regarding the significance, this study could give insight about the developmental impact of remittance and return migrants' activities together with ways of exhaustively utilizing the development potential of the money as well as the return migrants. In terms policy, the study by indentifying the opportunity and challenges related to the remitted and return migrants show ways to design strategies to exploit the development potentials of remitted and return migrants.

1.7 Limitations and challenges of the Study

The first limitation of this study is related to the major focus of this study. It focuses only on cash remittance and return migrants from RSA excluding the return migrants and remittance impact coming from areas other than RSA.

The Second major challenge is related to the issue of generalization. Given that the large number of the town's population, the number of survey respondents involved could not be representative of the whole town.

Thirdly, the other challenge is related to the sensitivity of the information required from the respondents. This research, being on remittance, requires reveling financial information like income, amount of capital and /or tax and other related issues where respondents are reluctant to give genuine response.

The last but not the least challenge of this research is linked to the way in which remittance flow from RSA to intended receivers. Fortunately, instead of using formal monetary transfer systems through banks, remittance follows informal way (through pocket) to reach Hosanna. For this reason, precisely knowing the magnitude and pattern of remittance is very difficult.

Nonetheless, given the limitations, this study at its best tried to minimize the impact of limitations through different mechanisms.

1.8. Organization of the Paper

This study contains five chapters. The first chapter covers background of the study, statement of the problem, objectives of the study, methodology, significance, scope and limitation of the study. Chapter two reviews related literatures. In this respect the following issues were raised; definition of remittance; flows and encouragement to attract remittance; economic and social impact of remittance. Besides, the chapter also includes the issues of return migrants, rural urban linkage and conceptual framework.

Chapter 3 presents the background of the study area accordingly, establishment and naming, geography, population, and urban services discussed briefly. Chapter 4 is devoted for presentation and analysis of data. For doing so the chapter is classified in to different sections entitled as; magnitude and pattern of remittance, description of the survey result, analysis of the remittance and return migrants impact on development, the rural urban linkage aspect of remittance and returnees activity, main reason for the dynamism of Hosanna town. Chapter 5 summarizes the study along with suggesting future directions. Finally annex provides survey questionnaire (English version), checklist for In-depth and FGD.

CHAPTER TWO

2. LITERATURE REVIEW

2.1. Definition of Remittances

For the purpose of the study, remittances are broadly defined as the monetary transfers made by migrants to their country of origin or the financial flows associated with migration. Most of the time, these are personal cash transfers from a migrant to a relative in the country of origin, as well as funds donated, deposited or invested by migrants in the country of origin (OSCE, IOM, ILO 2006). However, to the eyes of many experts and institutions, financial transfers are one form of remittances. Some scholars believe that the definition of remittances, other than the transfer of funds and goods, could be further broadened to include social remittances such as the ideas, practices, technology, attitudes and social capital that flow from receiving to sending country communities (Levitt, 2001). Remittances can be transferred within and between countries. Based on this geographical transfer scope, remittance could be; international, remittances transferred by persons who migrate within their countries of origin, and international, remittances transferred by migrants who cross an international border. This study, however, focuses only on cross border financial remittances from South Africa to Ethiopia, in particular to Hosanna, with modest reference to the transfer of in-kind goods and social remittance.

2.2. Remittance Flows and Efforts to Encourage Remittance

Ratha (2007) shows that, 2006 remittance flows doubled their 2001 levels at over US\$200bn, and believes them to be greater than FDI when informal transfers are included. Several factors have contributed to this increase with increased migration being particularly responsible. El-Sakka and McNabb (1999) also discuss active policy by the Egyptian Government to encourage remittance inflows since the 1960s. The Pakistani Government also operates policies to encourage remittances including offering privileges such as special lounges in airports, free insurance, exemption from certain import duties and emergency renewal of passports for those who remit over a certain amount. The Mexican Government subsidizes remittances used to invest in businesses (Orozco, 2002b). In addition, improved and expanded data collection has helped to increase apparent remittance flows (De Luna Martinez, 2005).

All of these studies, however, are limited by the lack of information on unrecorded transfers that made through informal systems, and believed to amount to a significant proportion of international remittance flows (Anarfi et al., 2000). In addition, official remittance flows are significantly under-reported because of the reason that different countries collect different information. For example, some countries collect data on transfers made through the Post Office as well as banks, but others collect data only on those made through banks. Banks will often allow a customer to possess two debit cards, one of which can be sent to a remittance receiver, who is able to withdraw money directly from cash machines. The value of these flows is estimated in some places, but not in others (De Luna Martinez, 2005). Adams and Page (2005) found that Sub-Saharan African countries have the highest proportion of unrecorded remittances equal to 73 percent of recorded flows.

2.3. Economic Implications of Remittance Migrant Sending Country

Development economics has traditionally considered foreign savings as key to increasing a country's capital output ratio. Factors such as foreign direct investment (FDI), official development assistance (ODA), foreign trade, the transfer of technology and, most recently, remittances have entered into these analyses. Scholarly debates concerning remittances and their impact on economic development have become increasingly widespread. Meaning, the effects of remittance on macro and micro economy of sending countries is ambiguous topics in the fields. Particularly, the literature on the macroeconomic impact of migrants' remittances remains fragmented. Generally, it is recognized that the long-run impact of remittances on receiving economies depends on whether they are spent on consumption or investment.

2.3.1. Macroeconomic Aspects of Remittances

While migration has economic, social, and cultural implications for the sending and host societies, remittances, which the migrants send home, are perhaps the most tangible and least controversial link between migration and development (Ratha 2007). According to the official estimates, migrants from developing countries sent over \$315 billion to their origin countries in 2009, three times the size of official development assistance (Ratha *et al.* 2010). The true size of remittances including unrecorded flows through formal and informal channels is likely to be even higher. While remittances to developing countries declined modestly in 2009 because of the

global financial crisis, these flows have remained resilient compared to private capital flows, and have become even more important as a source of external financing in many developing countries.

Remittances lead to an increase in the level of income in the recipient country and plausibly help reduce poverty (Gupta et al., 2007), but it is not at all obvious that remittances increase output and promote economic growth. There are channels through which remittances could affect economic growth.

Remittances and Investment

Most households receiving remittances have a higher propensity to invest than non-migrant households given income and other relevant variables constant. The multiplier effect generated by productive investment, which is in turn enabled by remittances, will be limited by any constraints of production capacity. Remittance-based economic opportunity and productive investment potential are often exaggerated. Positive outcomes are more likely to occur if conditions are in place to set forth a strategic relationship that benefits both migrants and the state. Research largely endorses the finding that migration increases bilateral trade flows (Asis 2003, Gamburd 2003, and Ramamurthy 2004).

If an increase in remittances raises investment, remittances could be expected to affect growth positively. This effect could be large to the extent that remittances alleviate the credit constraints faced by most people in developing countries (Funkhouser, 1992, and Woodruff and Zenteno, 2004). Thus, the positive effect of remittances on investment or on economic growth is likely to be larger for countries where the financial system is relatively underdeveloped (Fajnzylber and Lopez, 2007, and Giuliano and Ruiz-Arranz, 2005).

Migrant remittances increase domestic savings as well as improve financial intermediation (Aggrawal et al. 2006, Toxopeus and Lensink 2007) which can improve growth prospects (Giuliano and Ruiz-Arranz 2005). Evidence from Philippines, Mexico and other countries suggests that remittances increase the accumulation of assets in farm equipment, promote self-employment and increase small business investments in migrant-sending areas (Taylor 1992 Taylor and Wyatt 1996, Lucas 1987, Adams 2006a, Woodruff and Zenteno 2001, and Yang 2008).

Remittance and Consumption

If remittances predominantly consumed rather than invested, any growth effects through higher investment could be subdued. Even in this case, however, remittances could foster investment by reducing the volatility of consumption and contributing to a more stable macroeconomic environment. Stahl and Arnold (1986) look at consumption patterns among Asian economies Bangladesh, India, Pakistan, Philippines, Sri Lanka and Thailand and conclude that recipients in these countries spend most of their remittances on basic needs such as food and clothing, home construction improvements, and debt repayment. Although Stahl and Arnold agree in the contribution of remittances to growth mainly via durable spending, they still raise concern over possible inflation from increased demand in the recipient country.

Remittances and Poverty Reduction

Migration and remittances have both direct and indirect effects on the welfare of the population in the migrant sending countries. Adam and Page (2003) in their study on 70 low income and middle-income countries, found a positive relationship between remittances and poverty alleviation. Their findings concluded that a 10 percent increase in the share of remittances to GDP would lead to a 1.6 percent reduction in the number of persons living below the poverty line. Spatafora (2005) find similar result, using a cross-country study that on average 25 percent increase in remittance / GDP ratio is associated with less than a 0.5 percent decrease in the share of people living in poverty. A cross-country study of 71 developing countries found that a 10 percent increase in per capita official international remittances would lead to 3.5 percent decline in the share of people living in poverty (Adams and Page 2005).

Gustafsson and Makonnen (1993) used a model to estimate the change in poverty rates in Lesotho – a country in which remittances (mostly from South African mines) made up around 40 per cent of GNP if workers were forced to return home. In their most advanced model which considers the labour of returned miners, an additional 11 to 14 percent of households would be classified as poor. Another study conducted by Adams (2004), surveying 7,276 urban and rural Guatemalan households, have found that remittances reduced the level of both severity and depth of poverty.

Evidence from Latin America, Africa, South Asia and other regions suggests that remittances reduce the depth and severity of poverty as well as indirectly stimulate economic activity (Adams 1991, Lachaud 1999, Fajnzylber and Lopez 2007, Adams 2006, Gupta *et al.* 2007, Anyanwu and Erhijakpor 2010, Ajayi *et al.* 2009). Based on this numerous studies, one can incline to say remittances lead to poverty alleviation in recipient countries.

Remittance and Labour supply

Remittances may reduce the labor supply or labor market participation of recipients. If these negative factors dominate, remittances could be detrimental to economic development in SSA (Chami, Fullenkamp, and Jahjah, 2003). Furthermore, they suggest that remittances are unlikely to promote economic growth because of a moral hazard problem (i.e. reduced labor market participation) and question the remittances as a source of development capital. More generally, remittances could be associated with adverse labor market developments if predominantly well-educated people emigrate.

Stability of Remittance Inflow

Unlike private capital flows, remittances tend to rise when the recipient economy suffers an economic downturn following a financial crisis, natural disaster, or political conflict. This is because migrants living abroad send more money to help their families back home (Ratha 2007, World Bank 2005). As a result, remittances have been found to have an income stabilizing effect both at the macroeconomic (World Bank 2006b, Chami *et al.* 2009) and household level. That is, remittances smooth consumption and contribute to the stability of recipient economies by compensating for foreign exchange losses due to macroeconomic shocks.

In general, the volatility of remittances is lower than that of private capital inflows and official flows (IMF 2005). In Sub-Saharan Africa, where official aid flows have fluctuated considerably from year to year, remittances have been more stable than both FDI and official aid (Gupta, Pattillo and Wagh 2007).

Because their large and stable source for foreign currency, remittances are likely to curtail investor panic and prevent sudden current account reversals during a crisis (Bugamelli and Paterno 2006, Gupta *et al.* 2007). Factoring the remittance inflows correctly into macroeconomic

analysis is also likely to improve the credit rating and external debt-sustainability of the remittance-receiving country (Abdih *et al.* 2009, Avendano *et al.* 2009, IMF 2010, and Ratha *et al.* 2010). Furthermore, future flows of remittances can be used as collateral by governments and private sector entities in developing countries to raise financing in international capital market (Ketkar and Ratha 2005, 2009).

Osaki (2003) reinforces these perspectives and suggests that the value of remittances lies in the overall “stability of remittance behavior” over time. Once a migrant begins sending remittances, Osaki claims, their remittance sending will remain consistent (i.e. occurring at regular intervals and at steady monetary levels) and this means that receiving households can usually count on remittances acting as a regular source of needed income. Brown (2006) suggested that remittance sending is not only stable, but also counter-cyclical. Stated differently, the sending and receiving of remittances will be constant (and may even increase) during periods of economic recession, natural disaster and war as migrants feel an added incentive to make sure that the money they send home is helping their households cope with adversity. The fact that remittances act as person-to-person transfers that do not create future debt servicing obligations for recipients is further evidence, as for Brown, that remittances are developmentally beneficial.

Remittances and Exchange Rates

Amuedo-Dorantes and Pozo (2004) found that remittances caused sizable real exchange rate appreciation in Latin American countries. The relationship between remittances and economic development is undeniable when observing the extent to which remittances are responsive to changes in real exchange rates although there is little consensus on whether there is a positive or negative effect. Large and persistent remittance inflows can cause an appreciation of the real exchange rate. The long-term impact of exchange rate appreciation on growth depends more directly on structural economic shifts and the extent to which it affects remittances, savings, investment and productivity. Several factors could result in remittances hampering GDP growth. In countries receiving remittances the currencies could appreciate, which might be harmful to their long-run economic growth (a Dutch disease effect).

Remittance and Inequality

Migration and later remittance may raise inequality initially, as only the relatively well off have the resources to send workers abroad and, therefore, receive remittances (Lipton, 1980). Milanovic (1987) tested for the possibility of such a “trickle down” effect using panel data from 1973, 1978, and 1983 Yugoslavian household surveys. He found no empirical support for this hypothesis; instead, his results showed that remittances tend to raise inequality although their effects differed over the periods and social categories considered (it was mainly for agricultural households that an inequality enhancing effect was found).

McKenzie and Rapoport (2004) examine the overall impact of migration on inequality in a large number of Mexican rural communities. This impact is composed of the direct and indirect effects of remittances, multiplier effects of remittances through their spending on products and services produced by other community members (Adelman and Taylor, 1992) and other potential spillover and general equilibrium effects; this also includes the network effects of migration on the costs and benefits of migration for other community members. The presence of migration networks, both at the family and at the community level, is found to increase the likelihood of migration, and hence raise the expected benefits on one hand and lower the costs of migration on the other to help reduce inequality among the community. Indeed, at high levels of migration prevalence, they find that migration leads to a reduction in inequality. However for the communities with a more diverse migration experience, these appears to increase inequality at lower levels of migration stock and then to reduce inequality.

