BINDURA UNIVERSITY OF SCIENCE EDUCATION

FACULTY OF COMMERCE

DEPARTMENT OF BANKING AND FINANCE

THE IMPACT OF DIASPORA REMITTANCES ON ECONOMIC GROWTH IN ZIMBABWE (1990 – 2023)

BY

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A DISSERTATION SUBMITTED IN PARTIAL FULFILMENT OF THE REQUIREMENTS OF THE BACHELOR OF BUSINESS STUDIES (HONOURS) DEGREE IN BANKING AND FINANCE

JUNE 2025

RELEASE FORM

Registration Number: B224733B

Dissertation Title: **THE IMPACT OF DIASPORA REMITTANCES ON ECONOMIC GROWTH IN ZIMBABWE (1990 – 2023)**

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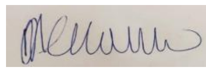

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DEDICATION

I dedicate this thesis and a special appreciation to my parents, Ernest and Neria as well as my workplace boss Mr Parirewa for their gratuitous words of encouragement and their drive that fuelled my perseverance. This significant professional milestone is owed to their constant presence, understanding, and support without which reaching this goal would not have been possible. I am truly grateful and love you deeply.

ACKNOWLEDGEMENTS

Special appreciation is extended to my project supervisor, for his unwavering support, thoughtful insights, thorough reviews, and remarkable patience throughout this journey. His critical feedback on the structure of this paper and its central themes was invaluable. I am profoundly grateful to my parents and workplace for their financial support, without which this study could not have taken place. I must also give special thanks to the mentors and colleagues at the workplace, Mr. Parirewa, Mrs. Sandra, and Mr. Ali, whose generosity with their time and skills made a paramount contribution to this project. Their constructive return, feedback, and support made the research process both constructive and enjoyable.

ABSTRACT

The study primarily examines how the diaspora remittances could affect economic growth in Zimbabwe between 1990 and 2023. With migration patterns highly intensifying, remittance inflows have been rising. It is of interest to both policy makers and researchers to understand the transfer's effect on macroeconomic indicators. The study analyses the GDP and remittances relationship, exploration of Monetary Agency Transfers (MATs), and whether formal remittance channels aid economic development.

A quantitative research design was adopted using time-series data coupled with a primary set garnered through structured questionnaires targeting remittance-receiving households in five urban locations within Harare High-Density Suburbs. Simple linear regressions were run, supported by normality tests, to establish the direction of causality between diaspora remittances and economic growth. The data was statistically analysed using SPSS.

The findings reveal a moderate yet significant positive link between diaspora remittances and economic growth, with remittances explaining 24.4% of the changes in GDP. Interestingly, the growth of Monetary Agency Transfers had an even stronger positive effect, accounting for 44.1% of economic growth. Moreover, using formal channels for remittances showed an impressive positive impact, explaining 78.8% of the variations in GDP. These results highlight the essential role that formal financial systems and remittance tracking play in turning diaspora inflows into tangible economic benefits.

The study concludes by highlighting that diaspora remittances play a crucial role as a source of foreign capital, greatly influencing Zimbabwe’s economic performance, especially when funnelled through formal and efficient systems. It suggests that the government should enhance financial infrastructure, lower transaction costs, and encourage the formalization of remittance flows. These measures are vital for maximizing the positive impact of remittances on development and promoting sustainable economic growth.

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CHAPTER 1

INTRODUCTION

1.0 Introduction

This chapter reviews the background of the study, statement of the problem, research objectives, research questions, delimitations, limitations and definition of key terms.

1.1 Background of the study

On a global scale, the migration marvel matters a lot since it greatly affects the economy, society and security. According to the International Organization of Migrants, more than one billion people in the world are migrants (2015). In the past thirty years, both the amount of remittances and their impact on the home country's economy have been going up. In 2019, countries that are still developing got remittances worth $554 billion which accounted for over 77.6% of all remittances. Remittances can make up as much as 27% of a country's GDP, as shown by World Bank figures (2020).

The Zimbabwean economy experienced crisis, political instability and social instability which initiated the emigration of experienced and qualified workforce into neighbouring countries and abroad since the colonial era. The Zimbabweans who are abroad send their remittances in order to support their families and communities. As a result there is considerable archive of research on remittances and its impact on economic growth.

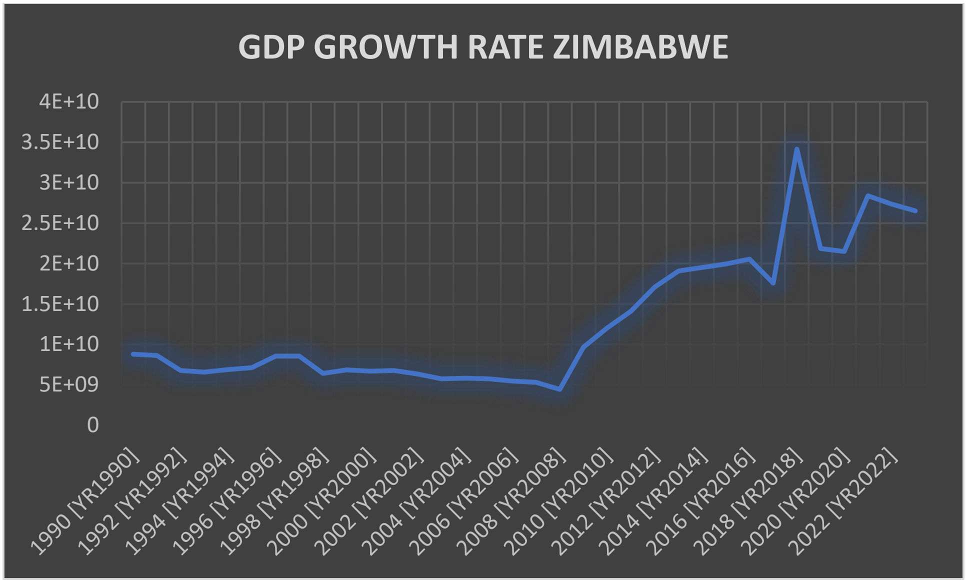

Figure 1.1: GDP Growth rate in Zimbabwe

The figure above shows the trend of the GDP in Zimbabwe from 1990 to 2023. The figure indicates that the GDP in 1990 and 1991 remained constant at between US$8.5 billion and US$8.6 billion. In 1992 the GDP fell to US$6.6 billion. The lowest GDP was in 2008, which was US4.4 billion. From 2009 upwards, the GDP was increasing and the highest GDP was in 2018, which went above US$34 billion. In 2019 and 2020, the GDP was constant at about USD$21 billion in 2023 the GDP was 26.5 billion.

ZIMSTAT (2023) indicates that, as estimated, the country's 2022 real GDP was ZWL 225.99 billion. In the same way, the 2022 GDP estimate by expenditure approach points out that private household consumption made up 74.4% (ZIMSTAT, 2023). In addition, remittances help to increase private household consumption which increases aggregate demand and supports Zimbabwe's economic development. For this reason, this study looks at how diaspora remittances are related to economic growth in Zimbabwe.

For developing countries, remittances have shown to be more reliable than other sources of money from foreign direct investment, public debt or official development assistance. Even so, there is a complicated link between remittances and growth, especially since people's movements help create global interdependence in all areas: social, economic and political. Diasporas' remittances have become a major economic factor and a significant source of income because of their importance worldwide. Diasporas are now sending back more than US$441 billion to their families in developing countries which is three times the amount of official aid. The money sent by migrants is more than 10 percent of a developing country's GDP for some 25 nations and this leads to higher spending on health, education and business in those countries (World Bank, 2016).

In the recent past, Zimbabwe has been concerned about the informal channels of diaspora remittances. As a result, the government was compelled to devise ways of to leverage remittances even from the illegal emigrants through formal channels. The Zimbabwean government actively formulate strategies to maximize the developmental impact of remittances through the Reserve Bank of Zimbabwe (RBZ)'s subsidiary, the Homelink, Mukuru, and World Remit amongst others. These institutions were created to facilitate the mobilization of remittances from both legal and illegal emigrants. For instance Homelink, allowed emigrants to remit money to the RBZ with the expectation that houses would be constructed for them in return (Tevera & Chikanda, 2009). Despite all the government efforts to formalise the inflow of diaspora remittances, there is little evidence to suggest how diaspora remittances are related to economic growth. This paper's results would enable policy makers to come up with strategies that would enhance the increased inflow of diaspora remittances to Zimbabwe. Figure 1.2 exhibits the trend followed by diaspora remittances in Zimbabwe for the period 1990 to 2023.

