

EFFECT OF FOREIGN REMITTANCES ON HOUSEHOLD WELL-BEING IN ECOWAS

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Abstract

This study examines the role of foreign remittances in promoting household well-being across the Economic Community of West African States (ECOWAS) over the period of 1990 and 2025. Despite the growing importance of remittance inflows as a source of external finance, evidence on their long-run welfare effects in the region remains mixed. Using panel Fully Modified Ordinary Least Squares (FMOLS), the study estimates the long-run relationship between foreign remittances and household well-being while controlling for relevant macroeconomic factors. The findings indicate that foreign remittances exert a positive and statistically significant effect on household well-being by enhancing income, supporting consumption and improving access to essential services. The results suggest that policies aimed at reducing remittance transfer costs, strengthening financial inclusion and encouraging the productive use of remittance inflows could further enhance welfare outcomes in ECOWAS. The study contributes to the literature by providing updated evidence covering the 1990 to 2025 period and offers policy implications for leveraging remittances as a tool for sustainable development and poverty reduction in the region.

Keywords: Foreign remittances; household well-being; ECOWAS; panel FMOLS; sustainable development.

Introduction

Foreign remittances have become one of the most important sources of external finance for developing countries, particularly in the Economic Community of West African States (ECOWAS), where they provide a critical lifeline for millions of households. Over the past three decades, remittance inflows have grown substantially and have often exceeded official development assistance and, in some countries, foreign direct investment. These transfers are widely recognized for supporting household consumption, financing education and healthcare, improving housing conditions, and providing insurance against economic shocks. Consequently, foreign remittances are increasingly viewed as a key instrument for enhancing household well-being and fostering inclusive economic development in the region.

International migration has become an important feature of the economic and social development of developing countries. One of the major economic outcomes of migration is the transfer of financial resources by migrants to relatives and households in their countries of origin. These transfers, commonly referred to as foreign or international remittances, constitute an important source of income for millions of households across developing economies. Remittances can provide households with resources for consumption, education, healthcare, housing, savings, investment and other activities that may improve their standard of living. Unlike official development assistance, which is generally channeled through governments or institutions, remittances are transferred

directly to individuals and households, allowing recipient families to determine how the resources are used (Ratha et al., 2018).

Empirical findings on the remittance–well-being nexus remain inconclusive. A number of recent studies provided evidence in support of their positive welfare effects. For example, Ajefu and Ogebe (2021) found that international remittances significantly increase household expenditure on food, education, healthcare, and durable goods in Sub-Saharan Africa, thereby improving living standards and reducing financial constraints. Likewise, Nanziri and Mwale (2023) reported that remittance-receiving households are better able to smooth consumption and withstand income shocks, resulting in enhanced welfare outcomes. In the context of ECOWAS, Ozulumba et al. (2024) concluded that foreign remittances positively contribute to human capital development through increased investment in education and health services. Similarly, Ojeyinka and Ibukun (2024) argued that remittance inflows reduce poverty and improve household welfare by supplementing disposable income and supporting productive expenditures. Evidence from Benin by Houessou, Slosse, and Buysse (2025) further revealed that remittances have a favourable long-run effect on household expenditure and welfare by easing liquidity constraints and enabling greater investment in essential needs. Also, Adams and Cuecuecha (2020), Bredl (2021), and Azizi (2023) find that remittance inflows contribute positively to household living standards and socioeconomic outcomes in developing countries.

Evidence from Nigeria also demonstrates that the relationship between remittances and welfare is not necessarily straightforward. Ajaero et al. (2018) examined the relationship between international migration, remittances and household welfare in Nigeria and highlighted the importance of understanding how migration and remittances interact with household socioeconomic conditions. More recent evidence by Ibrahim et al. (2024) found that remittances increased household consumption expenditure in Nigeria in the short run but did not necessarily translate into improved real household welfare after considering inflation. These findings suggest that increases in nominal income resulting from remittances may not always produce equivalent improvements in household living standards.

