

# Transactions with Homeland: Remittance

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## I. Introduction

### A. Myths

According to the English dictionary, “to remit” means to send money. But nowadays the term *remittance* seems to have assumed a more specific significance. It is very much used to mean money sent back to the home country by migrants. Since the Somali community is part of a wider international migrant community, I would like to start my presentation with some myths and facts about migrants in general in order to put into perspective the Somali case, the subject of this conference.

There is no better way to begin than to quote from the summary findings of a report compiled by the International Development Committee of Britain’s House of Commons entitled, “Migration and Development: How to Make Migration Work Better for Poverty Reduction.” The report came out recently. It began by stating and responding to five myths about migration. These myths are not limited to the United Kingdom but are common perceptions held in the West about migrants.

*Myth 1: Migration and migrants are problems.*

Wrong: Migration presents both challenges and opportunities. In their determination to deal with the difficulties, governments should not overlook the opportunities.

*Myth 2: There is a “tidal wave” of migrants about to crash on our shores.*

Wrong: Migration remains the exception rather than the rule. Only 2.9% of the world’s population are international migrants. This has not changed much over the years; in 1965, it was 2.3%.

*Myth 3: Migration is primarily about people moving from developing countries to developed countries.*

Wrong: Most migration takes place within and between developing countries. Fully 40% of international migrants move between poor countries, and the number of migrants who stay in their home country far exceeds that of international migrants. To compare, there are 175 million international migrants and 200 million internal migrants in India alone.

*Myth 4: It is the poorest, most desperate people who migrate.*

Wrong: The very poorest people often lack the resources to migrate. If they do migrate, they are likely to move locally.

*Myth 5: Migration harms the prospects of the developing countries by causing a “brain-drain.”*

Not necessarily: Whether it hurts developing countries depends on the nature of migration and the links established between host and home countries. Flows of remittances and other resources, and the return of migrants with new skills, can offset the loss of migrants and may even lead to a “brain-gain.”

The report also provides interesting statistics about the current international migrant stock.

**International Migrants:**

- 175 million
- 60% live in developed countries
- 40% live in developing countries
- 56 million live in Europe
- 50 million live in Asia
- 41 million in North America

16 million of international migrants are *refugees* out of which:

- 9 million live in Asia
- 4 million live in Africa
- 3 million live in developed countries

**Table 1. Migrants: The Top Five Sending Countries**

| Country     | Net emigration 1970–1995 in millions |
|-------------|--------------------------------------|
| Mexico      | 6.0                                  |
| Bangladesh  | 4.1                                  |
| Afghanistan | 4.1                                  |
| Philippines | 2.9                                  |
| Kazakhstan  | 2.6                                  |

*Data source: International Organisation for Migration 2003*

**Table 2. Migrants: The Top Five Receiving Countries**

| Country | Migrant stock in 2000 in millions |
|---------|-----------------------------------|
| USA     | 35.0                              |
| Russia  | 13.3                              |
| Germany | 7.3                               |
| Ukraine | 6.9                               |
| France  | 6.3                               |

*Data source: International Organisation for Migration 2003*

**Table 3. Migrants: The Top Five Receiving Countries as Percent of Population**

| Country              | Percentage of the population in 2000 |
|----------------------|--------------------------------------|
| United Arab Emirates | 73.8                                 |
| Kuwait               | 57.9                                 |
| Jordan               | 39.6                                 |
| Israel               | 37.4                                 |
| Singapore            | 33.6                                 |

*Data source: International Organisation for Migration 2003*

## B. Remittance

Whether they are economic migrants or refugees, international migrants seldom turn their back on their country of birth, where they left behind family members and friends. They remain connected, often through that vital link called remittance. Worldwide, the World Bank

estimated official remittance to have reached \$93 billion in 2003. When remittance through unofficial channels is taken into consideration, the figure goes up to \$300 billion. By comparison, official global aid flows were \$68.5 billion in the same year. The amount of remittance that originates from any given country or goes to any given country depends, to a large extent, on the size of the migrant community.