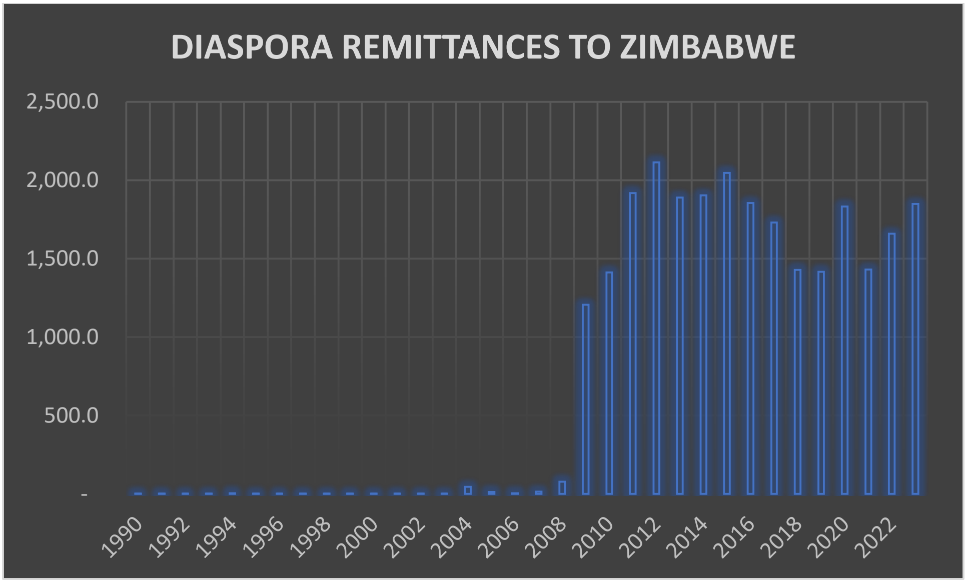

Fig 1.2: Diaspora remittances

Fig 1.2 above shows the trend of diaspora remittances to Zimbabwe since 1990. The figure shows that the remittances were constant at below US$1 million from 1990 to 2008, with the exception of 2004 and 2008 with values of US$46 million and US$78.5 million respectively. Remittances increased to over US$1 billion in 2010 and the highest figure was in 2012, and the figure was above US$2 billion. Remittances fell in 2018 and 2019, then increased to above US$1.8 billion in 2023.

1.3 Problem Statement

Although the inflow of diaspora remittances to Zimbabwe is rising, their impact on economic growth continues to be restricted. The challenges with diaspora remittances in Zimbabwe began in the 1990s as economic instability and emigration increased. The Zimbabwean economy, the government and remittance receiving households are affected at a macro level due to reduced formal financial circulation, underutilization of remittances for development and reduced access to secure, low-cost, and formal transfer channels. It is being affected by high transaction costs, currency instability, discouragement of use of formal remittance channels as informal sector makes it difficult to track, regulate, or tax these funds. The informal remittance flows avoid the banking system, reducing potential benefits such as improved financial inclusion, investment, and GDP growth. The problem is nationwide in Zimbabwe, but is especially dominate in urban high-density suburbs and rural communities, where remittance receiving households are concentrated and rely heavily on these funds for basic needs.

Although remittances exceeded US$1.8 billion in 2023, a considerable amount still exists outside formal systems, hindering their ability to support sustained economic development and growth. This research aims to examine the connection between remittances and economic growth, pinpointing challenges and suggesting policies to improve formal remittance pathways for increased economic effect.

1.4 Research objectives

i. To establish the relationship between diaspora remittances and economic growth.
ii. To determine whether the growth of Monetary Agency Transfer has the impact on economic growth.
iii. To determine the effectiveness of formal channels of diaspora remittances on economic growth.

1.6 Research Questions

i. What is the relationship between diaspora remittances and economic growth?
ii. How does the growth of Monetary Agency Transfer impact economic growth?
iii. What is the effectiveness of formal channels of diaspora remittances on economic growth?

1.7 Significance of the study

Government

The government of Zimbabwe will gain from this study by recognizing how remittances help reduce the current account gap and support the country's currency. Thanks to this study, Governments and other organizations can design a framework that helps strengthen the good side of migration and lowers the bad side. The findings from the study will support the government in organizing its administration to use foreign money from the Diaspora for investment and advancement.

Financial Institutions

This study also helps financial institutions because remittances play a key role in strengthening the financial system, mainly in banking.

Zimbabwean Diaspora

The study helps the Zimbabwean Diaspora as well. The government has identified the potential Zimbabweans abroad have and wants to act on it.

1.8 Assumptions

The research findings were made more accurate by applying the following assumptions:

- ❖ The necessary information was shared by the authorities and they helped in every way possible.
- ❖ The participants answered honestly and completed all the questionnaires within the given time frame.
- ❖ The sample chosen was similar to the whole population

1.9 Limitation of the study

Studying involved checking old trends, since it was tough to access the data bases and websites had not been updated for a long time. It will lead to a lack of information. Also, the data I get was collected in the past for other reasons than my research. Still, the researcher will rely on the data because it is a common unit.

1.10 Delimitation of the study

The study examined the process of diaspora remittances in Zimbabwe. The study examined how diaspora remittances affected the economy of Zimbabwe during the years 1990 to 2023.

1.11 Limitations

Potential limitations include the availability and reliability of remittance data, as well as challenges in isolating remittances' impact from other variables affecting economic growth.

1.12 Definition of Key Terms

Diaspora Remittances- the money or goods sent to people or communities in their home country by individuals living in another country. They help boost the economy by supporting people in their spending, saving and efforts to fight poverty.

Economic Growth – The growth of a country's output of goods and services over time is usually tracked by looking at the increase in Gross Domestic Product (GDP).

Gross Domestic Product (GDP) – measures all the goods and services produced in a country within a certain time, used to show economic performance.

Poverty Reduction – Efforts to reduce the number of people who do not have enough to live on by increasing their income, giving them more access to resources and boosting their quality of life.

Investment – The act of assigning money to real estate, companies or infrastructure to create economic gains in the future.

Monetary Agency Transfer – A system of transferring money through authorized financial institutions and platforms, including banks, money transfer operators (MTOs), and digital remittance services.

Informal Remittance Channels – Unregulated methods of sending money across borders, such as through family members, friends, or unregistered money transfer services, which are difficult to track and regulate.

Exchange Rate – It describes how much one currency is worth against another and this affects the value of money sent back home and trade and investing activities.

Brain Drain – When skilled professionals leave their own country to find better work in other places, it may harm the economy and development of their nation.

1.13 Abbreviation

1. GDP – Gross Domestic Product
2. RBZ – Reserve Bank of Zimbabwe
3. ZIMSTAT – Zimbabwe National Statistics Agency
4. MTOs – Money Transfer Operators
5. IMF – International Monetary Fund
6. FDI – Foreign Direct Investment

7. ARDL – Autoregressive Distributed Lag
8. VAR – Vector Autoregression
9. SPSS – Statistical Package for the Social Sciences
10. TFP – Total Factor Productivity
11. ZWL – Zimbabwean Dollar
12. IFIs – International Financial Institutions
13. ODA – Official Development Assistance
14. MATs – Monetary Agency Transfers
15. K-S Test – Kolmogorov-Smirnov Test

1.14 Chapter Summary

This chapter deals with the background of the study, the purpose of the study and the objectives. The chapter also highlight the expectations inherent in the research, limitations and delimitation of the study, definition of terms, and explanations of abbreviations. Chapter 2 deals with the theoretical review and empirical review.

CHAPTER 2

LITERATURE REVIEW

2.0 Introduction

This chapter explores both studies done in the field and theory. According to Quinlan (2011), a literature review also looks at what is already understood about the topic of interest. While theoretical literature presents ideas about how diaspora remittances affect economic growth, empirical literature comes from the work of other researchers. The organization of the chapter is as follows: Section 2.1 looks at the theory, Section 2.2 presents the evidence, Section 2.3 explains the gap and Section 2.4 summarizes the chapter.

2.1 Theoretical Review

Theory of Migration from a Neoclassical Point of View

The first theory created to describe labour movement was neoclassical theory. Several scholars such as Todaro (1969), Harris and Todaro (1970), Massey (1993), Arango (2000) and Faist (2004), developed the neoclassical theory of migration. Neoclassical theory states that migration is caused by differences in labour supply and demand across areas. Such differences exist in many parts of the world. Neoclassical theory claims that the main reason for international migration is the difference in labor markets and pay scales between nations. This means that if everyone made the same pay, there would be no more labour migration.

The major categories in the neoclassical theory of migration are macroeconomic and its factors. Neoclassical theory at the macro level explains that the difference in wages among countries is the main reason people migrate due to an imbalance in the supply and demand of labour. Based on the macro-level principle, people move to higher-paying regions and capital will travel to the regions with lower wages. According to the neoclassical micro approach, migration is explained by calculating costs and benefits, as people aim to get the most from their non-public earnings. People look at the benefits and costs of migration before deciding.

The economy grows when immigrants send money back to their own country. Yet, this kind of migration may negatively affect the development of the home country if it loses its skilled workers which is called Brain Drain. So, when human capital is lost, it can negatively influence the growth of the economy, as stated by neoclassical economic theory.

The New Economics of Labour Migration Theory

The main reason for the New Economics of Labour Migration was to correct the issues in the neoclassical model and the overly structural approach present in the historical-structural perspective. What this principle means is that people no longer choose their own characters during migration. The decision was made together by the migrant families. Besides earning more money, people make migration choices to avoid the risks and limitations caused by mistakes in the market. Because the home depends on a variety of revenue sources, remittances might protect it against possible dangers. If there are no credit facilities in the country where people migrate from, their remittances are seen as a source of financing (Massey, 1993; Taylor & Martin, 2001; de Haas, 2008).

Oded Stark's approach is seen as a critique of the micro model in the neoclassical principle that depicts migration as a choice based on character. Stark found in 1991 that families use migration to boost their income and it is the main source of finance for them. A family is able to get a loan by sending money and they will pay it off once the migrants have recorded their earnings. The theory suggests that people who leave their home in search of higher wages need to send money back to their families (Taylor, 1999).