Remittances and Long-term Growth

Evidence on the relationship between remittance inflows and economic growth in migrant-sending countries remains inconclusive. To the extent that they finance education and health and increase investment, remittances could have a positive effect on economic growth (Ganepola, 2002).

Remittances may be more effective in a good policy environment. For instance, a good investment climate with well-developed financial systems and sound institutions is likely to imply that a higher share of remittances is invested in physical and human capital (Russell 1995, and Ganepola 2002). Indeed, recent research shows that remittances may promote financial

development, which in turn can enhance growth. Studies strengthening this fact find that remittances improve financial access and financial development and therefore, stimulate economic growth (Toxopeus and Lensik 2007, Giuliano and Ruiz-Arranz 2005, Gupta et al. 2007). Furthermore, the merit of remittance flows might lie more on increasing the level of income for the poor rather than the growth of the economy as a whole (Jongwanich 2007).

On the other hand, Empirical studies have found little evidence in support of a positive impact of remittances on economic growth (IMF 2005, World Bank 2006b, Spatafora 2005, Barajas et al. 2009, and Singh *et al.* 2009). Large outflow of workers (especially skilled workers), currency appreciation can reduce growth in countries of origin. That is, studies focusing on the labor supply response of the remittance-recipient households tend to find that remittances lower work efforts and thereby reducing long-term growth (Azam and Gubert 2006, Chami *et al.* 2003).

In general, remittance can have positive, negative or no effect at all to the macro economy of a country. That is, the net impact of remittance at macro economy level is inconclusive.

2.3.2. The Microeconomics of Remittances

In aggregate terms, remittance figures do not reveal what significance this flow has for the individual recipient. The macroeconomic analysis, however, already indicates that officially recorded international remittances alone provide a significant contribution. Normally, remittances are income transfers from relatively richer to relatively poorer individuals and constitute a family welfare system which smoothes consumption, alleviates liquidity constraints, and is a form of mutual insurance. The bulk of remittances are used for consumption as well as for investment like in human capital (education, health, and better nutrition), housing construction, buying land and cattle. In other cases, remittance could be spent for conspicuous purchases – such as gold and precious stones and also for enabling a raise in the social status of the family within the community (Martin 2001, Nassar 2005, Massey 1993, Taylor 1999 and Orozco 2003).

Remittance and Consumption

In an analysis of 200 semi-urban Salvadorian households, Benavides et al. (2003) postulate that households with and without migrants will exhibit different consumption patterns. They split their sample accordingly and find that households with migrants exhibit a higher saving rate (22.5 percent versus 3.9 percent of income) and invest over three times more in health, education

and other categories than non-migrant households do. Furthermore, school-age children in migrant households are more likely to be enrolled in education than those in other households. In line with this, Taylor and Mora (2006) found that households with US migrants spend more on consumer durables and services than non-migrant household do. In addition, households with international migrants dedicate a larger marginal budget share to investments than non-migrant households.

The 2006 Malawian Migration Baseline Survey (MBS), looking at the link between migration and remittances, found that remittances were primarily used to fund the purchase of food, with 75 percent of urban households, and 46 percent of rural households reporting using their remittance receipts to purchase food. Remittances were also important to pay for water and medical bills. These uses show that remittances are used for necessities (perhaps following a negative shock), and the medical expenditure suggests insurance or altruistic motivations for remitting (Davies, 2008).

Remittances and Poverty

Remittances reduce the depth and severity of poverty among those who receive them but the effects are not distributed evenly across countries of origin. Remittances directly augment the income of the recipient households. Looking at poverty, Benavides et al. (2003) find that absolute poverty is lower for households with migrants and those without by 72.5 percent and 94.4 percent respectively. In addition to providing financial resources for poor households, they affect poverty and welfare through indirect multiplier effects and also macroeconomic effects. Remittances have reduced poverty in Sub-Saharan Africa and Latin America although with heterogeneous effects across countries (Gupta et al., 2007).

Yang and Martinez (2005) using data on household level remittance receipts in the Philippines, before and after the 1997 Asian currency crisis, found that an increase in the migrant households' remittances receipts with 10 % reduces the poverty rate by 2.8 %. Additionally, they find that non-migrant households benefit from increased gifts, reduction in poverty rates and poverty gap thanks to the "trickle-down effect" of remittance income.

The literature on migration and development makes apparent that the specific impacts of remittances on household welfare are varied and are extremely difficult to quantify.

Gupta et al. (2009) make the striking argument that a 10% rise in the inflow of remittances to a given community will lead to a 1% drop in headcount poverty and the poverty gap. Acosta et al. (2007) go further and contend that a 10% rise in remittance inflows will reduce a receiving community's incidence of poverty by 3.5%. The latter two writers, however, do suggest that while remittances can be counted upon to reduce poverty, the elasticity of poverty reduction with respect to remittance levels will vary from context to context. The analysis of the impact of remittances on poverty, on the other hand, account for loss of income that the migrant may experience due to migration (for example, if the migrant has to give up his or her job). Such losses are likely to be small for the poor and unemployed, but large for the middle- and the upper income classes (Ganepola, 2002 and Ramamurthy, 2004).

Remittance and Inequality

Early efforts to measure the impact of remittances on inequality, treated remittance income as an exogenous transfer and compared Gini coefficients with and without the inclusion of remittance income. Following this approach, Stark et.al (1986) analyzed household data from two Mexican villages, one with a relatively recent Mexico-to-U.S. migration experience, and one with a longer history of migration. Their findings indicate that the distributional impact of remittances strongly depends on the village's migration history, which in fact captures the magnitude of migration costs. They showed that income dispersion was decreased when migrants' remittances were considered in both villages, but more so in the second village which characterized by a longer migration tradition. From these observations, they derived the general conclusion that the effect of remittances on inequalities over time depends critically upon how migration-facilitating information and contacts become diffused through the village population. If contacts and information are not household specific, that is, if there is a tendency for them to spread across household units, then migration and receipt of remittances by households at the lower end of the income distribution is likely to occur. This would erode and possibly reverse any initially unfavorable effects of remittances on income inequality" (Stark et al., 1986).

Adams (1989) using a sample of three villages in Egypt, finds that the inclusion of remittances from abroad worsens inequality. Barham and Boucher (1998) follow on, from Adams in treating remittances as a substitute to home production. Using data from 3 neighborhoods in Bluefields, Nicaragua, they conclude that treating remittances as a substitute for home earnings results in remittances increasing inequality. In contrast, following the same approach with households from 4 districts in Pakistan, Adams (1992) concluded that remittances have an essentially neutral impact on the rural income distribution.

Taylor (1992) and Taylor and Wyatt (1996), on the other hand, note that in addition to the direct immediate impact on income, remittances can ease credit constraints for liquidity constrained households. It can also finance the accumulation of productive assets thereby increasing future income. These indirect effects of remittances act to equalize incomes, and find that remittances reduce inequality.

Remittance and Human Capital Formation

There is a growing body of evidence suggesting that the income from remittances is disproportionately spent on education and health rather than everyday consumption (Adams 2005, Adams et al. 2008, World Bank 2006b, Valero-Gil 2008, and Nagarajan 2009). In households receiving remittances, children usually enjoy better education through private tutoring, and all family members tend to have access to better healthcare and other personal services (Martin, 2001). To get more insight on impact of remittance on human capital formation, let us break it down into two; impact on education and impact on health

Impact on Education

Evidence from rural Pakistan suggests that temporary migration is associated with higher school enrollment, especially for girls (Mansuri 2006). Yang (2005) and Yang and Martinez (2005) find that increases in remittance flows in the Philippines led to improved schooling expenditure.

Cox Edwards and Ureta (2003) focus on the use of remittances for investment in education in El Salvador. They examine the effects of remittances on school dropout rates amongst families who receive remittances and those who do not. They find that the hazard of dropping out decreases as household income increases and that these households spend more on private tuition for their

children. The impact of remittances at its smallest is 10 times higher the size of the effect any other income source has. The authors offer two explanations for this. Firstly, they suggest that remittances are more stable than other sources of income and so, offer a better proxy for permanent income than other sources of income. The second is that there is a higher propensity to spend on children's schooling out of remittances than out of other sources. They explain this result by suggesting that such spending is a condition of continuing to receive remittance payments.

In many instances, remittances may be seen as repayment of informal loans used to finance educational investments. A natural interpretation is that it is the prospect of migration (rural-urban or international) that makes education a profitable investment for the family; hence, migration fosters human capital formation provided that not too many educated individuals emigrate out of the country (Ganepola 2002 and Asis 2003)

Impact on Health

Migration alone has been observed to increase health knowledge in addition to the direct effect on wealth, which has led to lower rates of infant mortality and higher birth weights in Mexico, reflecting that remittances enable households to afford better health care (Hildebrandt & McKenzie 2005). Visiting and returning migrants may also bring back health-improving practices such as drinking safe water and better sanitation (UNDP, 2009). In addition, Hadi (1999) argued that families with a migrant member would have more knowledge about modern health facilities than non-migrant families, because the former benefit from exposure to other cultures and have greater confidence and ability to interact with health care providers.

More on that, Gulati (1993) found that the absence of husbands for long periods of time actually helps women regain their health as the inter-birth interval is widened and take better care of their children.

On the other hand, less positive side of the story comes when migration present a threat to migrant health as certain jobs expose migrants to occupational hazards, such as tuberculosis, pneumoconiosis and workplace injury by mine workers (Kahn *et al.* 2003). Increased mobility of workers has also contributed to a rapid spread of communicable diseases such as HIV (Decosas *et al.* 1995, Lurie 2000, Lurie *et al.* 2000 and Brummer 2002). For instance, Kane *et al.* (1993)

find that 27 percent of the male Senegalese migrants were HIV positive compared to 1 percent for non-migrants males from the same area. Sexually transmitted infections are also more likely to spread among migrants themselves as well as their permanent partners residing in the sending communities (Kahn *et al.*, 2003).

In general, remittances most often are associated with increased household investments in education, entrepreneurship, and health—all of which increase human capital formation and have a high social return in most circumstances.

Remittance and Labor Supply

Chami *et al.* (2003), report that the receipt of remittances has a negative effect on the probability of labor market participation among male adults in Pakistani households. The full long-term impact of this is difficult to assess given that we do not know whether time was spent in education or leisure. Similarly, Bokosi (2001) noted that labor is underemployed in Malawi because of the increase in remittance.

Remittance and Business

Massey and Parrado (1998) use repeated cross-sectional data from 1982-83 and from 1987 to 1992 to assess the link between international remittances and business formation in Mexico. They find that receipt of remittances increases the likelihood that a household will form a business and increases productive investment although the latter was more influenced by personal, household and community characteristics than remittances. They also find that remittances received during a household migrant's absence had little impact on business formation, but rather, following the migrants' return remittances increased business investment. Local market conditions also play a role for business formation, with some areas being more entrepreneurial than others are.

Amuedo-Dorantes and Pozo (2006a) analyze the links between remittances and business ownership. They model remittances and entrepreneurship as being simultaneously determined since ownership of a business may influence receipt of remittances while receipt of remittances may in turn influence entrepreneurship. They find that business ownership raises the probability of receiving remittances by 20 percentage points. However, receiving remittances lowers the probability of owning a business.

2.3.3. Other Economic Impacts of Remittances

So far, some major impacts of remittance on economy reviewed above under the macroeconomic and microeconomic levels. This section, on the other hand, reviews important literatures to grasp other economic impacts of remittance inflow.

The development potential of remittances can obviously be improved by increasing the total flow of remittances, lowering the transfer costs, reducing the risks involved in transfers and offering more attractive investment alternatives (van Doorn, 2001). In addition to monetary remittances' potential for improving economic activities, social remittances may gradually spread to political, cultural and social activities and create transnational communities (Levitt, 2001). Such developments can also be encouraged by international development agencies. Over time, transnational communities may turn out to be the most valuable resource for development.

Remittances have contributed to financing the trade deficit and kept the current account deficit manageable. Remittances covered up to 80 percent of the growing trade deficit, which reached 19 percent of GDP in 2004, driven by real growth and high import demand. As inflows of remittances may be under-recorded in the balance of payments, the negative balance of the current account could also be lower than reported. Remittances and labor migration have had a positive impact on public finances. Imports boosted by remittances are a source of additional revenue collection in the form of VAT and import duties. As emigration has eased the unemployment problem and helped contain the associated fiscal expenditures, it can be seen as alleviating the fiscal burden of government. In addition, the consequent remittances can be seen as providing a social safety net, which otherwise would have to be met by the government (Ahmed, 2007).

Furthermore, scholars claim that investments by migrants are fundamental to the vitality of the receiving countries (Guarnizo and Smith, 1998) including increased housing activities can have significant spillover effects on the local production system. Similarly, better housing, education and the purchase of land can produce an impact on the households' local conditions by substantially increasing social and human capital (Nyberg Sørensen *et al.* 2003).

In contrast to the above listed merits of remittance, it has also been found that reliance on remittances has some negative effects on the well-being of the left behind. Kothari (2002) argued that the left behind may become vulnerable through lack of regular and sufficient remittances and other forms of support from those upon whom they are dependent in various ways but who have moved away. In West Java (Indonesia), it was found that the economic situation of the families left behind did not improve due to the excessive charges imposed by intermediaries and recruiters as well as the burden of debt (Dwiyanto and Keban, 1997). In Nepal, it has been shown that left-behind women did not receive much in terms of remittances, and become more vulnerable as they have to cope with a heavier workload while having less money to obtain health care and food (Smith-Estelle and Gruskin, 2003). Skeldon (2003) noted that in Asia, many migrants go into debt in order to finance their migration and the resultant debt placed financial strain on the families left behind. Other negative impacts of remittances include increasing consumerism, an attitude of over-dependency that recipients develop (Russell 1986 and Hefti 1997), fuelled inflation and a rise in imports (Russell, 1986). Similarly, Newland (2003) argue that remittance income received is rarely used for productive purposes but is rather spent on debt maintenance and everyday expenses and hence, creating inflationary pressure on the local economy.