**Table 4. Remittance: The Top Five Receiving Countries**

| Country     | Remittance received in (\$ billions) |
|-------------|--------------------------------------|
| Mexico      | 11.0                                 |
| India       | 8.4                                  |
| Philippines | 7.4                                  |
| Pakistan    | 3.6                                  |
| Egypt       | 2.9                                  |

*Data Source: World Bank, 2004*

**Table 5. Remittance: The Top Five Sending Countries**

| Country      | Remittance sent (\$ billions) |
|--------------|-------------------------------|
| USA          | 31.4                          |
| Saudi Arabia | 15.9                          |
| Switzerland  | 9.2                           |
| Germany      | 7.9                           |
| Malaysia     | 3.8                           |

*Data source: World Bank, 2004*

## II. The Somali Case

### A. Migration

Somali migration has been very much consistent with international patterns. During the 1970s and 80s, Somalis migrated across the Red Sea to the Arabian Peninsula countries, mainly Saudi Arabia and the United Arab Emirates, to take advantage of the burgeoning demand for construction workers. These were economic migrants attracted by higher wages, in the same way that South American migrants are lured by better prospects in the United States.

Forced migration or refugee migration started mainly in late 1980s as a result of civil war. Initially, most of the people were displaced internally. (That is still the case in conflict zones.) When it became apparent that it was not safe to stay or return home, hundreds of thou-

sands crossed the borders to seek refuge in the neighboring countries of Ethiopia and Kenya. From there, those who were lucky or had the means or the connections moved to Europe, North America, Australia, or New Zealand. There are no statistics on the number of Somali international migrants. The figures available are mostly for asylum seekers. Occasionally, census tables provide figures for Somalis under Ethnic Minority categories. According to the United Nations High Commission for Refugees, 68 countries, from New Zealand down under to Canada in the North, and from China in the East to Brazil in the West, reported 441,238 refugees of Somali origin in 2002. But we believe that the figure for the migrant population is much higher than the official figures project. Interviews with community leaders in different countries suggest the following figures for Somali migrants.

**Table 6. Somali International Migrant Population**

| Country                         | Somali population |
|---------------------------------|-------------------|
| USA                             | 150,000           |
| Canada                          | 100,000           |
| UK                              | 150,000           |
| Europe                          | 100,000           |
| Australia, New Zealand and Asia | 10,000            |
| East and South Africa           | 300,000           |
| Middle East (including Yemen)   | 200,000           |
|                                 | 1,010,000         |

*Data source: estimated based on interviews*

## B. Remittance

Remittance is a very important source of finance for the receiving countries. It is particularly so for the Somali people back home. It constitutes a lifeline without which dependence on international food aid—or starvation on large scale—would be inevitable. This has been particularly the case since the ban on livestock exports to the Middle East, which was the main source of foreign currency. In 1997, over two million head of livestock were exported to Saudi Arabia alone.

No one knows exactly how much Somalis in the diaspora remit. Figures in the literature vary widely. The United Nations Development Program put the total for 2000 between \$800 million and \$1 billion.<sup>1</sup> That figure is probably not off the mark by much, when you consider that remittance pays for practically all imports and investment in the

country. Other developing countries normally have access to various sources for external financing, including:

- Export earnings
- Official aid
- Direct investment
- Indirect investment through capital markets

Under the current situation, none of these channels are available to the Somalis. Apart from remittance, the only other source of funding is limited humanitarian aid provided by the United Nations, the European Union, and international charities.

### C. The Sender

Almost everyone in the diaspora, particularly those in high-income countries in the West and the Middle East, is expected to send money. Fathers, mothers, husbands, wives, sons, daughters, uncles, aunts, nieces, and nephews are all expected to support their families back home (or wherever their families are now located). Diasporic individuals constantly receive pleas for help, and those who are able usually respond by sending money. It is a matter of duty, a cultural and humanitarian obligation. The following Table shows that men and women are equally likely to send money. The general perception is that more women than men send money back home but that perception is not supported by the data. We took a sample of 1206 transactions from the June 2004 records of one of our branches in London. It is possible that women are far more sensitive to the needs of others and in the early days were the main benefactors. Yet as more and more men obtained employment, their ability to remit has probably compensated for what they lack in sensitivity.