Still, it was observed that remittances go up when the family's income decreases, when a shock happens or when the migrant's risk level increases. As a result, when family members send money abroad, it reduces the amount of money earned by their family at home. The way the foreign country responds to risks should not be so connected that it could impact the co-insurance agreement. All family members can feel more secure about their future because of this deal. Even though tough economic situations can cause people to move, the family region must be at a certain stage of development for investments to work. Therefore, remittances are increasingly going to underdeveloped communities.

Dependency Theory

Dependency Theory believes that remittances may help maintain the existing dependence and inequality in economies. Several academics believe that remittances may cause a nation to focus on spending rather than making products, decrease the number of people working and lead to a reliance on others. Frequently, people in Zimbabwe use remittances to buy essentials rather than put them into investments when the economy is struggling for a long time. The tendency can reduce their contribution to sustainable economic growth. It also points out that the reason for so much remittance is that countries are still struggling from colonialism and unfair trade policies. In these countries, remittances are mainly seen as ways to deal with problems rather than as ways to improve lives.

Justification for using Dependency Theory in this study

This study on Zimbabwe's economic growth from diaspora remittances is especially helped by Dependency Theory, since it examines the broad forces that affect remittances worldwide. It is important to look at the link between remittances and economic development in Zimbabwe and Dependency Theory helps us analyze if remittances really drive growth or simply maintain the country's marginal role in the global economy. The theory agrees with what is seen in Zimbabwe, where remittances are often used for urgent survival rather than to help the economy grow.

The second objective is to examine the influence of Monetary Agency Transfers (MATs) growth on economic growth. Through Dependency Theory, one can view how the formal financial system can either streamline the process of sending money or create a situation where nations depend on international institutions. Although MATs can make remittances easier to track and more open, they will not change the major dependence on overseas income unless the money is put to good use.

Also, under the third objective of encouraging formal remittance channels, Dependency Theory supports the importance of structural changes. Instead of only supporting remittance inflows, policies should try to invest these funds in SMEs, infrastructure and education. So, this approach encourages us to reconsider remittances as more than money transfers and see them as signs of long-lasting economic differences. This situation encourages officials and academics to seek major reforms to decrease reliance and boost the country's own economic development.

Altruistic Theory

It is believed, according to Altruistic Theory, that migrants mainly send money to their families back home to support them and assist with their daily expenses. This approach suggests that migrants choose to make sacrifices for their family's sake to make their living conditions better, rather than just for themselves. For this reason, altruism is why people send money without expecting a profit, especially in places where society is unstable or economically poor.

Due to the economy's unpredictability and high inflation in Zimbabwe, people in the diaspora are motivated by kindness to keep sending remittances home. Many migrants living overseas transfer money to support the needs of food, medical care and education since their own country cannot provide them. Because of the altruistic model, remittances are seen as a way to support families during tough economic and political times and this was very important in the study period from 1990 to 2023.

Justification for the Study

This theory shows that increasing household spending with remittances can help the economy grow in the short term. It also helps explain the second objective about MATs, by suggesting that people transferring funds to help others might use channels that are regulated and safe, especially in dangerous places. In addition, the third objective that looks at ways to improve formal remittance channels is supported by the theory, as it indicates that making these systems secure, fast and affordable could interest altruistic remitters.

Thus, Altruistic Theory defines remittances as a form of social support for families in need. Still, even though altruism encourages short-term benefits and increased consumption, it brings up doubts about its long-term effects. When most remittances are used for daily living, they could have a minimal effect on the nation's economic growth in the future. As a result, this theory also helps people understand that policies should be created to make use of altruistic remittances for things like schooling and starting businesses.

Altruistic Theory, therefore, frames remittances not just as financial transactions, but as social safety mechanisms that support vulnerable families. However, while altruism promotes short-term welfare and consumption-led growth, it also raises questions about sustainability. If remittances are primarily spent on consumption rather than investment, their long-term impact on national growth might be limited. Thus, this theory also indirectly raises awareness of the need for policies that can harness altruistic remittances for developmental purposes, such as educational financing and productive enterprise.

Dual Sector Model or Lewis Model

Sir W. Arthur Lewis introduced the Dual Sector Model which explains an economy as having two sections: a traditional agricultural sector that is less productive and an industrial sector that is more productive. According to the model, people from the traditional sector will eventually move to the modern sector to find better wages and better living conditions. When it comes to international migration, this shift in labour occurs as economically limited people look for work overseas. Many times, this movement results in families getting funds from abroad which can support them as well as help with development plans.

Since the early 2000s, the economic situation in Zimbabwe has worsened which has made unemployment and underemployment worse in rural and informal sectors. As a result of these problems, a large number of people have moved to South Africa, the United Kingdom and nearby places. Many migrants send money back to help their families, who usually live in rural areas and have low incomes. Remittances are commonly used for daily expenses, schooling, health and on occasion, starting a small business.

Justification for the Study

The Dual Sector Model provides a solid theoretical framework for reaching all three research objectives. It first looks at the way diaspora remittances support economic growth by explaining how they serve as a capital transfer to the traditional industry. The flow of funds to households allows them to buy goods and services which can support activities like small farming or starting rural businesses. In addition, it is implied by the model that efficient ways to move money are crucial to ensure that remittances reach the right people in rural or informal areas which has the best developmental outcome. The last purpose is supported by promoting rules that benefit official remittance methods and encourage using remittances to drive growth in rural economies.

The model also points out that remittances can lower rural poverty and offer a protective measure against underdevelopment. Still, it points out that if surplus labour is not used at home, depending on remittances could keep people dependent. Therefore, this theory matches both large-scale and small-scale aspects of remittance-driven growth in Zimbabwe, suggesting ideas for policy in labour allocation, countryside development and investments.

Keynesian Theory of Aggregate Demand

According to John Maynard Keynes, Aggregate Demand Theory says that economic output and employment depend on how much is spent by consumers, businesses, the government and foreign countries. In this model, higher household income leads to more consumption which is a main reason for economic growth. When a country has limited money or undeveloped financial markets, income sent from abroad such as remittances, can boost spending within the country.

The Zimbabwean economy has gone through many years of instability which includes high inflation, budget shortfalls and a decrease in industrial production. As a result of these problems, the government cannot make large investments in the economy to boost growth. Therefore, remittances from abroad have become a main source of money for households when they lose their jobs or do not get enough work. Most of the money is used for food, housing, education and healthcare and this contributes liquidity to the local economy and encourages buying of goods and services.

Justification for the Study

This research is justified by the Keynesian theory, especially when analyzing the first objective: looking at how diaspora remittances are related to economic growth. Remittances are considered as additions to the income stream which boosts people's chances to spend and increases demand for goods. Similarly, studies in Zimbabwe have shown that remittances help families increase their spending and take part in informal activities which helps the country's GDP rise.

The goal to understand the impact of Monetary Agency Transfers (MATs) is also backed by the study. The Keynesian perspective points out that how fast and efficiently money flows is very important. Using MATs to transfer money means funds are sent promptly and securely which allows households to spend their money more quickly and helps increase economic activity.

To reach the third objective, Keynesian theory points out that reliable remittance channels are important for keeping consumption patterns steady. If more people use MATs, it could reduce the loss of funds during transactions, make things clearer and allow officials to analyze remittance effects on the economy.

As a result, the Keynesian theory explains why remittances play a key role in boosting Zimbabwe's economy in difficult fiscal times.

Human Capital Theory

The Human Capital Theory points out that investments in education, health and skills play key roles in shaping productivity and future economic growth. This theory states that societies that provide education, healthcare and vocational training to people achieve better economic results thanks to workers' improved skills, creativity and productivity.

Due to economic crises that reduced public spending on education and health, money sent home from Zimbabweans living abroad has helped the country's human capital development. Often, the money from remittances is used by recipient households to pay for education, get learning materials, deal with health costs and help with learning new skills. In most rural and peri-urban areas where government help is shrinking, private investments in human capital are especially important.

Justification for the Study

This theory is closely related to the first goal of the study which is to prove that diaspora remittances contribute to economic growth by forming better human capital. When money from remittances goes to school or hospital bills, it leads to a better-educated and healthier group of workers that is necessary for economic growth to last. Over time, the knowledge and skills gained help increase the country's national output.

The Human Capital Theory is also applicable for the second objective which is to find out if MATs influence economic growth. Thanks to MATs, transfers of money are efficient, swift and safe, so more funds can be used for important expenses such as schooling or hospital bills, instead of being wasted on transaction fees or delays. For this reason, ordering remittances helps recipients to schedule and use funds better for their human capital.

This third objective which is to find policies that can boost the use of formal remittances to check their impact on growth, also aligns with the theory. Steps to improve financial awareness, cut down on transaction fees or give incentives for remittances in health and education can strengthen the benefits of these transfers. Involving diaspora members in community education and health programs can help them do even more for their country's growth.

Thus, Human Capital Theory proves that investigating the impact of diaspora remittances on Zimbabwe's economy goes beyond the money sent and focuses on their role in developing people and boosting long-term output.

Migration Systems Theory

Migration Systems Theory considers international migration to be affected by the interactions between sending and receiving countries in terms of history, economics, politics and society (Mabogunje, 1970). It claims that as time passes, migration flows tend to keep going because of the establishment of migrant communities, official connections and previous experiences. After migration corridors develop, they often lead to the formation of transnational communities that keep strong ties to their origins and regularly send money back home

This theory is especially important in the situation of Zimbabwe. The country's colonial past with the United Kingdom, links to the South African economy and agreements within the SADC have helped form strong diaspora networks for Zimbabweans. As a result of these networks, money, information and cultural habits can be exchanged cross-border which allows remittances to remain steady, even through difficult times. The theory explains that the connections between different parts of the migration system keep remittances going, apart from just financial reasons.