However, investing remittances in productive activities and then fetching all the benefits of remittance does not occur overnight where basic conditions for investments are lacking. The use of remittances for productive investments depends upon the context and on the opportunity for small-scale investments and the social and financial capital needed for a new business (Pastor and Rogers 1985, Martin 1991). Similar conclusions are reached in the Mediterranean countries (Lazaar, 1996 and Haas, 200). Lack of infrastructures, lack of access to credit and lack of a developed market can play a decisive role in the decision of investing remittances. In line with this, weak institutions and poor economic incentives do not produce optimal economic outcomes in remittance recipient countries (De Vasconcelos, 2005).

2.4. Return Migration and Development

Evidence suggests that return after a relatively short period abroad, especially among low skilled migrants and if caused by an inability to adapt to the foreign environment or due to unforeseen and adverse family circumstances, is unlikely to contribute to development. Return following a longer stay abroad when the migrant has saved money to meet specific development purposes

back home – such as building a house or investing in business related activities – has far better developmental prospects. Whether return migrants will benefit local development or not, will vary and is primarily determined by two factors. First, the ability and preparation of the return migrant and second whether or not the country of origin provides a favorable social, economic and institutional environment for the return migrant to use their economic and human capital productively (Ghosh, 2000).

Motivations to Return to the Country of Origin

Horst (2007) found that Jamaican retirees preferred to move back and forth between the U.S. and Jamaica. In some cases, however, migrants had to return due to other factors, including family circumstances (e.g., the need to look after an ill or elderly parent), their own illness, or faltering economic conditions in the host country (Gmelch, 1980). In other cases, those who failed to adapt to the host society returned to the home country, because of the language, people and custom, or because they could not live separately from close friends and the familiar environment (Gmelch, 1980). In the case of returnees to Greece, Petras and Kousis (1988) found out that separation from family and the desire to raise children in their home country motivated their return despite poor economic conditions. Italian immigrants also returned home from West Germany due to their attachment to their homeland despite worsening economic conditions and scarcity of employment opportunities in their country of origin (Waldorf and Esparza, 1991).

2.5. Social Impacts Remittance

At its best, migration can be a rewarding experience that is made in the interest of the household welfare, but in most cases moving to another country and being separated from one's immediate family takes place at considerable emotional cost (D'Emilio *et al.* 2007). Especially, temporary circular migration increases the risk for family breakdown, fragmentation of social networks and psychosocial stress (Kahn *et al.* 2003). The emotional impact is not just limited to the migrants themselves, but also to the family left behind. Particularly in poorer households where the whole family cannot afford to emigrate together, they emigrate one member at a time resulting in eroded family structures and relationships. As described by D'Emilio *et al.* (2007), the longer the separation between the migrating parents and their children, the more children lose parents' reference in the management of the household, their authority and their role as providers of love

and material care. Other family members gradually replace parents, or the children take upon themselves the task of parenting. The feelings of rejection, abandonment and loss follow the children left behind, and cannot be compensated by the material gifts and remittances sent from abroad. To some extent, the recent technological advances in terms of e-mail and affordable telephone calls might allow the transnational families to form and foster social ties even at a distance (UNDP, 2009).

On the other hand, recent evidence from Mozambique suggests that migration could also strengthen social networks as the higher income from remittances reduces the cost for the migrant-sending household to participate in these networks. This closer inter-family collaboration, to some extent, remedies the absence of within-family cohesion and safety nets (Gallego and Mendola, 2010).

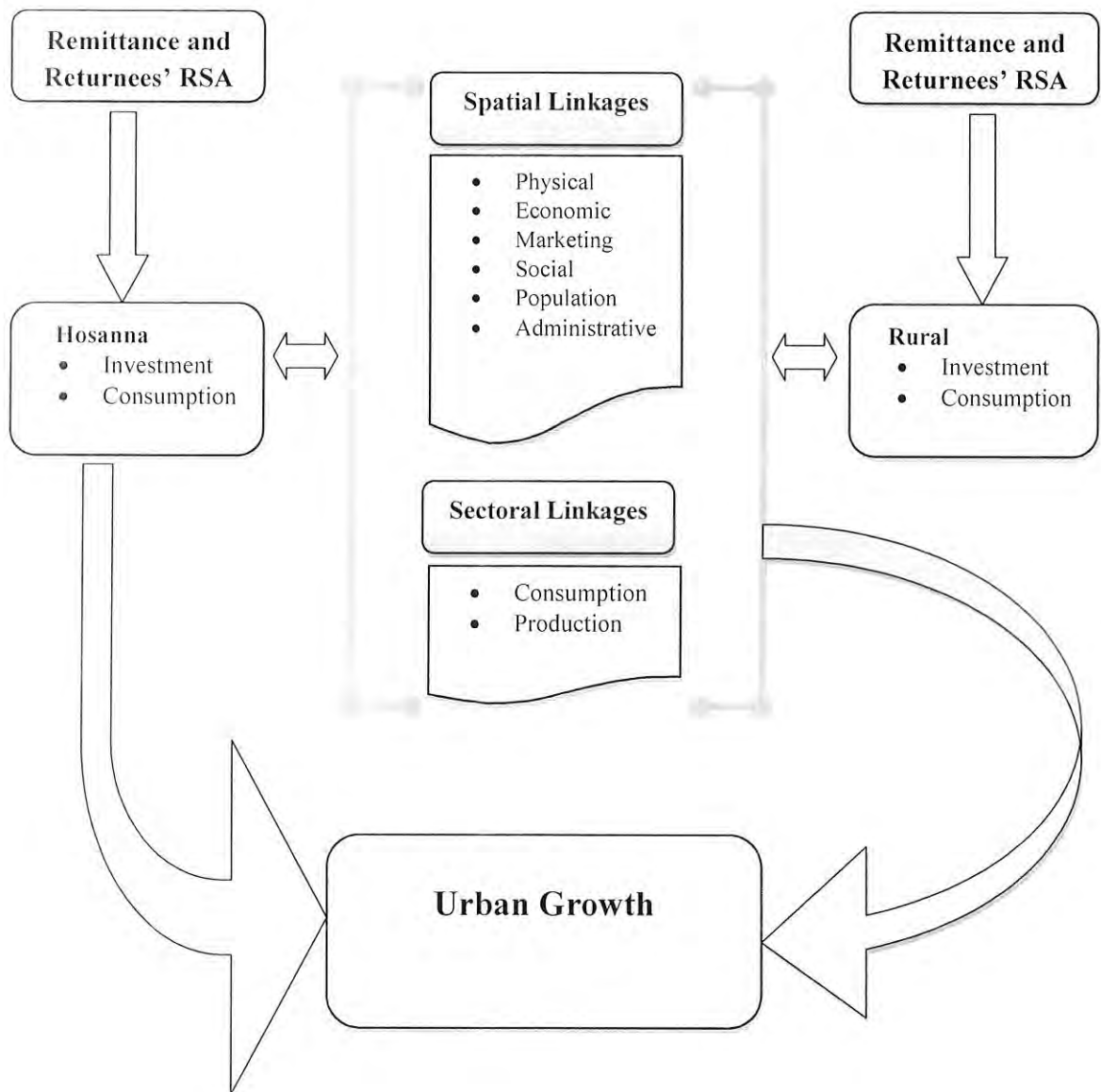
2.6. Rural-Urban Linkages and Remittances

Rural urban linkage (RUL) exhibits different dimensions, scope and nature of interactions in different literatures. For instance, Mush (2005) broadly divided RULs in to two broad categories as spatial linkages and sectoral linkages.

Spatial linkages comprise flow of agricultural products, manufactured and imported goods, people, market information, and finance (Mush, 2005). Rondinel and Rundle (1976) cited in Ndegwa (2005) have classified spatial linkages as Physical linkages, economic linkages, market linkages, population movement linkages, social linkages, service delivery linkages, and political and administrative linkages. Sectoral linkages between urban and rural areas can manifest through three principal mechanisms: consumption linkages, forward production linkage and back ward production linkages (Bagachwa and Stewart, 1992)

Based on the discussion above the following conceptual framework is developed to be used as a frame for the analyses in chapter four.

Fig.2.1 Conceptual Framework



Source: Developed by the researcher, 2011

CHAPTER THREE

3. BACKGROUND OF THE STUDY AREA

3.1. Background Information of the Town

Hadiya Zone is one of the 13 zones and 9 special weredas found in Southern, Nations, Nationalities, and Peoples Regional (SNNPR) state. Geographically, Hadiya zone is located at $7^{\circ} 3' 19'' - 7^{\circ} 56' 1''$ north latitude and $37^{\circ} 23' 14'' - 38^{\circ} 52' 13''$ east longitude. Hadiya Zone was divided into 4 weredas (Lemo, Soro, Badawacho and Misha) when it joined willingly the SNNPR. Later on three new weredas were included namely Shashogo, Duna and Gibe to give effective and efficient administrative and political leadership in 1998 E.C. The zone was re-arranged and three new weredas are included namely Mirab Badawacho, Gombora and Anlemo including Hosanna town administration. Now the zone has a total of 10 weredas and 1 town administration (Hosanna) as administrative political unit of the zone (HFEDB, 2009)

Hosanna town, the capital of Hadiya zone, was established as a municipality in 1942. Currently, it is one of the 22 reform towns in SNNPR and has got a second grade status similar to that of Dilla, Arba Minch, and Woliata Soddo (HCAMO, 2010a)

Being an administrative capital of the Hadiya Zone, Hosanna provides a base for many public and private institutions that operate in the zone. In addition the town functions as a centre for Lemo wereda (one of the ten weredas found in the zone). It is also a major transportation node, being at the centre of six national and regional transport routes. Since May 2008, the town is led under town administration with three sub-city and eight kebeles (HFEDB, 2010)

3.2 Establishment and Naming

The area on which the present Hosanna is located had been covered by natural forest before its establishment around 1896 E.C. In addition, one of the tribes of Hadiya people, Lemo, was living there as animal rearing group. The names of “*sefers*” (meaning ‘village’) at that time around the present Hosanna were Sech Duna, Bobicho Jallo, Hetto, Naremo, Hiddibo, Woilansa and Dinto Cheba. All the names have their own meaning in the language of Hadiya (HFEDB, 2010)

The founder of Hosanna is Ras Abate. He had been living in Angeca (30km to southeast of Hosanna) for about seven years before he visited a high land area called Sech Duna (literally to mean 'a hill for bee hives'). Due to its topographic nature, Sech- Duna (currently called Hosanna) was a good strategic military and living place for the Governor General Abate. Therefore, he decided to live there as of the year 1901 E.C. Later, strangers of Ras Abate renamed the place as 'Wachamo' (meaning 'to swim') which was the name that was believed to be emanated from cultural exaggeration of abundance of cow milk in the area up to swimming in it. Wachamo was a well known area for animal rearing and there was a big cattle yard (fence). Starting from 1901 E.C Ras Abate displaced the people living around Wachamo and expanded his settlement as well as government under the hands of Menilik. Later he changed the name of the place from Wachamo to Hosanna. This name was believed to be induced from the overall shifting of living palace of Ras Abate from Angaca to Wachamo on the era's holly day (HICAMO, 2010a)

3.3 Geography of the Town

Location and Area

Hosanna town is located south west of Addis Ababa 232km away via Alemgena-Butajira route, 280km from via Wolkite route, and 305km via Ziway. Hosanna is also located 168km away from Hawassa (the capital of SNNPR) via Halaba-Angeca and 203km via Halaba. The absolute geographic location of Hosanna is 7⁰15'00" North latitude and 37⁰50'30" East longitude. The administrative area of Hosanna town is 10,414.3 hectares, from these area 4,585.48 hectares of the town has been well master planned.

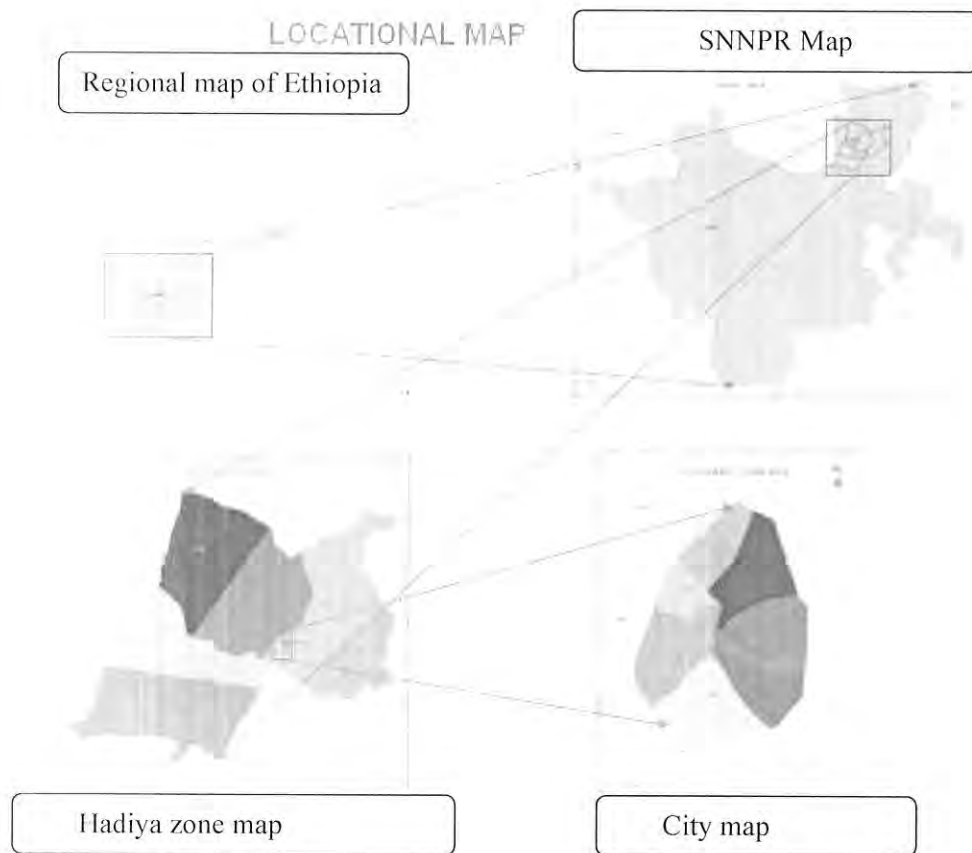


Fig.3.1. Location map of study area

Climate

The altitude of the town ranges from 2140m to 2380m above mean sea level. This shows that the town is mainly characterized by highland ('dega') climatic conditions. There is meteorology sub-station in Hosanna at a specific location of 374900E, 832800N UTM coordinates. The annual average temperature of the town is 16.5⁰ C. (Atlas of the World, 2009).