**Table 7. Remittance: Senders by Gender**

| Gender category | Percent (%) |
|-----------------|-------------|
| Men             | 53.2        |
| Women           | 46.8        |

*Data Source: Dahabshiil 2004*

Apparently, people of all ages in the adult population participate in remittance. But the working middle-age group, between 30 and 50 years of age, are more likely to send money, according to a sample survey we carried out (see Table 8). Young people are more likely to be in the educational system as well as less engaged emotionally with people left behind, while elderly people, who rely mainly on income support and pension allowance, are financially less able to help.

**Table 8. Remittance: Senders by Age**

| Age group (years) | Percent |
|-------------------|---------|
| Less than 30      | 23.3    |
| 30–50             | 55.8    |
| Above 50          | 20.9    |

*Data Source: Dahabshiil 2004*

Most of the remittance transactions consist of relatively small amounts sent regularly to provide for family or personal basic needs. This is demonstrated by the mode and the median of the data we used in this study, which are respectively \$100 and \$132.50. Thirty-one percent of the senders remitted \$100, which is the typical amount for a family monthly living allowance. On average, half of the transfers are less than \$100, and 90% of the people send less than \$200 at a time (see Tables 9, 10). It is crucial to note that some of the remitters send money to more than one person at once. According to the sample, every two individuals send money to two people, which means the average amount sent by a person is 50% higher than the mean per transaction. There are also few large transfers (used mainly for investment in housing). There is currently a construction boom in the stable regions. Prime land has become prohibitively expensive. This is fuelled by investment in housing by the diaspora.

**Table 9. Remittance: Mode, Median and Average**

| Parameter                       | Value (\$) |
|---------------------------------|------------|
| Mode                            | 100        |
| Median                          | 132.5      |
| Average for 90% of transactions | 174.5      |

*Data Source: Dahabshiil*

**Table 10. Remittance: Average Amounts by Percent of Transactions**

| percent of transaction | Average \$/transaction |
|------------------------|------------------------|
| 10                     | 44.8                   |
| 20                     | 55.9                   |
| 30                     | 70.6                   |
| 40                     | 78.0                   |
| 50                     | 82.9                   |
| 60                     | 96.6                   |
| 70                     | 111.3                  |
| 80                     | 130.7                  |
| 90                     | 174.5                  |

*Data Source: Dahabshiil*

#### D. The Recipient

The great majority of the beneficiaries live in urban areas. This is supported by analysis of the destinations provided in the data. Ninety-two percent of the transfers went to people in the main towns (Table 11). Only 8% were destined for rural villages, even though about 50% of the population still live in rural areas. That may be because most of the people in the diaspora are of urban background, and it is the urban residents—who have to pay rent, purchase food, buy water and charcoal for cooking, pay school fees, etc.—who cannot do without external assistance. Rural people are more self-sufficient. It is also likely that the proportion of remittance that goes to rural communities is much higher than the 8% suggested by the data, especially during the dry winter season and in drought situations.

**Table 11. Remittance: Recipients by Destination**

| Destination | Proportion (%) |
|-------------|----------------|
| Urban       | 92             |
| Rural       | 8              |

The recipients are evenly divided between men and women (Table 12). This could be a sign of Somali egalitarianism or a sign of changing times in which men and women are equally likely to head a household. It is also probable that women seek help as much as men, with the same outcome. However, these results should be interpreted with some caution, because the person named as the recipient in the trans-



action could be just a caretaker and the money could be meant for another person of a different gender or area of residence.

**Table 12. Remittance: Recipients by Gender**

| Gender | Proportion (%) |
|--------|----------------|
| Men    | 49.8           |
| Women  | 50.2           |

### **E. Key Factors**

Three developments have contributed significantly to the strong link between the diaspora and the home country. These are:

- Telecommunication technology—the telephone, the Internet, and satellite television
- Air travel
- Money transfer companies

The telephone has practically rendered physical distance irrelevant. When the phone rings it could be a call from your colleague next door or from your cousin on the other side of the globe. He does not have to be calling from home or telephone booth, either; he could be calling from his mobile cell phone in the middle of nowhere. You can also reach him whenever you want. Of course, it costs money to call and that remains a barrier for many, but e-mail, which costs much less, is fast rendering communication affordable.