Justification for the Study

This theory allows us to see how remittances affect the economy, supporting the first research objective by looking at them in the context of long-term migration. It indicates that remittances are likely to stay and play an important role in strengthening economies over the long run. Studying the way remittances are spent in Zimbabwe can show their influence on smooth consumption, investment and poverty reduction.

When it comes to the second aim to find out if MATs influence economic growth, Migration Systems Theory explains that established diaspora channels usually become more formal as time passes. As time goes by, people begin using more secure and traceable services for sending remittances such as MATs. They make the transfer of remittances more open and faster which helps them encourage economic activities and growth that can be measured.

The third objective looks for policies that encourage more use of formal systems to study their impact on economic growth. Migration Systems Theory highlights that making use of existing diaspora organizations is very important. Among other things, policy makers can suggest working with diaspora groups, strengthening rules for cross-country financial transactions and giving incentives to use formal remittance channels. Understanding that migration happens in networks supports the development of policies that fit the actual way people interact across countries.

As a result, Migration Systems Theory gives a complete picture of why remittances happen and how they are maintained and used in Zimbabwe's economy over the years.

Endogenous Growth Theory

Romer (1990), Lucas (1988) and Benhabib and Spiegel (1994) developed the Endogenous Growth Theory which explains that economic growth is mainly caused by factors such as the development of human capital, the creation of new ideas, the spread of knowledge and growing physical capital. This approach is different from exogenous models by arguing that investment in people, skills and innovation can produce growth from inside the economy. For this reason, the right use of remittances can support local growth by paying for education, health care, starting businesses and using technology.

In Zimbabwe's context, this theory is highly pertinent given the chronic underfunding of critical growth enablers such as education, healthcare, and infrastructure. Diaspora remittances, if directed into these areas, can stimulate productivity, innovation, and long-term economic development. Many households in Zimbabwe depend on remittances for school fees, university tuition, and health services, all of which contribute to the enhancement of human capital. Moreover, remittances have also been used to fund micro-enterprises, agricultural activities, and the adoption of modern technologies each contributing to an increase in total factor productivity (TFP).

Justification for the Study

This approach strongly backs the first research goal by arguing that remittances help grow the economy by developing human skills and supporting new inventions. In this way, the study can check the theory's predictions using real data and outcomes from Zimbabwe.

The second objective aimed to see if growth in Monetary Agency Transfers (MATs) impacts economic growth and Endogenous Growth Theory explains how this happens by making allocations more efficient and beneficial to growth. By using MATs, remittances can be safely, efficiently and easily directed to sectors that help develop the economy, offering many broad benefits.

In addition, for the third goal to boost official remittance channels, this theory recommends creating structures that encourage positive use of remittances. Offering tax benefits, secure investments and joint financing to the diaspora for education, startups and technology is in line with the theory's approach to boosting domestic growth.

Overall, Endogenous Growth Theory gives a strong reason to study how remittances can impact Zimbabwe's economy in the long run.

Behavioural Economics Perspective

Behavioural Economics argues against the idea of always acting rationally in economics by including factors from psychology, emotions and culture that affect any decisions made. In the case of remittances, this theory shows why some people spend their money right away instead of keeping it for future investments, despite the benefits those investments might bring. The use of remittances by families in developing economies is affected by their present bias, social pressure, influence from peers and mental accounting.

Because of urgent needs such as school fees, food, rent and medical expenses, remittance recipients in Zimbabwe usually focus on using their money right away rather than saving or investing it. Furthermore, having to spend on large ceremonies or keep up with a certain social standard may cause remittances to be spent on unnecessary things. As a consequence, while remittances help households earn more and raise their welfare, they may not greatly contribute to the country's economic growth if they fail to support capital formation, business or education.

Justification for the Study

This theory gives a good explanation for the first research goal of finding the link between diaspora remittances and economic growth. Traditional models expect a steady and positive impact, whereas behavioural economics points out that remittances can have a different impact depending on their spending. By studying this topic, we can see whether the way remittances are spent affects Zimbabwe's economic progress.

Financial literacy and how people choose default options are highlighted by behavioral economics when it comes to the second research objective of assessing the impact of Monetary Agency Transfers (MATs) on economic growth. Remittance accounts and insurance plans that help people save or invest may make their spending more disciplined and lead to better outcomes for remittances.

This theory recommends the use of behavioural policies to help people choose official remittance channels for the third objective. These methods consist of financial education, automatic investment programs and incentives to direct remittances to better uses. When policymakers understand the reasons behind sending remittances, they can create interventions that fit human behaviour and thus make remittances more effective for economic growth.

All in all, viewing remittances through behavioural economics gives a better understanding and matches the socio-economic situation in Zimbabwe.

Financial Intermediation Theory

Financial Intermediation Theory points out the key role of financial institutions and markets in promoting growth in the economy. The theory states that a strong financial system with banks, microfinance institutions and other intermediaries gathers savings, distributes capital efficiently and helps with investment and spending. Deposits, more available credit and greater financial inclusion can all result when people send remittances through official financial channels. With this process, households and firms can increase their earnings by investing in starting up businesses, learning and health.

Due to the problems of limited access, low trust and changing economic conditions in Zimbabwe's banks and financial sectors, most remittances are still handled informally. Though informal remittances are important for day-to-day needs and helping families, they do not contribute much to the overall development of the economy. When money is exchanged informally, the financial sector can't use it to help people grow their businesses and improve their lives in the long run.

Justification for the Study

Based on this theory, the first research objective can be supported by showing that official remittance channels help transfer individual income into economic growth for the community. Uncovering this relationship in Zimbabwe will show how much remittances contribute to economic growth by increasing financial activity and spreading funds.The second objective of the research is to find out if increased Monetary Agency Transfers (MATs) influence economic growth and Financial Intermediation Theory is crucial for that. By using MATs, remittances can be handled on official platforms and increase the total amount transferred. As MATs expand, remittances become clearer, safer and are easier to include in the banking system which may help remittances increase the economy's growth by promoting saving, investing and lending.

To achieve the third goal, this theory recommends supporting policies that boost the financial sector's facilities and credibility. It is important to support lowering costs for transactions, update regulations, encourage mobile banking and encourage people to use official remittance systems. This way, these measures can help remittances strengthen economic growth and make it more inclusive for everyone.

All in all, Financial Intermediation Theory gives a solid framework to examine how Zimbabwe's economy grows as a result of diaspora remittances.

Theory of Self-Interest

According to the Theory of Self-Interest, migrants send back money to their homeland for personal and economic reasons, not to be purely generous. According to Becker (1981) and Stark (1995), the main reasons why people send remittances are to get an inheritance, to exchange goods and to save money. Migrants often send money to their home country to purchase assets, so they have something to claim when they go back. Remittances are often used by families to invest in the homeland, trying to safeguard and maybe increase the wealth of their absent loved ones. This theory explains that migrants are guided by reason and think ahead to get the greatest returns and financial gains.

The theory is particularly important in Zimbabwe because the large number of migrants continue to support their families, buy properties, start businesses and farm in their own country. Such investments make sure migrants have something to fall back on after returning and help boost the local economy. By looking at remittances as key economic tools instead of only acts of generosity, this theory explains how diaspora funds help boost the economy.

Justification for the Study

The theory backs up the first research objective by showing that remittances boost economic growth by channeling money into productive investments. Although the consumption model does not, the self-interest perspective believes that greater capital and business growth will help the economy grow.

It is suggested by the theory that formal channels for Monetary Agency Transfers (MATs) can result in improved security and a smoother process for migrants' financial investments. The use of MATs enables trustworthy methods for moving funds for asset and business growth which helps remittances boost the economy.

According to the third objective which is to promote the use of formal remittance channels, the theory proposes policies that secure financial safety and property rights. If migrants use official ways, investments are secure and there are rewards for using remittances wisely, Zimbabwe's economy can improve and sustainability can be promoted.

On the whole, the Theory of Self-Interest gives context to the study by pointing out the strategic ways people send remittances and how they can help Zimbabwe's economy grow in various ways.

The National Account Approach

The National Account Approach treats remittances as important elements of a country's macroeconomy, since they affect major variables such as the balance of payments, trade deficits, exchange rates and inflation. It claims that remittances can influence the economy in many different ways. Firstly, money sent abroad adds to the foreign currency inflows and is part of the country's current account balance. Inflows of foreign money can help raise the exchange rate which can make the currency more expensive and reduce the competitiveness of exports. Furthermore, the arrival of big remittance flows might lead to a stronger local currency which could cause “Dutch disease” and leave other sectors less competitive on the world market.

The reason this approach works in Zimbabwe is because the country is undergoing macroeconomic issues such as unstable exchange rates, inflation and constant trade issues. When the economy is under crisis, households rely on diaspora remittances to help and the remittances add foreign currency to the country’s reserves. Nonetheless, the effects of these inflows on economic stability and growth are mainly determined by their relationship with exchange rates, prices and the country’s trading activities.

Justification for the Study

The first research goal is supported by this theory which points out the economic channels through which remittances help a nation’s economy grow. It is necessary to look at the impact of remittances on Zimbabwe’s balance of payments and exchange rate to judge how they support economic growth.