Topography

Hosanna town is found at the Southern edge of the western plateau of the physiographic region (Mulugeta, 2001). Its location on a topographically high place makes the town serve as a divide for the Ghibe Omo and Rift Valley lakes drainage basins. The elevation within the town ranges from 2,400 m near Hossana Hospital, currently called Queen Eleni Hospital, and 2,200m at *Teklehaimanot* Church above the sea level. The average elevation is 2,300m from the mean sea level. The town is prone to flooding and soil erosion due to high gradient from its peak from the site of the hospital to the low land of the open market area during the rainy seasons.

3.4 Population of the town

The total population of Hosanna was 13,467 and 31,701 in 1984 and 1994 respectively (CSA; 1984, 1994). Within ten years time, the town's population reached 69,957 (more than double) (CSA, 2007). Based on CSA 2007 the population census result, the current population of the town is projected to reach 89,251 at the end of 2010 out of which 45,307(50.8%) and 43,944(49.2%) are estimated to be male and female respectively.

3.5 Urban Services

Recognition and Plan of the town

The municipality of Hosanna was established in 1942 with only 11 staffs. By now, it has about 152 permanent and contract employees. The town was under one higher kebele administration until 1991 (HCAMO, 2010b). Despite the old age of Hosanna town, no attempt has been made for master or development plan preparation until the year 1999. The only exception is a trial of scratching a land use plan preparation by a foreigner architect in 1968. However, National Urban Planning Institute (NUPI) prepared a comprehensive and relatively complete development plan in 2000. The fastest growth of town was experienced during the era of Derg (1975-1990) due to the abrupt change of urban land ownership and other policy changes. Furthermore, this growth has been accelerated in a better way even after the downfall of the Derg regime due to the presence of good governance, access to job opportunity & potential for investments in the town (HCAMO, 2010).

Economic Activities

The majority of the people in the town are driving their livelihood by undertaking small and medium trade, government employment and farming in the surrounding areas. The major trade undertakings in Hosanna town include small scale trading and micro enterprises, hotels, retail trading, cereal marketing, flourmills, cloth making (waving and sewing) and livestock product marketing etc. Regarding industrial activities, there are several flourmill medium scale industries in Hosanna town. According to the information obtained from micro and small-scale trade and industries office of the town administration, there are efforts to organize micro enterprise cooperative on regular and package programs in the coming years.

Regional and Urban Economic Base

Its location as well as its economic linkage with other urban areas and its hinterlands makes it more attractive. There are three major spatial linkages with regional highways. These are Addis Ababa and Ziway in the north eastern; Shashemene, Sodo, and Arba-minch in the southern; and Wolkite and Jimma in the northern directions. This makes trade/catering activities the first employment sector followed by public administration. Different studies indicate that the economic base of the town includes; trade, public administration, urban agriculture, transport, and other activities (HCAMO, 2010)

Road and Drainage Network

The town has a total of 332 km road net work coverage from which Asphalt road comprises 29.389 km, gravel red dash 29.1 km, coble stone 3.27km and compacted earth road 270.087 km. Regarding, the drainage coverage, 23.43 km of the major road networks are covered by drainage line. From the 23.43 km road that has a drainage line, 15.4 km of it is covered by masonry (HCAMO, 2010b).

Telecommunication Service

Hosanna town has a telephone service in 1965E.C with radio communication. Then long line carrier was connected from Addis Ababa and later in 1988, a microwave telephone communication started through Shashemene branch. At the end of 1997, the system has grown to a semi-automatic level with a capacity of 2000 clients. At present, the Ethiopian Telecommunication Corporation (ETC), currently Ethio Telecom has more than 1000 clients in Hosanna. Besides this, the town at this moment has an access to; CDMA, EVDO, Dial-up, Fax, cellular phone, Public phones (HFEDB, 2009)

Postal Service

In Hosanna town, post office was established in 1942 with one post office and one collection box, which are very close to each other. The services given in the post office are mailing letters, sailing postage stamps, remittance and renting boxes. Now, there are many private shops for e-mail service and internet access.

Electric Power Service

Hosanna has an electric power service since 1978. The substation of the town gets power from Koka and Melka Wakena Hydroelectric Power Sources. The substation has the capacity of delivering 5MW of which about 2.2 MW is consumed in Hosanna and the surrounding cities like; Jajura, Fonko, Homecho, Morsito, Gimbichu, Doisha and Gejja in Hadiya zone; Durame, Funamura, Doyogena, Angaca, Mudula in Kambata zone; and others satellite town.

The actual electric power consumption of Hosanna town according to the Ethiopian Electric Power Corporation (EEPCO) is currently estimated to be more than 1.4MW. The town currently experiences the use of alternative energy source such as biogas. Power is distributed for consumption with 45 transformers installed in the town which have the capacity of 50-315KV. By now, Hosanna's EEPCO has more than 4000 clients including private houses, government offices and business enterprises.

Water Supply

The town is receiving a pure water supply since 1978 by collecting dam water. Later on in 1992 E.C. two additional deep digs were dug in order to increase the service provision. Currently, even though the town has five deep digs, the supply cannot cope up with the increased demand of water, which is largely due to the fast growing of the town, the large-scale investment, and high population growth. To solve this problem, the government is building a new water project at "Mugo" hill, 49 km far from Hosanna, with a 102 million birr. The project is financed by the long-term loan from the World Bank, and with the government and public contribution as well.

Education and Health service

Information obtained from the education Office of the town administration indicates that educational service in the town is being provided by; 36 kindergartens, 42 Primary Schools, 6 Secondary School of which 31 Primary school and 3 secondary schools are privately owned. Furthermore, there are 12 Private colleges and three Government College and Wachamo University. The university is under construction with 85% of its first phase building being completed. Regarding health service, 1 district hospital, 3 health centers, 16 pharmacies (drug stores) and 16 private clinics are available in the town.

Housing

According to the 1994 population and housing census result, there were 6,266 households with a total population of 31,701 residing in 5,873 housing units in Hosanna. The average household size was estimated to be five. The numbers of households per housing unit was 1.07 and persons per housing unit were 5.3.

In June 2008, socio-economic indicator document from Municipality Finance and Economic Office reported 11,783 private houses, 724 kebele houses, 112 low cost houses found in town. In need to meet increasing demand for the shelter in the town, the town administration has been involved in constructing and distributing of condominium houses residents of Hosanna.

Financial Institutions

Hosanna town is showing a rapid investment flow, which are the result of its location and the availability of different types of resources in its surrounding regions. To support business transaction, there are a number of financial institutions namely Commercial Bank of Ethiopia (2 branches; Hosanna and Wachamo), Development Bank of Ethiopia, United Bank, Abyssinia Bank and Dashen Banks S.C. In addition to these, there are also two micro finance institutions (Omo micro finance and Wisdom micro finance S.C). There are two insurance companies (HICAMO, 2010c)

Tourism

There are a number of tourist attraction sites in and around the town. Some of them are: battena gedel park, battena loge park (with natural forest), soro ber park, Ana hills, shenkola hill and Boyo lake, which is, located 37 km for east of Hosanna town.

Public and Non-Domestic Sanitation Facilities

The non-domestic sanitation facilities in Hosanna are needed for industries, hotels, restaurants, bars, schools, health facilities, etc. These establishments dispose of their wastewater via septic tanks or pit latrines of similar construction to those used by domestic households.

Even though the service level of the public sanitation within the town is very low due to lack of adequate water and proper management, the following public sanitation facilities exist in ; one

public toilet facilities at the stadium, one public toilet facilities at the market place, and one public toilet facilities at the bus terminal(HCAMO, 2010b).

Open Market and Small Scale Business

Open market is located on an open field in the eastern middle of the town. The urban and rural people exchange the local market transactions once a week-Saturday. The open market field has the total area of 35,000m² and it was established in 1988. The market serves specially for the people of Lemo wereda, Hosanna's population and for nearby weredas.

In this, open field market area various types of raw materials, agricultural products, industrial products, food items and other things which have low financial cost are exchanged, there are two other places for *guilt*- small daily market, on which goods(usually low cost) are exchanged throughout the week.

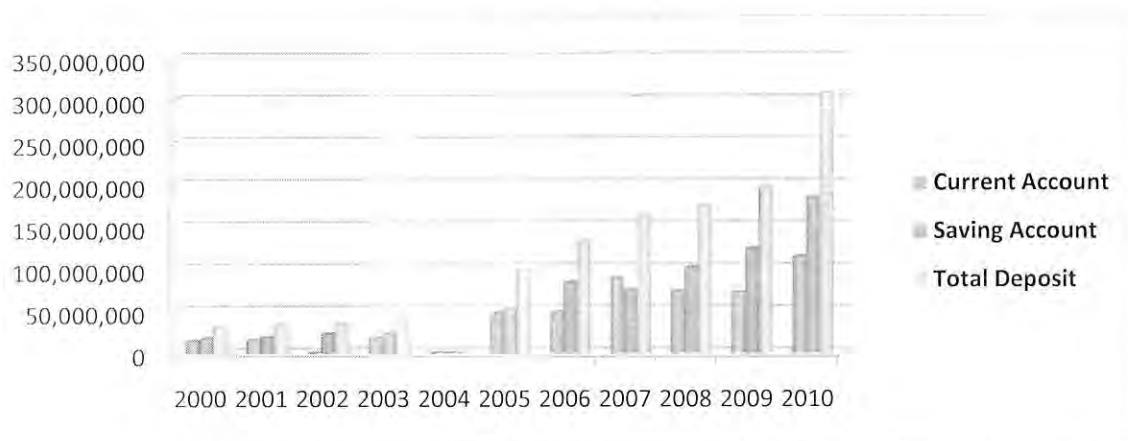
CHAPTER FOUR

4. DATA PRESENTATION AND ANALYSIS

4.1. Magnitude and Pattern of Remittance

Before 2007, Commercial Bank and Development Bank of Ethiopia were the only banks in Hosanna, but within the subsequent years following large remittance flow and other economic activities three private banks namely United Bank, Dashen Bank and Bank of Abyssinia opened together with different insurance companies. As a matter of fact, banks are attracted to areas with high monetary transaction and business activities. In this respect, even if it needs further evidence to conclude the observed expansion of banks in Hosanna is solely because of the remittance money inflow but there is no doubt that the remittance from RSA has increased money circulation and business activity. Consequently, banks tracing areas with fast money circulation and high business transactions opened branches in Hosanna. Knowing and then concluding about magnitude and pattern of remittance based only on the figure from 2008 onwards gathered from the commercial bank and all the three private banks (United, Dashen and Bank of Abyssinia), might mislead the analysis for simple reason that massive migration and consequential remittance flow has already been in progress since 2002. Therefore, at least to have a glimpse on the pattern of remittance from RSA the current account, the saving account and total deposit report of the commercial bank are graphical presented below.

Fig.4.1. A ten-year Current account, Saving Account and Total Deposit reports of Commercial Bank of Ethiopia



Source: Commercial Bank of Ethiopia (Hosanna Branch)

Describing the banks activity, the manager of commercial bank of Ethiopia said, since 2005 on significant amount of currency has been flowing to the town, and customers have been depositing large amount of money. The amount of money circulating in the bank within these five years is much more than that we have ever seen for the last decade, or since the establishment of the bank. This might be because of the rapid increase in remittance money from the Republic of South Africa. The observed rapid change on the current account, saving account and total deposit figures more or less is attributed to the remittance money. This is supported by the following table.

The amount and pattern from 2008 onwards is presented in table 4.1. In 2008 total amount of birr 132 million received from three banks (excluding Dashen Bank). Dashen Bank opened in 2008 as fourth bank and the remittance amount jumped to birr 209 million. A year later, in 2010, the remittance amount doubled and nearly reached 422 million. Up to March 2011, a lump sum of birr 341 million recorded as amount remitted from RSA from three banks.

Table 4.1 Magnitude of Remittance from 2008-2011

Years	Amount(in Thousands)	Commercial Bank of Ethiopia	United Bank S.C.	Bank of Abyssinia	Dashen Bank	Total
2008	Remittance	33,952 ^a	96,000	2,100	-	132,053
	At Year closing		120,000	3,500	-	
2009	Remittance	21,389 ^a	145,800	18,200	24,000	209,389
	Year closing		180,000	26,000	30,000	
2010	Remittance	37,868 ^a	280,000	58,800	45,000	421,668
	Year closing		350,000	84,000	60,000	
July 2010 - March 2011	Remittance	-	220,000	73,500	48,000	341,500
	Year closing	-	275,000	105,000	60,000	

a shows remittance sent from western union from different parts of the world

Sources Hosanna; Commercial Bank of Ethiopia, United Bank S.C., Bank of Abyssinia and Dashen Bank

The amount of remittance from RSA exhibits uneven flow throughout the year. Banks register dramatic increase in remittance inflow in times of holy days. In this respect during the *meskel* (true cross) holy day, which is the most celebrated holy day around Hosanna, the remittance inflow reaches peak than any other time in the years. Accordingly, banking services extend off regular working hours to serve long lined people waiting the service all the daylong. Apparently, the inflow slightly decreases around December and January. This is probably for two reasons. First, December being harvesting time around Hosanna, income of the most people (especially farmers) increases and hence demands less money from their remitter abroad. The other factor for decrease in remittance magnitude around January is that migrants get involved in celebrating The Christmas and New Year holidays in RSA.