Nowadays, the inbox is likely to contain one or two e-mails from a young relative back home. With so many websites and links on the Internet and satellite television offering up-to-date information on the political, cultural, and social fronts, a Somali migrant in Minneapolis is likely to know more about what is happening back in his/her hometown than the man on the street right there. With these new technologies, the migrant, in a way, lives in two countries at the same time, or shall we say, in one virtual global country without boundaries. The impact and significance of this new development are mirrored in the businesses of Somali entrepreneurs in the diaspora. A survey of forty-eight of our London agents revealed that more than half of these businesses are Internet cafés and call shops (see Table 13).

**Table 13. Dahabshiil London Agents: By Type of Business**

| Business             | Frequency | Percent |
|----------------------|-----------|---------|
| General store (shop) | 13        | 027.1   |
| Call shop            | 4         | 008.3   |
| Internet Café        | 23        | 047.9   |
| Office               | 7         | 014.6   |
| Other                | 1         | 002.1   |
|                      | 48        | 100.00  |

*Data source: Dahabshiil*

The airline has also played a major role in bringing the migrant closer to home. More than half a dozen airlines compete to fly people from around the world. The main carriers are:

- African Express
- Daallo Airlines
- Damal Airlines
- Ethiopian Airlines
- Jubba Airlines
- Star Airlines

All of them have regularly scheduled flights. One can take a Daallo Airline from Gatwick Airport, London, to Hargeisa, Bosaso, or Mogadishu twice a week. Or one can fly from New York to Hargeisa on Ethiopian Airlines, and from there, to other destinations.

Money transfer companies constitute the third development that has changed the relationship between migrants and their country of origin. There are more than twenty of these companies in operation. They have an international network, which offers inexpensive, fast, and reliable financial services, perhaps unparalleled in the world. They provide a vital link. Following a distress call, it is possible for someone in London, Minneapolis, or Melbourne to get help to someone, even in a remote village, by the next day and sometimes even on the same day. Within the country, they provide some basic banking services for businesses, and facilitate trade as well as investment by the migrant community. They are also the biggest employers in the private sector and contribute substantially to social and economic development.

### III. Summary and Conclusion

Emigration is a worldwide phenomenon. It exhibits the following features:

- There are 175 million international migrants, of which Somali migrants constitute one million, which is less than one percent, or 0.57 percent to be precise.
- Migrants maintain their connection with their countries of origin. They support the families they left behind by sending money back home. Official global remittance is estimated to have reached \$93 billion in 2003. When remittance through unofficial channels is taken into account, the figure goes up to \$300 billion.
- According to U.N. estimates, Somalis remit between \$800 million and \$1 billion, which is under half a percent of the total or just 0.33 percent. Both men and women send money in equal measure. However, age matters. Middle-aged people between 30 and 50 are more likely to be employed and therefore more able to remit. The amount most frequently sent is \$100 per transaction.
- Over 90% of the beneficiaries live in urban areas. Men and women are equally likely to receive remittance.
- New technologies in telecommunication, the Internet, globalization of air travel, and the advent of cheap and quick money transfer services have brought the international migrant much closer to home.
- Remittance is basically a transfer of wealth from high-income countries to low-income countries. It has the net effect of reducing poverty and closing the gap between the poor and the rich, and therefore must be encouraged. For the Somali people it is a lifeline that must be maintained.

Many questions can be raised about this global experience. What should sending and receiving countries be doing in policy terms to ensure that remittance has the maximum effect in reducing poverty and stimulating economic growth and development? How does the constant interaction with the home country affect the migrant, financially, psychologically, and culturally? Does it help or hinder his/her adaptation and success in the new country? What can be done to help him/her cope with the challenges faced from the old home and in the new home?

These are essential questions for research. Macalester College and other research institutions can further this study. ●

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**Note**

1. Abdusalam Omer, "A Report on Supporting Systems and Procedures for the Effective Regulation and Monitoring of Somali Remittance Companies (Hawala)." Prepared for the United Nations Development Programme, Somalia, 2002.