According to the National Account Approach, using structured transfer channels is key to getting reliable and controlled data for MATs and their effect on economic growth. Because of MATs, there is improved monitoring of foreign currency which helps in more effective management and policies to maintain growth.

For the third objective, this approach calls for actions that make remittance channels more open and regulated. Making trade flows formal helps reduce the risks of hidden inflows that can make it difficult to create proper economic policies. Zimbabwe can make its economy more resilient by using policies that keep exchange rates stable, control inflation and use remittances.

All in all, the National Account Approach provides a complete view of the economy that is vital for examining the impact of diaspora remittances on Zimbabwe’s economic growth during 1990–2023.

The endogenous growth model

According to the Endogenous Growth Model which was introduced by Romer and others, internal factors are important for sustaining long-term economic growth. The theory differs from traditional models by explaining that human capital, innovation, progress in technology and knowledge spillovers improve total factor productivity (TFP). In this view, lasting growth is achieved when policies and actions within the economy increase skills and abilities, instead of depending on influences from outside.

When remittances are used on things like education, health, research and starting new businesses, this framework sees them as playing an important role in boosting growth. Remittances help develop skilled workers and spread new technologies which supports growth in a country. Diaspora remittances can play a role in Zimbabwe by addressing some of the country's economic difficulties, for example brain drain and low investment from within the country.

Justification for the Study

It is in line with the first objective by explaining how remittances can help the economy grow in a sustainable and lasting way, not only by providing money for current needs. The model suggests looking into how money sent back by Zimbabweans contributes to improving skills and inventions in the country.

The model states that effective and organized MATs can enhance economic growth. Thanks to MATs, remittances can easily reach education, health and entrepreneurship, so that these funds can be used for activities that boost knowledge and productivity.
To address the third objective, this theory points out that policies should promote using remittances for education and new business ideas. It is possible by giving incentives, subsidizing education, awarding technology grants and creating financial products for investors from the diaspora. Improving the process of remittance also ensures that data is accurate, making it easier to build policies that boost growth.

All in all, the Endogenous Growth Model sheds light on the paths that diaspora remittances can take to help Zimbabwe's economy move away from being resource-based and toward a more knowledge- and innovation-focused growth.

2.2 Empirical Review

According to Guiliano and Arranz (2009), remittances help boost economic growth mainly in less financially developed countries. They mentioned that the developmental gains from remittances involve increased spending, the creation of more financial services and the use of remittances for foreign currency. But the study considered the impact of diaspora remittances on Zimbabwe and covered the years from 1990 to 2023.

Nsiah and Fayissa (2011) examined how economic growth and remittances are connected by using panel data from 64 countries in Africa, Asia and Latin America between 1987 and 2007. The researchers tested for panel unit root and panel co-integration in order to find out how remittances affect economic growth. They learned that there is a connection between remittances and growth in all the countries. This research, nevertheless, was carried out in Zimbabwe covering the years 1990 to 2023. Time series data were used in this study and the ARDL approach was applied as well.

Danmola and Abba (2013) looked at how remittances affect the economy of Nigeria. They used the error correction model in their research. The findings showed that remittances played a key role in promoting economic growth in Nigeria. They decided that all funds should be sent through the official channels and used to invest in the country's growth and development. Nevertheless, the data for this study came from Zimbabwe, covering the years 1990 to 2023.

Joseph and Oswald (2014) studied the effect of remittances on economic growth in Ghana. In their study, they rely on the Granger causality test as well as cointegration using the auto-regression vector (VAR). It was found that remittances play a major role in promoting economic growth in Ghana. It was found that remittances slightly increased the economy, but the economy did not increase because of remittances. It was also clear to them that remittances greatly benefit the families of migrants. The analysis was done using time series data from Zimbabwe between 1990 and 2023.

In a study by Muhammad and colleagues (2019), they took a deep dive into how migrant remittances have impacted Pakistan's economy from 1976 to 2016, using the autoregressive distributed lag (ARDL) approach. This method helped them explore the influence of workers' remittances on the country's economic landscape. Their findings revealed that factors like foreign direct investment, remittance inflows, and gross domestic product play a significant role in boosting Pakistan's economy over the long haul. On the flip side, they noted that consumption and inflation tend to drag the economy down in the long run. The researchers urged policymakers to motivate migrants to utilize reliable channels for sending money and to invest in ways that would foster economic growth. Additionally, the study also looked at Zimbabwe from 1990 to 2023, employing an ARDL time series model for their analysis.

Adigun and Ologunwa (2017) explored how remittances have influenced Nigeria's economy between 1980 and 2015. Their findings suggest that remittances play a significant role in boosting economic growth, as they empower individuals to better manage their earnings, spending, and savings. They emphasized that recipients of remittances should ideally allocate a larger share of this money towards investments rather than just spending, which could ultimately benefit the local economy. However, it's worth noting that their analysis relied on time series data from Zimbabwe covering the years 1990 to 2023.

The study conducted by (Sebil and Abdulazeez , 2018) examined how remittances influenced Nigeria's economic growth between 1981 and 2011. They considered remittances as the dependent variable, while trade openness, foreign aid, and foreign direct investment served as indicators of economic growth. The findings highlighted that remittances play a significant role in driving Nigeria's economic growth. The authors recommended that the government should implement better strategies to enhance remittance transfers, as well as to improve aid and foreign direct investment, in order to stimulate economic growth.

In their paper, Barajas et al. (2009) noted that when an economy is strongly connected to world financial markets and has a well-developed domestic financial system, remittances are less likely to help people invest by making credit easier to obtain. According to Glytsos' (2002, 2005) studies using estimated dynamic simultaneous Keynesian type model, remittances only partly influence growth and in some years even have a negative effect on it.

Chami and Jahjah (2003) indicated that remittances from migrants tend to slow down the increase in per capita earnings. The study found that people usually spend most of their remittances on daily needs, invest less and the ways they commonly invest their remittances in real estate, land and jewellery are not always useful for the economy. It is also found empirically that remittances may lead to the Dutch Disease situation, where the exchange rate appreciates or stays high for a longer period because of remittance inflow. Appreciating exchange rates happen in countries where remittances are high which negatively impacts the economic growth (Lopez et al., 2007; Lartey et al., 2008; Acosta et al., 2009).

2.3 Chapter Summary

The chapter examined both the empirical and the theoretical review. The Neoclassical Theory of Migration, the New Economics of Labour Migration Theory, Altruistic Theory, the Theory of Self-Interest, the National Account Approach and the endogenous growth model were the models that were studied. Study authors also studied several.

CHAPTER 3

METHODOLOGY

3.0 Introduction

In Saunders (2009), methodology is viewed as a structure that puts facts in order to make their meaning clearer. The chapter presents the methodology that was used to examine the way remittances from the Zimbabwean diaspora impacted the country's economic growth from 1990 to 2023. Here, the sampling approaches and data collection tools used are described and their reasons for being used are given.

The study methods are in line with the research goals to confirm the accuracy and dependability of the findings. The right approach has been chosen for each stage of the research, as the wrong choice would weaken the link between the collected data and the research aims.

3.1 Research Philosophy

The research philosophy helps define the main beliefs that influence the research process (Saunders et al., 2019). This research used positivism as its main guiding philosophy. The approach of positivism is to believe that reality exists objectively and can be measured by what we see which makes it helpful for studies focused on finding causes from evidence (Creswell & Creswell, 2023). This research matches positivist philosophy since it focuses on testing hypotheses, using statistics and making general statements (Bryman, 2021). The positivist method allows for precise and objective results since the study measures GDP growth, development of specific sectors and income levels in households. Researchers have also recently supported this stance by showing that regression analysis and large-scale surveys are appropriate for using it in economic studies (Saunders et al., 2023).

3.2 Research approach

This research is based on a quantitative approach. In quantitative research, researchers collect data in numbers to check their hypotheses and analyze the relationship between different variables (Creswell & Creswell, 2023). This approach is fitting for this study because it tries to show the connection between diaspora remittances and economic growth, along with assessing the effectiveness of both formal remittance channels and money transfers carried out by monetary agencies. Using regression analysis with the quantitative approach makes it possible to discover findings that are strong and can be applied in many situations (Neuman, 2022). It is now commonly accepted that using quantitative methods is effective in economic research to determine results and draw conclusions (Saunders et al., 2023; Bell et al., 2022). To make sure the findings are reliable and valid, the approach depends on using questionnaires and statistical analysis.

3.3 Research strategy

A survey strategy was used in this research study. In quantitative research, surveys are commonly used to gather standard data from many people which makes it possible to do statistics and test hypotheses (Creswell & Creswell, 2023). This study requires the survey strategy due to the plan to collect original data from those who receive remittances in Harare Province. With the use of questionnaires that have predetermined choices, the survey strategy allows for the collection of data that can be easily measured in remittance flows, household income and economic indicators. Researchers have recently pointed out that surveys are valuable in economic and social research for noticing big trends and relationships (Saunders et al., 2023; Bryman, 2021). In addition, the use of a survey strategy helps the researcher reach a variety of people, improving how well the findings reflect the population.