4.1.1 Remittance Channels

Initially the remittance that inflows from RSA is sent through known international transfer systems like Western Union, Atlantic, Cats and others transfer systems to Hosanna commercial bank. However, pocket transfer appears to be the main channel, if not the only, of transfer from RSA to Ethiopia. Once the money reaches Addis Ababa by passenger from RSA, representatives of the agents working in Addis Ababa receive the cash (in USA dollar) and then exchange it often in black markets. The next step in this informal transmission channel is transferring the birr in to the current accounts of the agents (about seven) working in Hosanna. The agents in Hosanna usually have accounts in more than one bank, hence order check from their current account. The remitted people, possibly from Hosanna, Hadiya zone and the neighboring areas, then manage their money. Specifically, the money can be withdrawn for consumption and/or investment purpose or otherwise saved by opening a new account or transfer to their previous account.

The implication here is that the agents require comparatively higher fees than the amount required through formal transfer system. These agents are literally giving the banks service without having license or paying the necessary tax or fee for their income generating activities. The transmission channel through black market exchange promotes illegality. Moreover, informal money transmission channels understate the magnitude of remittance inflow and hence misguide the activities and decisions made in this regard.

4.1.2 Remittance type and Emergency Responsiveness of Remitters

Table 4.2 shows that the cash remittance is the only remittance type received. However, there are in kind remittances like electronics especially mobile apparatus, different clothes, blankets and others. Concerning the frequency, the majority (41.7%) receive remittance on every other three month followed by 25% respondents receiving on monthly basis.

Table 4.2: Types and Frequency of Remittance and Emergency Responsiveness of Remitters

		Count	Percentage
Type of remittance	Cash	40	100
	Kind	0	0
	Both	0	0
Remitter responsive for emergency	Yes	40	100
	No	0	0

Source: Own Survey, 2011.

The remitters are very responsive (100%) for any emergency like death, health problem or it could be any sort of problem that requires liquid assets like cash or check to get over the problem.

4.2. Analysis of the Remittance and Return Migrants Impact on Urban Growth

This section analyzes the impact of remittance and return migrants on development of Hosanna using data collected from survey questionnaire, in-depth interview and focus group discussion. For simplicity, the researcher broadly classified the overall developmental impact of remittance and return migrants as economic impact, human capital formation impact and spatial impact. Each of these classifications is presented as follows.

4.2.1. Economic Impact

To get insight on the developmental impact of remittance and return migrants different economic issues are presented and analyzed below.

Income

Regarding change in income, respondents were asked whether their income changed in the last 10 years. Accordingly, majority (79.5%) responded that their income source has changed in the last 10 years. Similar question asked, but this time about the change in the income source of the town. Fig 4.2 highlighted that 97.7% of respondents believed that there is a change of income source in the town with in the past 10 years.

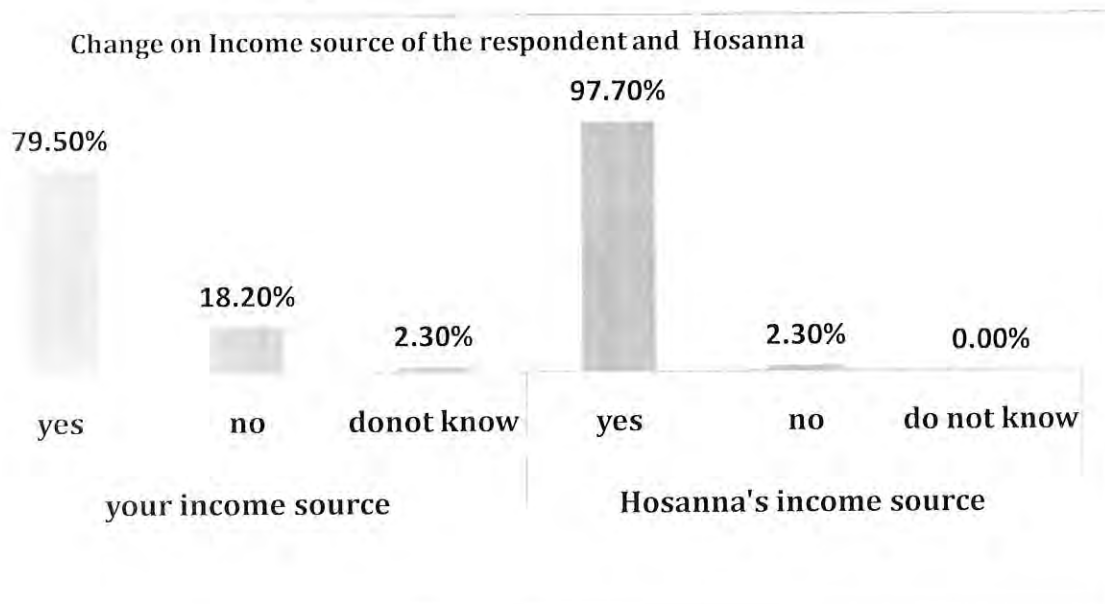


Fig 4.2 Change in the income source of the respondents' and the town

As far as the changes in the income source for the town is concerned, respondents emphasized that remittance form different countries particularly from RSA and Arab countries is the main factor for the change in the town. In line with this, FGD participants indicated that many emigrants return from RSA with their capital to invest in Hosanna. This increase in income from remittance and returnees first changes investment and consumption pattern of remitted and returnees' then spills over to non-migrants. The survey results in table 4.3 strengthens this fact by indicating majority (77.3%) respondents said "yes", believing that the consumption and/or investment activities of both remitted and returnees a spillover effect to non-migrants affecting the affect the growth of the town.

Table 4.3: Respondents' perception about the Spillover effect of remittance and return migrants activity

Character		Count	Percentage
Spillover effect of remittance and return migrants activity	Yes	70	77.3
	No	20	22.7
	Do not know	0	0

Respondents used the following points to explain how remittance and return migrants will have spillover on non-migrants and hence contribute for the growth of the town.

- Increase in income created demand for land, residential or commercial houses. As result, non-migrants possessing these assets sell at expensive price. Fortunately, brokers of land, house and other assets earn a commission.
- Increases in income induced migration to Hosanna. As a result, migrants leave their rural land and asset for others. More importantly, these migrants often buy land or house in the inner city from the non-migrants. Consequently, non-migrants build high quality houses in the periphery. These houses are better than the houses non-migrants used to have in inner city.
- Gift, borrowing, wage employment, daily labor, marriage, trade linkage, improved public service from tax on returnees and remitted are some of the channels remittance returnees activity affects non-migrants.

A five years municipal finance and economy office report (table 4.4), shows a continuous growth of the municipal revenue. The increase in trade and business activity due to remittance and returnees' money, increase in number of civil servants, and improved way of collecting taxes are the underlined reasons for the increase in the revenue of the town (HCMAO, 2010c)

Table 4.4 Amount and sources of Municipal revenue

No	Type of Tax and Revenue Source	2006	2007	2008	2009	2010
1	Direct Tax	206,000	289,000	347,000	384,000	6,547,382
2	Indirect tax	283,000	400,000	464,000	720,000	1,491,270
3	Different sources of income	257,000	676,000	304,000	382,000	3,364,278
4	Municipal Revenue	4,600,000	5,100,000	5,200,000	6,000,000	6,245,750
Total		5,346,000	5,856,600	6,315,000	7,870,000	17,648,680

Source: HCMAO, 2010c

The number of taxpayers is increasing from time to time. In 2008 it was 2,141, in 2009 the number increased to 2,750 and 3,090 taxpayers comprising 35 A-grade, 56 B-grade, 289 C-grade, 10-VAT, 346 new payers and others were registered as taxpayers in 2010 (HCMAO, 2010c).

The data from the Hosanna Town Trade and Industry Office shows that the number of new trade license given for the last four years (2007-2010) is increasing at an increasing rate implying mushrooming of new business every year. For instance in a year time the number of new trade licenses given jumped from 359 in 2009 to 592 in 2010. This increase in number of new trade registration and off course in the number of renewed licenses is accompanied by a similar increase in the amount of capital registered. Consequently, the amount of revenue generated increased as well.

Table: 4.5. Pattern showing; business registration, capital and revenue generated

(2007-2010)

No	Characters	2007	2008	2009	2010
1	Trade registration	235	368	400	670
2	No of new trade license given	212	219	359	592
3	No of Renewed license	527	662	703	919
4	Capital amount(birr)	1,713,227	3079500	3,493,500	7,188,104
5	Revenue generated	-	183,875	181,340	217419

Source: Trade and Industry Office of Town, 2011

The FGD and in-depth interview indicated traders, remitted, returnees, and brokers (especially land and house brokers) benefited most. Diasporas money benefited much. At the beginning, the brokers involved in smuggling activity cost emigrants below birr 10,000, now it costs birr 80,000 to travel by plane and around birr 50,000 for smugglings through land and water transport. Accordingly, all involved in smuggling process all the way to RSA and brokers of land and house became rich even more than some returnees do. Those who had better income were involved in trade benefited more.

To summarize, the increase in income of remitted and returnees first advance the their consumption and investment then propagates to non-migrants via direct channels like trade exchange, investment, employment or through indirect channels by affecting the revenue of the town (from taxes and fees). The increase in governments' revenue in turn creates additional potential for provision of urban services. This at the end will better off the welfare of non-migrants and hence augments the growth of the town.

Investment

Hosanna is well known in the region for the production of wheat, teff and maize cereal crops. Moreover, the bamboo plant resource of the zone is recently attracting investors' attention. The asphalt road, that cross from Addis Ababa through Butajira to Wolayita Sodo, made transportation easy and fast which in turn have a triggering impact on the overall economy(HFEDB,2010).

According to Hosanna finance and economy development office socio economic data, June 2008, there are 150 investors registered working in the town. Up until March 2011, the municipality has leased land for 81 investors. Out of which 9 investors are engaged in hotel, 10 in industry, 23 in trade, 5 in real estate, 6 in business company, 7 in school and kindergarten, 3 in animal husbandry, 2 in garage, 2 in gas station, 1 in health, 1 in recreation/loge and 10 others took the land for unspecified investment purpose.

The survey resulted (table4.6) highlighted that it is at least common (86.4% of respondents) to use remittance and returnees' money on productive investments. In this view service sector receives the lion share (80%) of the investment spending while the rest goes for agriculture and industry sectors.

Table: 4.6: Respondents' perception regarding the impact of remittance on investment and the town's growth

Characters		Count	Percentage
How common for remittances and return migrants' money to be used in productive investments	Very common	53	59.1
	Common	25	27.3
	Rare	10	11.4
	Not common at all	2	2.3
Sector invested (in larger proportion)	Agriculture	6	13.0
	Service	24	80.0
	Industry	0	7.0

Most of the FGD participants argued that remittance and return migrants' money has highly fueled the investment activities in the town. The idea is strongly reinforced by the in-depth interviews made with the mayor and the municipal head suggesting that remittance and returnees have ventured in to establishment of a number of investment projects. Nonetheless, the involvement of remitted or returnees on big scale investments is far from desirable. Rather they usually tend to invest on transport sector, shops, supermarkets, boutiques, cafeteria and hotel service. However, return migrants are more frequently involved in land related business. In this respect, returnees buy land (which could be agricultural or inner town land) to either develop it or sell without developing. Investing on construction of commercial (business) buildings appears to be another area that returnee contribute in mitigating the housing problem while augmenting business activity. An in-depth interview with the municipal head further reflected that returnees are also motivated to spend their assets on agricultural activity like poultry, animal husbandry and vegetables farming. They often prefer to locate their investment in or around the town for obvious reasons like easy access to transportation, relatively higher demand from residents of Hosanna and others. Fortunately, this enhanced the RUL in many aspects.

The FGD further suggests that neither returnees' nor remitted individuals have developed adequate business or entrepreneurial skills. Accordingly, both returnees and remitted individual tend to replicate investments based on the information they get from friends or relatives.

Consumption

With regard to this, 93.2% of the respondents believed that the remittance has a positive impact by improving the purchasing power of goods whereby increasing consumption. While the remaining 6.8% said that, the situation has not been changed in either direction — positively or negatively. Therefore, although it is difficult to generalize at town level, there is a tendency that increases in aggregate income, in this case due to remittance and returns migrants, will increase aggregate consumption of the returnees, remitted in particularly and the society in general. As manifestation of this principle, at least the consumption pattern of people linked, in one way or the other, to remittance is much better than the others are. For instance, it is common for returnees and remitted to use hotels, wear expensive and fashion clothes, own quality furniture and houses. Even in an open market, society out of remittance circle, are highly being challenged to cope up price competition. Therefore, the difference in income and consumption is very tangible between returnees and remitted group on one hand and the society on the other. The current gap in terms of income and consumption is a bit wide where section of the society, other than remitted and returnees especially those earning fixed income, are being victim of the price escalation for goods and services. In the long run, however, these differences will be minimized and the benefits will be trickled down for others.

Consumption is so high that meal itself is not well mannered. They consume a lot because they do not feel the pain of earning that much money through difficulties there said one of the FGD informants. Be durable or non-durable goods consumption increased, suppliers will benefit more. On the other hand, it created scramble for goods and services leading room for supply-induced inflation. Artificially prices are manipulated and there is a difference in spending pattern of between remitted and returnees.

Table: 4.7: Respondents' perception regarding the impact of remittance on consumption

		Count	Percentage
What impact has remittance on purchasing of goods/consumption	Highly improved	61	68.2
	Moderately improved	23	25.0
	Not changed	6	6.8
	Negatively affected	0	0

Housing

In-depth interview and FGD strongly agreed that housing is the most affected sector due to migrants' remittance and returnees' activity. Surprisingly, the number of houses and quality of the houses is increasing alarmingly. Once residents get money, they build new houses or rebuild previously mud walled houses using cement, bricks and other hard substances. Building with cement is not just limited to houses only but also includes fencing. On the other hand, there are many people flocking from the surrounding areas as an individual and family to the town. This flock to the town, especially family move, exert pressure on the existing housing stock which in turn increases rental price and building of new houses. These immigrants to the town from the hinterland, particularly those whose relatives are in RSA, have the high purchasing power allowing them to buy or build new houses either inner town and/or fringes. Inner town buildings facilitated urban in-fill through utilization of previously idle space into different uses. Moreover, the construction of new houses at the edges of the town changed formerly agricultural land to build up area. Apparently, constructions at the margin spatially outstretched the town, which on other hand, challenged the municipality's capacity of delivering services and controlling non-legal activities like squatting and land transaction.