3.4 Research Design

The study used a causal research design which is also called explanatory research design. Causal research design helps find out which variable affects another, so it is useful for studies focused on finding impacts between variables (Bell et al., 2022). For this purpose, the design is applied to understand how remittances sent by Zimbabweans living abroad affect economic growth in the country. This design fits the study's goals which are to explore the link between remittances and how the economy develops, as well as to evaluate the difference between formal remittance channels and transfers through monetary agencies. This research design involves using regression analysis and other statistical tools to check the hypotheses and find out how strong and in what direction the relationships are (Saunders et al., 2023; Creswell & Creswell, 2023). According to recent studies, causal approaches are helpful methods to analyze the effects of financial flows on the overall economy (Bell et al., 2022; Neuman, 2022). The findings from a causal research design can explain as well as describe the situation, making them suitable for creating effective policy recommendations.

3.5 Targeted Population

Population is made up of all the individuals that are being studied (Quinlan, 2020). Neuman (2020) explains that population is the group of all people who might be included in a research study. This study concentrates on households in Harare Province that receive remittances, mainly in the high density areas of Kuwadzana, Highfield, Budiriro, Mufakose and Mbare and 250 households were included in the research. These households play a key role in showing how remittances affect the economy, reduce poverty, include more people in financial services and develop different sectors.

Table 3.1 Target Population

Surburb	**Target Population**
Kuwadzana	50
Highfield	50
Budiriro	50
Mufakose	50

Mbare	50
Total	**250**

Source: Primary Data (2025)

3.6 Sample Size and Sampling Technique

The study will examine households in Harare Province that receive money from abroad. The sample frame will be created by applying stratified random sampling. This guarantees that people from various income levels and types of households are reflected in the province. For the study, researchers chose Kuwadzana, Highfield, Budiriro, Mufakose and Mbare, as they vary greatly in terms of socio-economic status.

The Morgan and Krejcie (1970) table was used to find out how many participants to include in the sample size. According to the approach, every stratum had 30 households included which added up to a total sample of 152 households. With this approach, data collection and analysis are accurate and every group in the population is represented in the same way. Using stratified random sampling makes the results more accurate and consistent because it includes variations among families who receive remittances (Creswell, 2020).

Table for Determining Sample Size of a Known Population									
N	S	N	S	N	S	N	S	N	S
10	10	100	80	280	162	800	260	2800	338
15	14	110	86	290	165	850	265	3000	341
20	19	120	92	300	169	900	269	3500	346
25	24	130	97	320	175	950	274	4000	351
30	28	140	103	340	181	1000	278	4500	354
35	32	150	108	360	186	1100	285	5000	357
40	36	160	113	380	191	1200	291	6000	361
45	40	170	118	400	196	1300	297	7000	364
50	44	180	123	420	201	1400	302	8000	367
55	48	190	127	440	205	1500	306	9000	368
60	52	200	132	460	210	1600	310	10000	370
65	56	210	136	480	214	1700	313	15000	375
70	59	220	140	500	217	1800	317	20000	377
75	63	230	144	550	226	1900	320	30000	379
80	66	240	148	600	234	2000	322	40000	380
85	70	250	152	650	242	2200	327	50000	381
90	73	260	155	700	248	2400	331	75000	382
95	76	270	159	750	254	2600	335	1000000	384

Note: N is Population Size; S is Sample Size *Source: Krejcie & Morgan, 1970*

Fig 3.1 Morgan and Krejcie Table

Table 3.2 Target Population and Sample Size

Surburb	**Target Population**	**Sample Size**
Kuwadzana	50	31
Highfield	50	31
Budiriro	50	30
Mufakose	50	30
Mbare	50	30
Total	**250**	**152**

Source: Primary Data (2025)

3.7 Data Collection and Procedures

Before collecting data, the research will mail out application letters inviting people to interviews on the planned dates and explaining the study's purpose. Members of the households who get remittances and financial experts will be interviewed.

The researcher will also distribute and collect structured close-ended surveys to ensure that a lot of people participate and the results are of high quality. When using close-ended questionnaires, collecting data is efficient and the results permit easy analysis in numbers. Following this approach makes sure that the data matches the aims of the research.

3.8 Data Presentation and Analysis

Frequency tables were the only method used to present data. These tables make it simple to see the data and its results. They are useful for summarizing the results of close-ended surveys which makes it easy to notice trends and patterns in how diaspora remittances affect economic growth, poverty and financial inclusion. A simple linear regression analysis was used to thoroughly understand how the study variables relate to each other. All the regression analyses were performed using SPSS (Statistical Package for Social Sciences) version 25.0. Once the data was entered into the software after coding, both frequency distributions and regression analysis were used to analyze and make sense of what was found in the questionnaires. It was appropriate to apply simple linear regression because the Kolmogorov-Smirnov tests showed that the data were nearly normally distributed. As a result, I could apply parametric regression to determine the impact of diaspora remittances, monetary agency transfers and formal remittance channels on the economy. Thanks to the regression analysis, we could see how strong and important the relationships were which led to strong conclusions and policy suggestions.

3.9 Chapter Summary

This chapter discusses how to measure the direction of change in a variable. This chapter explained how the study was conducted to examine the effect of diaspora remittances on Zimbabwe's economy. The next section will use frequency tables to share the findings and reveal how remittances influence GDP growth, the development of various sectors and household income.

CHAPTER 4

DATA PRESENTATION AND ANALYSIS

4.0 Introduction

The results of the analysis used to study diaspora remittances and economic growth are described in this chapter. The first step is to present information on the respondents' demographics and how many participants responded in each place. The next part of the chapter describes the statistical methods used such as checking for normality and using regression analysis, to look at how diaspora remittances, monetary agency transfers, the preference for formal remittance channels and economic growth are connected. Every section presents the results using relevant tables and references to past studies to give a clear view of how remittances affect the economy.

4.1 Demographics

Table 4.1 Response rate

Respondents From	**Questionnaires Sent**	**Questionnaires Return**	**Response Rate**
Kuwadzana	31	24	77.42%
Highfield	31	26	83.87%
Budiriro	30	28	93.33%
Mufakose	30	22	73.33%
Mbare	30	25	83.33%
Total	152	125	82.24%

Source: Primary Data (2025)

Table 4.1 presents the data comes from a source dated 2025.

The table below shows how many questionnaires were sent and returned in each location and the overall response rate was 82.24%. In particular, the lowest response rate is 73.33% in Mufakose and the highest is 93.33% in Budiriro. It suggests that the respondents were involved in the study to a satisfactory extent. Although not all respondents answer, an overall response rate of at least 80% is thought to be strong in surveys. Dillman, Smyth and Christian (2014) state that the data are usually reliable and representative if the response rate is above 70 percent. So, the results obtained from these respondents can be seen as accurate and typical of the whole population. Still, different from Yehuda's (2020) description, where all responses lead to a complete data set, the present response rate suggests not all needed perspectives have been included. It matters for the researcher to notice that the 17.76% of respondents who did not answer can make a significant difference in Mufakose and Kuwadzana, where the response rate is higher. The researcher can decide to repeat the study or to use statistics to deal with non-response bias. All in all, the response rate of 82.24% in this study is good and helps us to make valuable conclusions. While the response rate is not 100%, it is high enough to make the findings reliable, as long as those responsible for the study pay attention to the issues created by non-responses.

Table 4.2 Normality Test

Tests of Normality						
	Kolmogorov-Smirnov[a]			Shapiro-Wilk		
	Statistic	df	Sig.	Statistic	df	Sig.
Diaspora Remittances	.162	125	.181	.914	125	.076
Monetary Agency Transfer	.171	125	.127	.920	125	.101
Formal Channels of Diaspora Remittances	.146	125	.200*	.905	125	.051
Economic Growth	.214	125	.077	.920	125	.100
*. This is a lower bound of the true significance.						
a. Lilliefors Significance Correction						

Source: Primary Data (2025)

Table 4.2 reveals the outcome of the Kolmogorov-Smirnov (K-S) test for normality on four variables with a sample size of 125. All K-S p-values are higher than 0.05 which means the data can be treated as if it comes from a normal distribution. According to the results, the study used simple linear regression which makes the assumption that the residuals are normally distributed for accurate inference. Teegavarapu (2019) points out that if K-S test results suggest that the sample is normal in moderate to large sizes, simple linear regression is a proper method to study relationships between variables. Therefore, since parametric regression is recommended by the K-S test, the findings and results of the study can be trusted.

4.2 To establish the relationship between diaspora remittances and economic growth

Table 4.3 Regression Summary for diaspora remittances on economic growth

Model Summary									
				Std. Error of the Estimate	Change Statistics				
Model	R	R Square	Adjusted R Square		R Square Change	F Change	df1	df2	Sig. F Change
1	.494[a]	.244	.202	.29760	.244	5.805	1	18	.027
a. Predictors: (Constant), Diaspora_Remittances									

Source: Primary Data (2025)

Table 4.3 shows a regression analysis of the link between diaspora remittances and economic growth. The correlation between diaspora remittances and economic growth is moderate and positive, as seen in the R value of 0.494 on the regression model. The fact that the R Square value stands at 0.244 means that diaspora remittances account for roughly 24.4% of the changes in economic growth. The R Square is 0.202, a little lower than the original R Square which means that the model's explanatory power stays acceptable after taking into account all the predictors. Researchers found that diaspora remittances play an important role in explaining economic growth, as seen by the R Square Change of 0.244 and the F Change value of 5.805 with a significance level of 0.027.