To reduce the housing problem of the town, the governments build 1047 condominium houses in two phases in 2007 and 2008. The mayor of town, indicated that all the condominium houses has been sold out which makes the only town in the region to sell all the built condominium houses next to the Hawassa town Administration.

Migration to RSA is highly sex and age selective, male youngsters are predominantly the main migrants. Once these young migrants, whether married or unmarried, acquire capital in RSA they rush into building houses in Hosanna for the following reasons. First, they build houses to move families from the surrounding areas to Hosanna. The Second reason is the desire to have their own houses while abroad or during their return. Thirdly, migrants consider building houses as one form of accumulating capital. Lastly, housing serves as a means of investment involving building new houses and selling the houses for profit, which is usually done by close relative or reliable friend living in the town.

Few years back, it was a common to observe idle houses in Hosanna. Now, one can barely find idle houses despite the rapid construction of new houses both at the fringe and in the inner town as well. This ever-increasing housing demand raised the rental price of the houses and altogether with the general increase in the value of the houses. Strengthening this, participant from FGD quoted as saying:

“Five years ago I was working the estimation of house price in municipality and there was no such house estimated to cost birr 50,000. It was around birr 5,000 and 10,000 rarely the maximum amount reach birr 30,000. Apparently, houses are being estimated even half million and above. For instance, around ‘labu’ area in Addis Ababa, 200m² land for residential purpose costs birr 200,000. Amazingly same area of land in Hosanna will cost you the exact same amount (birr 200,000) required in Addis Ababa.” (FGD)

With regard to ownership status and means of owning houses, as it can be seen from table 4.8, half of the respondents own houses and the remaining half rented the houses. More importantly, from those 50% of the respondents who reported as having the ownership status, the majorities (66.7%) own by building new houses while the 33.3% gained the title deed through buying. So it is evident that the remittance inflow promoted construction of new houses that increased the existing housing stock. Even ownership of houses through buying will indirectly increase housing construction for the very reason that those who sold their house either legally or illegally tends to construct houses at the fringe. This in turn has its own implication on spatial expansion (urban sprawl) and other related issues.

Table 4.8: Frequency and Percentage distribution of respondents Housing status and means of owning

Housing		Count	Percentage
You own or rent this dwelling	Own	20	50
	Rent	20	50
	Other	0	0
How did you own this dwelling	Build	33	66.7
	Buy	7	33.3
	Other	0	0

Source: Own Survey, 2011.

Transportation

According to the information from Hadiya Zone Trade and Industry Bureau, in the last five years only 1,217 new vehicles were introduced to the transport sector. As result, a significant change has been observed in the sector.

Table 4.9: Number of new vehicles from 2006- 2010

New vehicles	2006	2007	2008	2009	2010	Total
Cars	31	48	102	339	370	890
Motor cycles	-	-	28	163	136	327
Total	31	48	130	502	506	1217

Source: *HTTB, 2010*

It is very common for most returnees and those at RSA to invest in the transport industry. Investing in transport does not require much business knowledge and therefore all they need to do is buy vehicle and hire a driver; this is why returnees and Diasporas at RSA prefer to spend their assets for investment on the transport sector. Currently, the bus station is overcrowded to welcome additional vehicles as opposed to a few years back when people suffer from either lack of transportation or else wait long hours to get transportation service, which usually was of poor quality in terms of the size and quality of cars, and the type of service. Since the bus station is overcrowded, cars wait longer hours for their turn. This in turn gave room for some form of illegality by working outside bus station on one hand and facilitated contract and offline working on the other. Offline working is very common activity of lorry/trucks from where wood logs, cereals and other products are being transported to the town even from areas with no formal roads. Consequently, it played great role for enhancing rural urban linkage.



Fig. 4.3 Bus Station crowded

Transport sector investment, however, is faces challenges. First, there are repeated accidents causing loss of life and property. The loss gets worse for accidents occurring in non-insured vehicles. Second, at current stand, there is imbalance between the supply and demand for transportation in the town. That is, the public transportation sector in the town is operating in a suboptimal manner.

In general, the boost in transportation sector created and/or strengthened linkages. Specially, it promoted marketing linkage and enhanced resource flow between Hosanna and the hinterland.

Inequality

Nowadays, income inequality is clearly seen in Hosanna among the returnees, the remitted and the rest section of the society. Although inequality is inevitable in any society, the existence of remittance and returnees in Hosanna has widened the existing gap. Table 4.10 shows respondents' perception with regard to whether there is difference between households that receive money from abroad and those who do not. The survey result shows that, all respondents

believed there is a difference between those remitted and those who do not receive remittance. Reflecting on the ways this difference manifested itself respondents noted the following points. Remitted residents have better purchasing power than non-migrants do. This therefore increased willingness to pay and hence they can afford any product. Accordingly, clear difference is seen in terms of housing quality, home equipment, clothing, health, education, ceremony and other forms of spending.

A, larger section of the society inclined to consider this as a negative impact of remittance. The existence of income inequality is highly seen in youngsters discouraging them from going to school, and reduced educational participation, which is a serious problem especially in rural part. This is because their mind set up is preoccupied with migration to RSA and being rich within a short period rather than spending their time and money in schooling. Moreover, even after achieving or attaining some educational level, income from education is by far less than the amount of money one, even with very low educational background, can acquire in RSA. Consequently, within few years everybody abroad accumulates capital and gets rich, which otherwise is impossible or else takes more time in Ethiopia. Because of great challenge, they are facing, fixed income earners, in Hosanna, are trying to involve in any business/activity linked to migration, returnees or remittance money so that they can reduce the growing income inequality. For instance, many teachers resigned and become brokers, legal task accomplishing agents etc.

Table 4.10: Respondents' perception in relation to inequality

Character		Count	Percentage
Existence of Differences between remitted and non remitted	Yes	90	100
	No	0	0
	Do not know	0	0

Inflation

Though inflation is macroeconomic variable and needs national study, there is price escalation in all kinds of goods and services in Hosanna. according to the municipal head

“250m² land before 10 years costs around birr 5000 and before 5 years it was about 30,000. However currently, although it varies greatly from place to place

in the town, it is about 100,000 and more. A number of reasons are attached to this, out of all, remittance money and returnees' activities comes bold than other reasons like brokers impact, belief in the society that municipality will not lease out for residents" (municipal head).

Existence of extravagancy and unplanned consumption with no or very less saving provided a room for inflation making fixed income receivers worse off. Even without having any supply shortage, the prices of product will artificially be manipulated.

In open market places, shops, supermarkets, and boutique returnees and especially remitted residents, in and the surrounding area, do not negotiate on the price of products and hence, offer the amount which sometimes double the price sold for non-remitted customers. In other words, supplier charge high prices and the remitted customers have no problem of affording it. Therefore, as the amount of money from RSA increases inflation worsens more and more.

As shown in fig 4.4, the majority (75%) of respondents believed that remittance has no detrimental impact for growth of the town; the remaining 25% perceived that remittance from RSA has undesirable impact on the growth of Hosanna via inflation and income inequality.

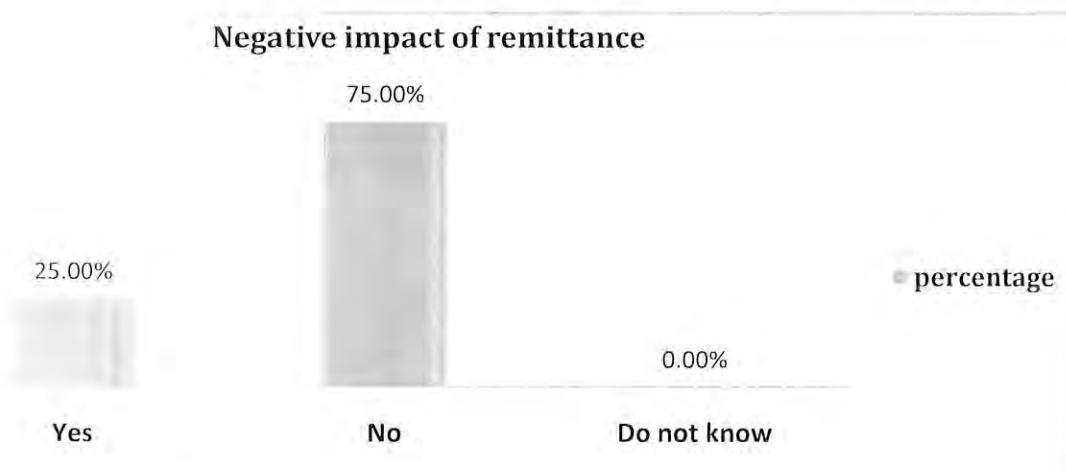


Fig 4.4 negative impact of remittance for Hosanna

4.2.2. Human Capital Formation Impact

Education

The remittance and returnees impact on education can be seen from different angles. First, the increase in income induces migration to the town where there is better educational facilities and access. On the other hand, youngsters at high school or even at their late primary school drop

their education to migrate or else they are very much bored to concentrate and put effort to further their education. Besides, it is now becoming common among young females to cease their education and migrate to RSA for marriage. The FGD revealed that

“Kids at elementary school open music/song on cell phone. When you (as a teacher) ask them to switch off their cell phones, the students will tell you ‘I can go to RSA the next morning if I want to. If you are not feeling good teaching me it is not my problem, worry about yourself’. While I was visiting my family, my younger brother all of sudden come to me and said, ‘arrived’. I said what? Who? Calling a name of one of neighborhoods family ‘that guy just arrived in to RSA’ I did not expect my nine years old brother to tell me who went to RSA or not. Rather, I expect him to tell me just about his schools.” (FGD)

Health

According to the interview result the health of remitted and returnees’ including their close relative is better than before. For the reason that the increase in income facilitated ways to work at disease preventive stage and as well, it managed them to pay for better hospital with better treatment in time of sickness too. The idea even supported by the FGD too, even people can borrow for medication to pay latter even though the prevention stage work matters a lot.

4.3.3. Spatial Impact

This component of the urban growth is one of the most affected aspects in Hosanna’s growth. This is because of the recent spatially observed changes so far in a way that the municipality is totally challenged to control spontaneously growing squatting, which in turn posed pressure on delivery of municipal and state services to these areas. A significant credit, if not all, for the spontaneous spatial expansion of the town, goes to remittance and return migrants’ activities. According to the Hosanna municipality head, for a decade and more there were nothing compared to remittance in bringing a breakthrough in the economy of the town. Two or three decades ago, neither fringe construction houses nor spatial expansion has been observed at the scale occurring in the last few years. Expansion of town to formerly agricultural land through continuous construction of illegal houses is now becoming the usual activities for someone who returned and/or somebody receiving remittance from RSA. In general, remittance and return migrants are the main factors behind the current sprawl and unchecked squatting. Currently the town administrative area has gone beyond the delineated area and outstretched in to the territory of surrounding *Lemmo woreda* thereby decreasing the plan of the town.

City sprawling, as it does for others, making Hosanna amorphous which in turn will create various problems ranging from impeding provision of basic and municipal service to fully preventing Hosanna's development. Any urban area expanding without the frame of the city's development plan make basic infrastructure inaccessible. This might be the reason for the absence of basic urban services like fixed telecommunication line, electricity and four wheel driving roads in some squatted areas of the city. Squatting activity, although rapidly changed the surrounding agricultural land into built up area, it benefited the hinterland farmers and their families, brokers and squatters.

Currently sprawling of the town outstretched the administrative area of the town. Accordingly, some kebeles of *lemo wereda* (*Ambicho* and *Belessa* kebeles) are now totally invaded by squatters (FGD). In effect, sprawling created many suburb areas out in the fringe under the name of Hosanna town administration. Thus, it led to concurrent administration this kebeles by Hosanna city and Lemo wereda administration.

Hosanna's spatial expansion is now changing agricultural land into build up area. The land prices in immediate rural *kebeles* like *Ambicho* reached birr 200,000/500m². Farmers thus, either totally sell and evict their land or use part of land for purposes other than agriculture. This is because using the land for agricultural purpose increases opportunity cost of the farmer.

Remittance and returnees, therefore takes the credit for the merits or demerits of the spatial expansion. Given the merits, increase in the price of the lands and thereby houses are the main efforts that should be made to reduce the price of house and the increased selling of housing. When seen the growth pattern of house and land is abnormal and only few people with higher income can afford it. Consequently, the municipality has to intervene on these issues of land and housing. Had there been land supply and public houses, there is no way that one pay birr 600,000 for dilapidated house. This scramble for land and house emanated because the conceived fear residents developed that the municipality will never distribute land again. Therefore, residents will not make second guess to spend 100,000birr for 200m² land.

4.3. Remittance and Return Migrants Impact on Rural Urban Linkage

An in-depth interview with the municipal head underlined that income for remittance and returnee migrants is the main triggering factor for the current multidimensional linkages between Hosanna and the surrounding areas. In principle, explaining his statement, increase in income increases consumption of normal good. These increases in consumption could come from rural or urban areas. The income induced extra consumption needs coming from rural areas creates linkage between the two spatial units. For products from rural origin, increase in consumption of rural goods in urban area raises the demand. The raise in demand could induce the price raise and/or encourage production of the good in the rural area letting the farmers earn more money in both cases. In a normal circumstances, as an economic agent the rural farmer in this case, gets more income from production, there is always a tendency of increasing production and hence, consumption necessities of the economic agent. The consumption needs of farmer, on the other hand, require finished or semi finished products from urban areas. A similar analysis also applies for production linkage where the farmers need raw materials to continue their production. This linkage keeps more intense as more income is injected in to that particular economic system.

The survey result indicated that 70% of the respondents' investment activity promoted linkage between Hosanna and the surrounding hinterland area (see fig 4.5). Explaining how they contributed for the linkage, respondents raised the linkages in supply of agricultural products and construction materials (stone, sand, wood and timber) from the surrounding to Hosanna. Inducing migration through creating employment opportunity for unemployed rural labour force (especially siblings) to come and work in Hosanna.

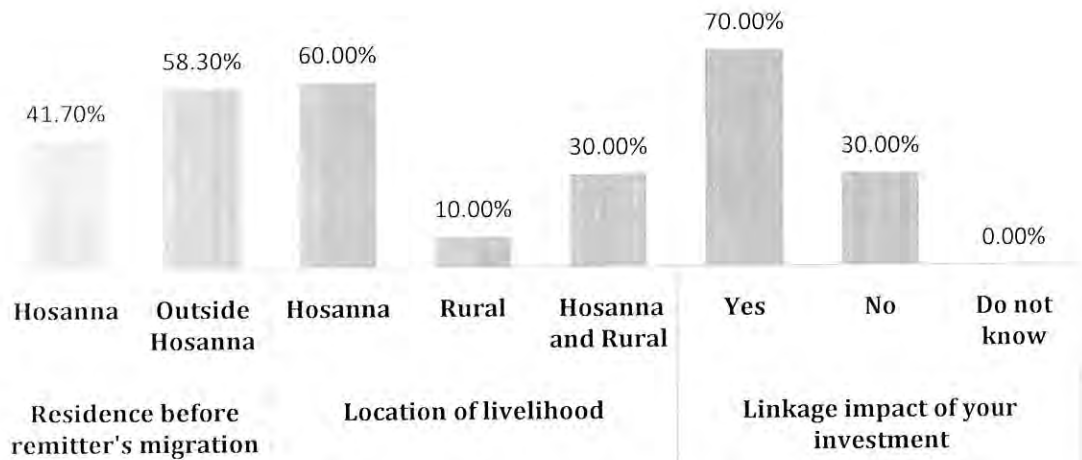


Fig 4.5 residence before migration, location of livelihood and perception about linkage

The in-depth interview and FGD reinforces the survey result. As remittance, increase income one start to improve his/her welfare by fulfilling basic needs first. In this regard, shelter being one of the basics, individuals lunches their welfare improving journey through questing for houses. Once they have the income the next in realizing their demand for shelter is to look for land. Most inner city lands in Hosanna are already occupied as result individuals opt for fringe land to construct houses. Consequently; fringe agricultural land consumed and turn out to be built up area. In return, the farmers in the immediate *kebeles* generate substantial income from land sell. For very same reason as their urban counterparts' farmers, keep themselves busy of fulfilling their wishes, agricultural inputs, consumption of processed food, construction of urban houses and the like. This impact is therefore endless and hence will keep on reinforcing each other and propagate to other dimensions of linkage between Hosanna and the hinterland.

Another wave that created linkage between Hosanna and the surroundings still originates from the increased income from remittance and hence raise demand for goods and services. For simple reason that food is a basic the increased income create extra demand for foods given supply the price of the food products coming from rural area tend to increase. This might encourage further production to meet the extra demand derived increase in income or the rip the benefit of price increase resulted from demand supply interaction. Here it is evident the above demand supply

interaction established that marketing linkage-physical connection of producers and consumers and financial transaction (buying and selling). The physical connection between producers from rural and consumers of urban especially open market places connection every other Saturday will give room for social linkage between the two spatial units.

Probably the most affected dimension of rural urban linkage because of the injection of remittance and returnees asset to the area economy is population movement linkage. As the income of the individuals show improvement with the constant inflow of remittance for those living in the surrounding rural area, the money create latent demands like; better health, education, access to information and other urban amenities. Consequently, in search of better facilities remittance receivers and returnees as an individual or family are flocking to exert pressure on the existing urban service in one hand and fostered urbanization (increased number of people having high purchasing power) on the other.

Administrative linkage can be raised as one dimension of linkage between Hosanna and the surrounding *weredas* particularly the immediate *kebeles*. Unfortunately, the observed rapid urban sprawl expanded the administrative area of the town to engulf some nearby *kebeles* like *ambicho kalisha and lerba robe*.

Remittance and returnees activities induce migration from rural areas to Hosanna. Urbanization process, mostly increase in pollution, in Hosanna is very high because of the influx of the surrounding rural people to the town. The increase in income and observed rapid urbanization farther encouraged internal dynamism. This dynamism will create revenue for the residents and hence, for the administration through taxes, fees and other different means. As the revenue of the town keeps increasing, government bodies can adequately provide urban services, which will have multiplier effect to sustain the dynamism generated from injected remittance and return migrants money. This wave of dynamism will propagate via linkage instruments, like telecommunication, electricity, road allowing communication, transportation, production, marketing, raw material and other forms of linkage between Hosanna and the surrounding hinterland.

For instance, a farmer at the hinterland sells the land for large sum of money for others to squat. This farmer can send his son to RSA, invest, build house, and increase consumption. Moreover, price increase encourages farmers to produce and supply more to the market.

Increase in transportation to even deep down to rural areas increasing rural urban linkage by providing fast and efficient transportation of rural products to Hosanna.

Physical expansion is another common linkage type expanding in Hosanna. This is because of the above stated reason that farmers sell agricultural land for others to squat.

Agricultural product supplied now earning a good price, which in turn encourages additional production. Besides, increase of farmers reduces the emigration rate. The hinterland farmers benefited from sell of *bahir zaff*, *teff* straw, stone and other construction materials for squatters and rest residents of the town. The town mayor described the case in consideration as follows:

“Land transaction, selling and changing is not allowed. But farmers plant few roots of bahir zaff tells you that I sold the bahir zaff and the grass for birr 100,000 plus the case of telling you that he/she has transferred the use right for actual buyer of the land. As result, the farmers at the immediate neighboring kebeles highly longing for the expansion of the town towards their village so that they can sell their resource and land at expensive price.”

Besides driving income from selling land, farmers also benefit from urban service as the town stretch to the surrounding areas.

It is obvious that linkage is created but productivity is reduced because farmers produce only together transportation fare to RSA and afterwards the land is left unemployed. Remittance or returnees money is less invested in Agriculture.

4.4. Main Reason for Dynamism

One of the FGD participant, quoted as saying “Any layman can tell the dynamism taking place in Hosanna.” Road and other infrastructures expansion, especially the asphalt road from Addis Ababa via Alemgena-Butajira to Hosanna and then to Wolayita Sodo, Arbaminch and up to Kenya, is becoming the main route for trade and public transportation. By the same token the 10km inner town asphalt road, constructed by the fund raised from the public contribution in Hadiya zone, facilitated the dynamism of the town. According to the mayor, Mere road

construction might not bring dynamism alone. The situation in Hosanna however is a bit different in that the expansion of roads is accompanied by the increase in the number of vehicles serving transportation of the public and other materials. Another reason for the ongoing dynamism is the increase in the income of the residents and the influx of remittance receiving migrants to the town with all their high purchasing power. Returnees' and emigrants living in RSA own the vehicles in the city.

The survey result (table 4.11) also confirms that all respondents unanimously agreed that Hosanna's is rapidly grown in the recent years. The main reasons for growth are; emigration through via increasing remittance, return migration and their capital, increased number of investors and capital, asphalt construction, rural urban migration, change in work habit of the residents, increasing competition among the residents of the town to accumulate capital, and increased entrepreneurial activities.

Table: 4.11 Respondents' perception regarding the impact of remittance on consumption, investment and the town's growth

		Count	Percentage
Do you think that is rapidly growing in the recent years	Yes	90	100
	No	0	0
	Do not know	0	0

Source: Own survey, 2011

The increased money transaction because of Remittance flow and returnees activity fostered the purchasing power of the residents to the extent that it can induce increase in the supply which could be met either by the existing economic agents or through introduction of new once, like entry traders to the system. This increased supply-demand interaction facilitated business activities and thereby attracting financial institutions(especially banks) to the playing field with all the merit of fostering saving and investment, and provision of loans.

CHAPTER FIVE

5. Conclusion and Recommendations

5.1. Conclusions

This study seeks to examine the remittance and return migrants' impact on Hosanna's growth and linkages with the surrounding areas. Based on the data collected from primary and secondary sources the following research objectives has been addressed through qualitative and quantitative data analysis approaches.

The first objective of the study is to identify the magnitude and patterns of remittance from RSA to Hosanna. Regarding this objective, the researcher identified that the very large amount of remittance is being injected in the economy of the town and the surrounding areas. The inflow remittance has been increasing as more and more people emigrate to RSA. Although flow pattern exhibits unevenness among seasons (months) of a year, the annual figure confirmed a rapid increase of remittance both in terms of the magnitude and pattern of flow. Besides discussing the magnitude and pattern of remittance flow, the channel of remittance flow has also been explained under this objective. Consequently, the remittance from RSA reaches the beneficiaries in Ethiopia informally through pocket transfers. By this, first there are peoples who collect money from remitters in RSA. The money then sent by passenger to Addis Ababa. Once it reached Addis Ababa, the dollars are first exchanged in the black market and then sent through Banks for another agent in Hosanna to deliver for the end users.

The second objective was formulated to know the impact of remittance and return migrants' on Hosanna's growth. To meet this objectives the analysis was divided in to three aspects as economic impact, human capital formation impact and spatial impact.

The economic impact in turn sub divided and analyzed one after the other. Accordingly, remittance positively contributed for increase in both investment and consumption in general. Specifically the impact on housing construction, transportation sector and labor supply are positively affected by remittance and returnees activities. However, the impact on a price of products (inflated prices), inequality and dependence are among the negative effects of introduction of remittance and return migrants in to the economy.

Regarding human capital formation, the health impact of remittance and returnees activity found to be positive while the impact on education is remain indeterminate. This is because on one hand remittance induced family migration and hence provided better education at primary education levels. On the other hand, remittance induced further migration of youngsters by giving less incentive of continuing their education above secondary level.

Besides, analyzing the impact on economy and human capital formation, the spatial impact also discussed under the overall impact of remittance and return migration to Hosanna. Consequently, the effect on spatial expansion is very significant.

The third objective seeks to assess the contribution made by remittance and return migrants for creating and/or enhance linkages between Hosanna and the surrounding areas. Accordingly, the remittance and returnees activities appear to influence the linkages between the two spatial units from different direction.

As remittance, increase income one start to improve his/her welfare by fulfilling basic needs first. In this regard, shelter being one of the basics, individuals lunches their welfare improving journey through questing for houses. Once they have the income the next in realizing their demand for shelter is to look for land. Most inner city lands in Hosanna are already occupied as result of individuals opts for fringe land to construct houses. Consequently; fringe agricultural land consumed and turn out to be built up area. In return, the farmers in the immediate *kebeles* generate substantial income from land sell. For very same reason as their urban counterparts' farmers, keep themselves busy of fulfilling their wishes, agricultural inputs, consumption of processed food, construction of urban houses and the like. This impact is therefore endless and hence will keep on reinforcing each other and propagate to other dimensions of linkage between Hosanna and the hinterland.

Another wave that created linkage between Hosanna and the surroundings still originates from the increased income from remittance and hence raise demand for goods and services. For simple reason that food is a basic need, the increased income creates extra demand for foods. As result, the price of the food products coming from rural area tends to increase. This might encourage further production to meet the extra demand derived from increase in income or the rip the benefit of price increase resulted from demand supply interaction. Here it is evident that the

above demand-supply interaction established that marketing linkage — physical connection of producers and consumers and financial transaction (buying and selling). The physical connection between producers from rural and consumers of urban especially open market places connection every other Saturday will give room for social linkage between the two spatial units.

Probably the most affected dimension of rural urban linkage because of the injection of remittance and returnees asset to the area economy is population movement linkage. As the income of the individuals show improvement with the constant inflow of remittance for those living in the surrounding rural area, the money create latent demands like better health, education, access to information and other urban amenities. Consequently, in search of better facilities remittance receivers and returnees as an individual or family are flocking to exert pressure on the existing urban service in one hand and fostered urbanization (increased number of people having high purchasing power) on the other.

Administrative linkage can be raised as one dimension of linkage between Hosanna and the surrounding *weredas* particularly the immediate *kebeles*. Unfortunately, the observed rapid urban sprawl expanded the administrative area of the town to engulf some nearby *kebeles* like *ambicho kalisha* and *lerba robe*.

5.2. Recommendations

If properly managed, the amount of money being injected in to Hosanna's economy and the zone at large can really make a big difference. However, if this potential is left unexploited then it can create social and economic problems especially problems of inequality, inflation and squatting. Moreover, unmanaged use of remittance money and uncoordinated returnees activity will expose the town for a number of problems that complicate planning process and hence can impede the overall development of the town

As the findings indicated, unwillingness to work together and lack of trust among returnees was indicated as the challenges that impeding the releasing full of developmental potential. That is returnee prefer to invest alone than working as share. Furthermore, similarities observed in the type of business being established. Accordingly, the following points are forwarded to overcome the problem:

- Government bodies, therefore should properly discuss with returnees and remittance receivers to utilize untapped potential resulting from unwillingness to work together like establishing Share Company, industry and other large investments. In other words return migrants should invest on value adding activities and/or job opportunity creating activities such as dairy farming, investing on complex business oriented buildings, developing the industry sector, investing in building materials, etc.
- To reduce similarity regarding the type of investment, responsible government bodies should facilitate ways of providing some basic business and entrepreneurial trainings. By so doing the town will extract good out of the remittance and return migrants' activities.

Although there are high inflow of remittance in terms of both magnitude and pattern, the informal channel remittance follows to reach to beneficiaries and the subsequent higher transmittal cost agents require may go far up to reducing the magnitude of remittance inflow. This potentially sacrifices part of the development if higher transmittal cost go far reduced remittance inflow. The transmission channel through black market exchange promotes illegality. More on that, informal money transmission channels understate the magnitude of remittance inflow and hence misguide the activities and decisions made in this regard. Government therefore should take correction measures against prevalent informalities observed in remittance flow channel.