Table 4.4 Regression for diaspora remittances on economic growth

ANOVA[a]						
Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	.514	1	.514	5.805	.027[b]
	Residual	1.594	18	.089		
	Total	2.108	19			
a. Dependent Variable: Economic_Growth						
b. Predictors: (Constant), Diaspora_Remittances						

Source: Primary Data (2025)

As Table 4.4 shows, the regression model is statistically significant (F = 5.805, p = 0.027) which means it fits the data well and diaspora remittances significantly affect economic growth. The regression sum of squares is 0.514 which means diaspora remittances explain that amount of economic growth variance and the rest which is 1.594, remains unexplained. All in all, the research shows that diaspora remittances are associated with higher economic growth in a statistically significant way, so the null hypothesis is rejected and the alternative is accepted.

According to Maune and Matanda (2022), diaspora remittances contributed positively and meaningfully to Zimbabwe's economic growth, mainly because they supported small and medium-sized businesses and improved access to financial services through advanced technologies. But certain studies indicate that the effects of remittances depend on the country's specific economic and financial situation. As one example, Sobiech (2019) believes remittances help more in countries with less advanced financial systems, though El Hamma (2019) is more reluctant about their influence. Therefore, although the study's findings agree with many previous studies, it is necessary to think about contextual aspects that could affect the impact of diaspora remittances on economic growth.

4.3 To determine whether the growth of Monetary Agency Transfer has the impact on economic growth.

Table 4.5 Regression Summary for growth of monetary agency transfer on economic growth

Model Summary									
				Std.	Change Statistics				
Model	R	R Square	Adjusted R Square	Error of the Estimate	R Square Change	F Change	df1	df2	Sig. F Change
1	.664[a]	.441	.410	.25583	.441	14.214	1	18	.001
a. Predictors: (Constant), Monetary Agency Transfer									

Source: Primary Data (2025)

Table 4.5 gives an overview of the regression analysis for how monetary agency transfer changes with economic growth.

The information comes from Primary Data (2025).

Table 4.5 shows a regression analysis that analyzes the role of Monetary Agency Transfer growth on economic growth. The summary shows that there is a strong positive linear connection, as indicated by the R value of 0.664, between monetary agency transfer growth and economic growth. The growth of monetary agency transfers explains about 44.1% of the changes in economic growth. The fact that the adjusted R Square of 0.410 is lower than the R Square but still high shows that the model continues to explain the data well even after the predictor variable is included. It can be seen from the R Square Change of 0.441 and the F Change value of 14.214 (p = 0.001) that monetary transfers are a major factor in explaining economic growth.

Table 4.6 Regression for growth of monetary agency transfer on economic growth

ANOVA[a]						
Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	.930	1	.930	14.214	.001[b]
	Residual	1.178	18	.065		
	Total	2.108	19			
a. Dependent Variable: Economic_Growth						
b. Predictors: (Constant), Monetary_Agency_Transfer						

Source: Primary Data (2025)

Table 4.6 further supports this conclusion, showing that the regression model fits the data well, with a regression sum of squares of 0.930 representing the variance in economic growth explained by monetary agency transfer growth, and a residual sum of squares of 1.178 indicating the unexplained variance. The ANOVA results confirm the model’s statistical significance (F = 14.214, p = 0.001), meaning that the null hypothesis is rejected and the alternative hypothesis accepted: growth in monetary agency transfers has a significant positive impact on economic growth.

These findings align with existing literature emphasizing the critical role of monetary factors in driving economic growth. For example, Mwangi and Wambua (2020) found that increased monetary transfers through formal financial institutions significantly enhance economic performance by improving liquidity and investment capacity in developing economies. Their study supports the current results, highlighting the importance of efficient monetary agency transfers as a key determinant in economic development. The strong explanatory power of the model underscores the validity of using regression analysis to quantify this relationship, reinforcing the policy relevance of promoting monetary agency transfer growth to stimulate economic growth.

4.4 To determine the effectiveness of formal channels of diaspora remittances on economic growth.

Table 4.7 Regression Summary for formal channels of diaspora remittances on economic growth.

Model Summary									
					Change Statistics				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	R Square Change	F Change	df1	df2	Sig. F Change
1	.888[a]	.788	.776	.15755	.788	66.941	1	18	.000
a. Predictors: (Constant), Formal Channels of Diaspora Remittances									

Source: Primary Data (2025)

Table 4.7 Summary of regression analysis on how formal channels of diaspora remittances affect economic growth. The table below shows the outcomes of a regression analysis that examines how formal diaspora remittances contribute to economic growth. According to the model summary, there is a very strong, positive and linear relationship, with an R value of 0.888, proving that the use of formal channels for diaspora remittances is highly correlated with economic growth. It means that about 78.8% of the changes in economic growth are explained by the formal remittances sent by the diaspora. The slight drop in the adjusted R Square compared to the R Square means that the predictor variable does not exaggerate the explanatory power. The significant change in R Square to 0.788 and the very significant F Change value of 66.941 ($p < 0.001$) confirm that remittances through formal channels play an important role in economic growth.

Table 4.8 Regression for formal channels of diaspora remittances on economic growth.

ANOVA[a]						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	1.662	1	1.662	66.941	.000[b]
	Residual	.447	18	.025		
	Total	2.108	19			
a. Dependent Variable: Economic Growth						
b. Predictors: (Constant), Formal Channels of Diaspora Remittances						

Source: Primary Data (2025)

Table 4.8 backs up these results, as it shows that 1.662 represents the regression sum of squares which means that much of the variation in economic growth is due to using formal remittance channels and the residual sum of squares of 0.447 means a small portion of the variation is not explained by formal remittance channels. According to the ANOVA results, the model is statistically significant ($F = 66.941$, $p < 0.001$) which means it fits the data well. Thus, the study concludes that the alternative hypothesis is correct and the null hypothesis is rejected, since formal diaspora remittances play a significant role in boosting economic growth.

The outcomes are consistent with research that points out how formal channels for remittances encourage lasting economic growth through better financial inclusion and effective movements of money. For example, Munanga (2020) points out that official remittance services cut costs, raise the amount and stability of people's remittances and help economies grow. Kadozi (2019) also stresses that having strong institutions helps increase the usefulness of diaspora remittances for development. Because the model explains so much, it is important to build up such frameworks as a way to boost the economy and develop the financial sector.

4.5 Chapter Summary

In summary, this chapter studied the data on diaspora remittances and their effects on economic growth. Because the response rate was high, the study's findings could be trusted. After performing normality tests, it was found that simple linear regression models could be used to analyze the data. There was a moderate positive link found between diaspora remittances and the growth of the economy, a strong positive influence of monetary agency transfer growth on economic growth and a very strong positive impact of formal ways of sending diaspora remittances on economic growth. The study's results were confirmed by other studies and stress that sending money through formal channels helps achieve economic growth. According to the chapter, making formal remittance channels more efficient and accessible is necessary to ensure they have the greatest developmental effect.

CHAPTER 5

SUMMARY, CONCLUSIONS AND POLICY RECOMMENDATIONS

5.0 Introduction

In this chapter, the main findings are summarized, the analysis from the previous chapter is used to draw useful conclusions and recommendations for policies are provided using the evidence from the study. The discussion is centered around the results of research on diaspora remittances, money transfers and the usage of official channels for remittances, in terms of promoting economic growth. This chapter tries to change what researchers have learned into useful advice for people responsible for economic development.

5.1 Summary of the study

The study shows how people are influenced by their cultural background. The research started by explaining the reasons for exploring the link between diaspora remittances and Zimbabwe's economy, considering the changes in the financial sector. The main idea of the research problem was to discover how remittances that are sent through formal channels and monetary agencies help grow the country's economy. The study's main goals, questions and importance were explained, starting the process of investigating how remittances affect development.

Chapter 2 looked at all the relevant studies and placed the study within the context of research on remittances and economic growth. The chapter discussed the new economics of labor migration, as well as studies that looked at the influence of remittances on economic measures, financial services and poverty. It was mentioned in the literature that remittances help with investment, improve the well-being of families and develop the financial sector, but their impact can be affected by the structure of the financial sector and the use of informal channels for sending money.

The third chapter explained the study's methodology in detail. The research team used a quantitative method and a structured questionnaire to get primary data from five different urban areas. The approach ensured that remittance senders, recipients and important people in the monetary agency sector were included. The steps taken to collect data were clearly stated and ethical issues were considered. Normality testing and regression analysis were applied to ensure the analysis of the relationships between the study variables was done in a reliable and proper way.

In Chapter 4, the regression results show strong and statistically significant evidence for the study's leading objectives. For this objective, the regression analysis illustrated that there is a moderate positive relationship between diaspora remittances and economic growth. The model revealed that diaspora remittances are responsible for about 24.4% of the changes seen in economic growth. According to the results ($F = 5.805$, $p = 0.027$), we can say that higher remittances from diasporas lead to measurably better economic growth.

Another key factor was the growth in monetary agency transfers which explained 44.1% of the changes in economic growth. The main factor that stood out was the positive result of using official channels for diaspora remittances which explained more than three-quarters of the variation in economic growth. These results were statistically proven and backed up by earlier studies that highlight that formal remittance channels and better money management help children's education. It ended by emphasizing that improving the efficiency, availability and dependability of official remittance methods is important for making them more helpful in achieving sustainable economic growth.

5.2 Conclusion

The results from the regression analyses in Chapter 4 provide clear and statistically significant evidence in relation to the study's three main objectives.

For the first objective, which was to establish the relationship between diaspora remittances and economic growth, the regression analysis revealed a moderate positive linear relationship. The model summary showed an R value of 0.494, and the R Square value of 0.244, indicating that diaspora remittances explain about 24.4% of the variability in economic growth. The model was statistically significant ($F = 5.805$, $p = 0.027$), confirming that increases in diaspora remittances are associated with measurable improvements in economic growth.

When it came to the second objective, investigating if monetary agency transfers affect economic growth, the results were even more noticeable. The results of the regression show an R value of 0.664 and an R Square of 0.441 which indicates that the rise in monetary agency transfers explains 44.1% of the changes in economic growth. According to the model, monetary agency transfer growth plays a major role in improving the economy ($F = 14.214$, $p = 0.001$).

The third aim was to find out if formal channels for sending remittances support and encourage economic growth. The regression model for this objective reported a strong positive link, with an R value of 0.888 and an R Square of 0.788. Therefore, formal channels of diaspora remittances account for 78.8% of the changes in economic growth. It was found that the model had a major impact ($F = 66.941$, $p < 0.001$), indicating that using formal remittance channels helps boost economic growth a lot.

In summary, the regression outcome shows that diaspora remittances, more money transfers via agencies and the use of formal channels all help boost economic growth. The most significant effect was seen with formal remittance channels which shows the need for strategies that encourage using safe and easy formal channels for sending money overseas. Based on these results, it is clear that better access to formal remittance services helps sustain the economy.

5.3 Policy implications/policy recommendations

With these findings, various policy decisions must be made. Strengthening and promoting official remittance channels should be a main focus for policymakers because they offer the greatest support to development. If it becomes easier, more accessible and more reliable to use official channels, more people will send and receive money through them, leading to greater volumes and a stronger positive effect on development. It is also necessary to improve the institutions that help with efficient monetary agency transfers and formal remittance services, focusing on being transparent, secure and protecting clients. Using remittance money to support SMEs and to build infrastructure can make the benefits of remittances on the economy even stronger. Additionally, when remittance recipients have better financial knowledge, more of these funds can be put to good use and they can be encouraged to use formal banking services. Lastly, regularly checking and analyzing remittance trends and their effects on the economy helps adjust policies and makes sure that interventions stay effective with new economic changes.

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APPENDIX 1: COVER LETTER

REQUEST FOR CARRYING OUT THE RESEARCH

Bindura University of Science Education

Private Bag 1020

Bindura

01 December 2024

The Permanent Secretary

Ministry of Finance and Economic Development

Cnr Samora and 4th Street

Harare

Dear Sir

Ref: Request for permission to carry out a research at your organization

I'm currently a student at Bindura University of Science Education, where I'm pursuing a Bachelor of Business Studies Honours Degree with a focus on Banking and Finance. As part of the university's requirements, every student must undertake a research project to fulfil their degree. My research is titled "The Impact of Diaspora Remittances on Economic Growth in Zimbabwe," and I'm reaching out to request permission to gather relevant data and, if possible, consult with key individuals through questionnaires. Rest assured, all the information collected will be used solely for academic purposes and treated with the highest level of confidentiality.

Your reply and assistance will be greatly appreciated.

Yours Faithfully

………………………..

APPENDIX 2: QUESTIONNAIRE COVER LETTER

BINDURA UNIVERSITY OF SCIENCE EDUCATION

Dear Sir/Madam

I am a 3rd year block student at the above mentioned institution, studying towards a Bachelor of Business Studies Honors in Banking and Finance. As required by the statutes of the institution, I am carrying out a research project in partial fulfilment of my studies. My research topic is titled **"Impact of diaspora remittances on economic growth in Zimbabwe".**

Consequently, I kindly ask you to assist me by completing the questionnaire attached to this letter as honestly as possible. The information that you provide will be treated with utmost confidentiality and will be used exclusively for academic purposes.

Please do not write your name on the questionnaire. Your completion and the subsequent forwarding of this questionnaire to the undersigned will be interpreted as implying your willingness to participate in this study. If you feel uncomfortable responding to any question contained in the questionnaire, please feel free to ignore such questions.

Your time and cooperation is sincerely appreciated. For more information you can contact our University on +263719528691

Yours faithfully

………………………..

APPENDIX 3: QUESTIONNAIRE

Im a student at Bindura University of Science Education, currently pursuing a degree in Banking and Finance. I am conducting a research study on THE IMPACT OF DIASPORA REMITTANCES ON ECONOMIC GROWTH IN ZIMBABWE, This questionnaire has been carefully designed to collect information that will contribute to understanding how different Diaspora Remittances influence economic growth in Zimbabwe. Your participation is entirely voluntary and greatly appreciated. The study is purely academic, and you are assured that no personal details are required. All responses will be treated with the strictest confidentiality and used solely for research purposes. Thank you for your valuable time and input.

Section A: Social and demographic data

Please complete the following section. This data will only be used for statistical analysis and will remain strictly confidential.

Item	**Response Options**		
1. Gender	☐ Male	☐ Female	☐ Other

2. Age Group	☐ Below 20 ☐ 21–30 ☐ 31–40 ☐ 41–50 ☐ Above 50
3. Marital Status	☐ Single ☐ Married ☐ Divorced ☐ Widowed
4. Highest Level of Education	☐ Primary ☐ Secondary ☐ Tertiary ☐ Other (Specify): ________
5. Employment Status	☐ Employed ☐ Self-employed ☐ Unemployed ☐ Student
6. Location (Suburb)	________________________________
7. Do you receive diaspora remittances?	☐ Yes ☐ No
8. Frequency of Remittances	☐ Monthly ☐ Quarterly ☐ Occasionally ☐ Rarely
9. Source Country of Remittances	________________________________
10. Primary Use of Remittances	☐ Consumption ☐ Education ☐ Health ☐ Investment ☐ Other: ________

Section B: Relationship between Diaspora Remittances and Economic Growth

(Please tick in the appropriate box or fill in where necessary)

1. How far do you agree or disagree with the following statements?

Statement	SA	A	N	DA	SDA
Diaspora remittances contribute significantly to national economic growth.					
Monetary agency transfers (MATs) have improved remittance inflow efficiency in Zimbabwe					
Remittances are more effective when sent through formal financial channels.					
Remittances have helped to reduce poverty levels in your community.					

Government policies on remittance regulation are effective in maximizing economic benefit.					
Exchange rate volatility affects the value and utility of remittances.					

Section C: Impact of Growth of Monetary Agency Transfer on Economic Growth

. How far do you agree or disagree with the following statements?

Statement	SA	A	N	DA	SDA
The use of formal Monetary Agency Transfers (e.g., banks, Mukuru, World Remit) has increased in recent years.					
Growth in Monetary Agency Transfers has improved the tracking and measurement of remittances.					
Increased use of formal channels for remittances has positively impacted Zimbabwe's GDP.					
Transaction costs for sending remittances through formal Monetary Agencies are reasonable.					
The reliability and security of formal Monetary Agency Transfers encourage more remittances through official channels					

Statement	SA	A	N	DA	SDA
Formal remittance channels make it easier for recipients to access funds in Zimbabwe					
The use of formal remittance channels increases the amount of remittances captured in official statistics.					
Funds sent through formal channels are more likely to be used for productive investments (e.g., business, education, health).					
Formal remittance channels contribute significantly to the stability of Zimbabwe's financial sector					
The growth of formal remittance channels has led to a measurable increase in Zimbabwe's GDP.					

<u>Key</u>

SA- Strongly agree

A-Agree

N-Neutral

DA-Disagree

SDA-Strongly disagree

Please respond by ticking the appropriate box

2. In the past two years, have you or someone in your household received remittances from abroad?

☐ Yes

☐ No

3. What channel was most commonly used to receive remittances? (Tick all that apply)

☐ Western Union / World Remit/Paisa

☐ Bank Transfer

☐ Mobile Money (Ecocash, Innbucks, Omari)

☐ Informal (via friends or relatives)

☐ Other, please specify: ____________________________

4. What did the remittances primarily support in your household? (Tick all that apply)

☐ Food and basic needs

☐ Education

☐ Health care

☐ Business investment

☐ Property or construction

☐ Other, please specify: ____________________________

5. Do you believe formalizing all remittance channels would benefit national economic growth?

☐ Yes

☐ No

☐ Not Sure

6. What challenges do you face when accessing remittances? (Tick all that apply)

☐ High transaction costs

☐ Poor access to financial institutions

☐ Delays in receiving funds

☐ Lack of trust in formal channels

☐ Exchange rate losses

☐ Other, please specify: ____________________________

7. What suggestions would you make to improve the remittance system in Zimbabwe? (Open-ended)

____

Thank you for your cooperation

APPENDIX 4: INTERVIEW GUIDE FOR MANAGERIAL STAFF.

1. What are the main economic benefits Zimbabwe derives from diaspora remittances?
2. In your view, how do formal remittance channels compare with informal ones in terms of economic impact and reliability?
3. What role have monetary agency transfers (MATs) played in facilitating the flow of remittances over the past decade?
4. Do you believe government policies and financial regulations have been effective in enhancing the use of formal remittance channels? Why or why not?
5. What are the key challenges faced in managing or tracking remittance inflows in Zimbabwe?
6. How are remittance flows currently measured and accounted for in national economic planning?
7. In your opinion, what proportion of diaspora remittances go towards consumption versus investment or savings?
8. To what extent do you think diaspora remittances have contributed to poverty alleviation or household income stability in urban and peri-urban areas?
9. What policy recommendations would you suggest to increase the developmental impact of diaspora remittances in Zimbabwe?

10. Are there any specific programs or initiatives your organization is involved in to support remittance management, financial inclusion, or diaspora engagement?