The prices of houses, land and other durable consumer goods are unaffordable by most residents. The growth pattern of house and land is abnormal and only few people with higher income afford it. Consequently, the municipality has to intervene in order to mitigate the observed abnormality in the prices of land and house. In this respect, construction of more condominium houses and municipal provision of land at least minimizes the severity of the problem

There is high migration to Hosanna from the surrounding area. These emigrants therefore need different range from basic services like food shelter to other urban services (municipal, economic and social services). Each additional migrant are exerting pressure on the already existing services provision hence this may lead to inadequate or inefficient provision of service and hence affect growth of the town in this regard. The recommendation is therefore to anticipate this emigration and plan accordingly.

Remittance and returnees, therefore takes the credit for the merits or demerits of the spatial expansion. Given the merits, increase in the price of the lands and thereby houses are the main outcomes of remittance, return migrants and partly brokers. The Efforts should be made to reduce the price of house and the increased selling of housing. When seen the growth pattern of house and land is abnormal and only few people with higher income can afford it. Consequently, the municipality has to intervene on these issues of land and housing. Had there been land supply and public houses, there is no way where one would have to pay birr 600,000 for dilapidated house. This scramble for land and house emanated because the conceived fear that residents developed by the belief that the municipality will never distribute land again. Therefore, residents will not make a second guess to spend a 100,000 for 200m² land in Hosanna.

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Appendix I

Addis Ababa University School of Graduate Studies

Department of Urban Development and Management

Questionnaires

The objective of these questionnaires is to gather information in order to identify the remittance and return migrants' impact on Hosanna's growth and linkage with its hinterland. The information given is, therefore, strictly confidential and used only for (the research) fulfillment of masters degree in Urban Development and Management Studies from Addis Ababa University and to this there is no need in writing a name.

Thank you in advance!

Section 1: Questionnaire for Return Migrants

No	Question	Response Code
1	Sex Male = 1 Female = 2	
2	Age	_____/years
3	Marital status Never married = 1 Married = 2 Widowed = 3 Divorced/ Separated = 4	
4	Do you have children? Yes = 1 No = 2	
5	What is the highest level of education attained? None = 0 Primary (grade 1- 4) = 1 Primary (grade 5- 8) = 2 Secondary = 3 Diploma = 4 Degree and above = 5	
6	Where have you been living Before you migrate to RSA? Hosanna = 1 Out side Hosanna = 2	

No	Question	Response Code
7	How long did you stayed abroad?	____/years ____/ months
8	How long since you return from RSA.	____/years ____/ months
9	What was your main occupation or means of living before you go RSA? Civil servant = 1 Farmer = 2 Trader = 3 Daily labor = 5 Other(specify) _____ = 4	
10	What is your main occupation or means of living now? Trader = 1 Farmer = 2 Other(specify) _____ = 3	
11	Where is location of your main livelihood? Hosanna = 1 Rural = 2 Both Hosanna and rural = 3	
12	In which economic sector you invested most of your assets? Agriculture = 1 Service = 2 Industry = 3	
13	What is the amount of your capital?	____(birr)
14	For how many people did your investment has created job?	
15	How much tax you pay for your investment per annually?	____(birr)
16	Do you think that your investment activity is contributing for linkages between Hosanna and the hinterland? Yes = 1 No = 2 » Q18 Do not know = 3	

No	Question	Response Code
17	If your answer for Q16 is 'Yes', what are the dimensions of linkages <ul style="list-style-type: none"> • Raw _____ • Marketing linkage _____ • Service linkage _____ • Employment linkage _____ 	
18	Is your economic activity creating job opportunity in Hosanna? Yes = 1 No = 2	
19	Do you think your decision to return to Ethiopia was the right decision? Yes = 1 No = 2 Do not know = 3	
20	What was/were the main reason(s) for your migration to RSA? <i>(Circle Response)</i>	Economic (unemployment, Poverty) Yes = 1 No = 2
		Family/Peer pressure Yes = 1 No = 2
		Land shortage Yes = 1 No = 2
		Political Yes = 1 No = 2
		Other (specify) _____ Yes = 1 No = 2
21	What was/were the main reason(s) for your migration to RSA? (Rank them as 1st, 2nd ...)	Economic (unemployment, Poverty)
		Family/Peer pressure
		Land shortage
		Political
		Other (specify) _____

No	Question	Response Code
22	What is/are the main reason(s) for your repatriation from RSA? <i>(Circle Response)</i>	Economic and life insecurity (robbery, murder,...) in RSA Yes = 1 No = 2
		To start business in Ethiopia Yes = 1 No = 2
		To have or live with family Yes = 1 No = 2
		The nature of work in RSA Yes = 1 No = 2
		Other (specify) _____ Yes = 1 No = 2
23	What is/are the main reason(s) for your repatriation from RSA? (Rank them as 1st, 2nd ...)	Economic and life insecurity (robbery, murder,...) in RSA
		To start business in Ethiopia
		To have or live with family
		The nature of work in RSA
		Other (specify) _____
24	Do you think your job contribute positively for Hosanna's growth Yes = 1 No = 2 » Q26 Do not know = 3	
25	If so, in what way? _____	
26	Are you benefiting from ideas, technology, attitude and skills you acquired from RSA? Yes = 1 No = 2 » Q28 Do not know = 3	
27	If so, in what way? _____	
28	Do you need more resource from rural areas now than before you migrate to RSA? Yes = 1 No = 2 » Q30 Do not know = 3	
29	If so, what kind of resources? _____	
30	How do they spend your money? (Rank them as 1st, 2nd ...)	Consumption
		Child care (health , education)
		Productive activities (business)
		Building works
		Ceremony (Wedding ,Holiday, Funeral)
		6 = Other (specify)

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Thank you in advance!

Section 2: Questionnaires for Remittance Receiving Households/ Individuals

No	Question	Response Code
1	Sex Male = 1 Female = 2	
2	Age	____/years
3	Marital status Never married = 1 Married = 2 Widowed = 3 Divorced/ Separated = 4	
4	Do you have children? Yes = 1 No = 2	
5	What is the highest level of education you attained? None = 0 Primary (grade 1- 4) = 1 Primary (grade 5- 8) = 2 Secondary(grade 9 – 12) = 3 Diploma = 4 Degree and above = 5	

No	Question	Response Code
6	Where have you been living Before your remitter migrates to RSA? Hosanna = 1 Out side Hosanna = 2	
7	What is your employment status? Employer = 1 Paid Employee = 2 Wage worker = 3 unpaid family Worker = 4 Not working and not looking for work = 5 Private business = 6 Housewife = 7 Others(specify)... = 8	
8	What Category best describes the total monthly income Less than Birr 500 = 1 Birr 500-999 = 2 Birr 1000-1499 = 3 Birr 1500-1999 = 4 Birr 2000-2499 = 5 Birr 2500 and Above = 6	
9	What were the source(s) of income before your remitters' migration to RSA? (CIRCLE RESPONSE)	Agriculture activities Yes = 1 No = 2
		Wage/ salaries Yes = 1 No = 2
		Trade Yes = 1 No = 2
		Remittance Yes = 1 No = 2
		Others Sources (specify) _____ Yes = 1 No = 2
10	What were the source(s) of income before your remitters' migration to RSA? (Rank them as 1st, 2nd ...)	Agriculture activities
		Wage/ salaries
		Trade
		Remittance
		others Sources (specify) _____

No	Question	Response Code	
11	What are your current source(s) of income? (<i>CIRCLE RESPONSE</i>)	Agriculture activities Yes = 1 No = 2	
		Wage/ salaries Yes = 1 No = 2	
		Trade Yes = 1 No = 2	
		Remittance Yes = 1 No = 2	
		Others Sources (specify)_____ Yes = 1 No = 2	
12	What are your current main the source(s) of income? (<i>Rank them as 1st, 2nd ...</i>)	Agriculture activities	
		Non agricultural activity	
		Wage/ salaries	
		remittance	
		others Sources (specify)_____	
13	Do you own or rent this dwelling? Own = 1 Rent = 2 » Q15 others (specify)_____ = 3		
	How did you own this dwelling? Build = 1 Buy = 2 Other(specify)_____ = 3		
15	What Type of remittance do you receive? Cash = 1 Kind = 2 Cash and Kind = 3		
	16	How often did you receive money from RSA? Monthly = 1 Quarterly = 2 Bi-annually = 3 Yearly = 4 Other Specify = 5	
		17	Is your remitter responsive for emergency? Yes = 1 No = 2 Do not know = 3
18			You spend the larger proportion of remittance on. Consumption = 1 Investment = 2

No	Question	Response Code
19	What is the amount of your capital?	_____ (birr)
20	For how many people did your investment has created job?	
21	How much tax you pay for your investment per annually?	_____ (birr)
22	In which economic sector you invested most of your assets? Agriculture = 1 Service = 2 Industry = 3	
23	Where is location of your main livelihood? Hosanna = 1 Rural = 2 Both Hosanna and rural = 3	
24	Do you think that your investment activity is contributing for linkages between Hosanna and the hinterland? Yes = 1 No = 2 » Q26 Do not know = 3	
25	If your answer for Q24 is 'Yes', what are the dimensions of linkages <ul style="list-style-type: none"> • Raw _____ _____ • Marketing linkage _____ _____ • Service linkage _____ _____ • Employment linkage _____ _____ 	

No	Question	Response Code
26	Are there negative effects you suffer because of your remitters migration to RSA? Yes = 1 No = 2 » Q28	
27	If so, what are they? _____ _____ _____	
28	Do you save money from remittance? Yes = 1 No = 2	
29	Are there negative impacts of remittance to Hosanna? Yes = 1 No = 2 » Q31	
30	If so, what are they? _____ _____ _____	
31	Do you think the remittance generally improve your standard of living? Yes = 1 No = 2 Do not know = 3	
32	Do think that Hosanna is benefiting from remittance? Yes = 1 No = 2 Do not know = 3	
	If so, how is that? _____ _____ _____	

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Questionnaires

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Thank you in advance!

Section 3: Questionnaire Non-Migrants Residents

No	Question	Response Code
1	Sex Male = 1 Female = 2	
2	Age	____/years
3	Marital status Never married = 1 Married = 2 Widowed = 3 Divorced/ Separated = 4	
4	Do you have children? Yes = 1 No = 2	
5	What is the highest level of education you attained? None = 0 Primary (grade 1- 4) = 1 Primary (grade 5- 8) = 2 Secondary(grade 9 – 12) = 3 Diploma = 4 Degree and above = 5	

No	Question	Response Code
6	How many years have you live in Hosanna? Less than 5 Years = 1 6- 15 years = 2 More than 15 years = 3	
7	Has your main economic activity changed in the last 10 years? Yes = 1 No = 2 Do not know = 3	
8	Has the source of income in Hosanna changed in the past 10 years? Yes = 1 No = 2 » Q10 Do not know = 3	
9	If so in what way? _____ _____	
10	Do you think migration to RSA affected the standards of living of people in Hosanna? Yes = 1 No = 2 » Q12 Do not know = 3	
11	If so, in what way(s) has it affected the standards of living of people in Hosanna? Has greatly improved = 1 Has moderately improved = 2 Has not changed at all = 3 Has negatively affected = 4	
12	Are there differences between households that receive money from abroad and those that do not? Yes = 1 No = 2 » Q14 Do not know = 3	
13	If so, what kind difference? _____ _____	

No	Question	Response Code
14	Besides the families of migrants, did other groups of people or individuals in the community benefited from funds sent from abroad by migrants? Yes = 1 No = 2 » Q16 Do not know = 3	
15	If so, in which way? _____	
16	What impact has remittances on poverty of the community? Has greatly decreased = 1 Has moderately decreased = 2 Has not changed at all = 3 Has increased = 4	
17	What impact has remittance on job creation ? Has greatly improved = 1 Has moderately improved = 2 Has not changed at all = 3	
18	What impact has remittance on housing ? Has greatly improved = 1 Has moderately improved = 2 Has not changed at all = 3	
19	What impact has remittance on access to education ? Has greatly improved = 1 Has moderately improved = 2 Has not changed at all = 3	
20	What impact has remittance on purchasing of goods/consumption ? Has greatly improved = 1 Has moderately improved = 2 Has not changed at all = 3	

No	Question	Response Code
21	What impact has remittances on access to health care services ? Has greatly improved = 1 Has moderately improved = 2 Has not changed at all = 3	
22	How common is it in Hosanna for money from remittances to be used in productive investments such as businesses, taxis, cars etc? Very common =1 Common = 2 Rare = 3 Not common at all = 4	
23	Do you incline to say that more and more of the surrounding agricultural land around Hosanna have been rapidly changing to built up area than it is before? Yes = 1 No = 2 Do not know = 3	
24	Do think that remittance has boost up Hosannas' spatial expansion Yes = 1 No = 2 Do not know = 3	
25	Do you think that Hosanna is rapidly growing in the recent years Yes = 1 No = 2 Do not know = 3	
26	What are the reasons behind the growth? _____ _____ _____	

Part II: In- Depth Interview and Focus Group Discussion Checklist

- i. What is the impact of remittance and return migrants on urban growth? Please explain
 - Impact of remittance on:
 - **Economic** (investment, consumption, housing, transportation, inequality, labor supply, dependency, inflation)
 - **Social** (education, health,)
 - **Spatial** (area expansion)
 - **Other**
 - What should be done to get the maximum out of remittance and return migrants?
- ii. What is the impact of remittance and return migrants on linkage between Hosanna and the surrounding hinterland (rural area)? Please explain
 - Remittance impact on linkage
 - Return migrants impact on linkage
- iii. What is (are) the main reason(s) for the recent observed dynamism of Hosanna's economy? Please explain
- iv. What is the pattern and magnitude of remittance? Please explain
 - Is remittance progressive?

DECLARATIONS

I Abinet Ergando, undersigned hereby declare that this Thesis is my original work and that it has not been submitted partially or in full by any other person for an award of a degree in any other University.

Declared by Abinet Ergando

Signature Date

Confirmed by Tegegne Gebre-Egziabher (Prof)

Signature Date 08/07/11

Date of Submission

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