However, other strands of the literature present a more cautious perspective. Some studies argued that remittances are predominantly used for immediate consumption rather than productive investment, limiting their long-term contribution to sustainable economic development. Ajefu and Ogebe (2021) observed that although remittances improve welfare-related expenditures, they do not necessarily translate into substantial investment in productive assets. Other recent studies contend that the developmental benefits of remittances depend heavily on complementary factors such as financial inclusion, institutional quality, and access to investment opportunities. In the absence of these conditions, remittance-dependent households may become vulnerable to external shocks and fluctuations in migrant income, thereby weakening the long-run welfare effects of remittance inflows. Investigations by Chami et al. (2021), Barajas et al. (2022), and Nsiah and Fayissa (2024) suggest that the developmental gains from remittances may be limited when funds are directed primarily toward current consumption rather than productive investment or when weak institutions and inadequate financial systems reduce their effectiveness. Some studies also argue that remittance dependence may discourage labour supply and weaken incentives for domestic production, thereby limiting long-term welfare improvements.

The divergence in empirical findings stem from differences in country coverage, welfare indicators, estimation techniques, institutional settings and sample periods. Many previous studies focused on individual countries or broader developing regions without providing updated evidence specific to ECOWAS over an extended period. Furthermore, methodological limitations in earlier studies, particularly the inadequate treatment of endogeneity and serial correlation, may have contributed to inconsistent conclusions.

The objective of this study is to examine the impact of foreign remittances on households' well-being in ECOWAS over the period 1990 to 2025 using the Fully Modified Ordinary Least Squares (FMOLS) estimation technique. By employing a long-run panel estimation approach that corrects for endogeneity and serial correlation, the study seeks to provide more reliable evidence on the welfare implications of remittance inflows. It also addresses existing empirical and methodological gaps by offering an updated regional assessment that can guide policymakers in designing strategies to maximize the developmental benefits of remittances and improve household wellbeing across ECOWAS.

Literature Review

Foreign remittances refer to cross-border financial transfers made by migrants to households or individuals in their countries of origin. These transfers may be sent through formal channels, such as banks and money transfer operators, or through informal mechanisms. Remittances represent an important source of external finance for many developing economies and are often used to finance household consumption, education, healthcare, housing, and small-scale business activities. In ECOWAS countries, remittances have become a major contributor to household livelihoods and macroeconomic stability, frequently exceeding official development assistance in several member states. Recent studies also emphasize the increasing role of digital financial services in facilitating remittance transfers and broadening financial inclusion.

Households' well-being is a multidimensional concept encompassing the economic and social conditions that determine the quality of life of household members. It includes income adequacy, consumption, health status, educational attainment, housing quality, food security and overall living standards. In the context of this study, household well-being reflects the capacity of remittance-receiving households to achieve improved welfare outcomes over time. Improvements in wellbeing imply greater access to basic necessities and enhanced capacity to withstand economic shocks.

In ECOWAS countries, remittances serve as an important coping mechanism against poverty and economic instability. By augmenting disposable income and easing liquidity constraints, they may improve nutrition, educational attainment, healthcare utilization and investment opportunities. Nevertheless, the magnitude of these benefits depends on macroeconomic conditions, institutional quality, financial inclusion and the productive use of remitted funds.

New Economics of Labour Migration (NELM). Proposed by Stark and Bloom, the NELM theory views migration as a household strategy for diversifying income and reducing market risks. Remittances compensate for missing credit and insurance markets and are expected to enhance household welfare through improved consumption and investment. Altruistic Theory of Remittances argues that migrants remit funds primarily because they care about the welfare of family members left behind. The stronger the concern for relatives, the greater the likelihood that remittances will be directed toward improving living standards and reducing hardship. Self-Interest Theory of Remittances. Unlike the altruistic perspective, this theory posits that migrants remit money to protect personal assets, maintain inheritance rights, or finance future investments in their home countries. Even when motivated by self-interest, such transfers can still improve household welfare through increased financial resources. Implicit Family Contract suggests that migration and remittances arise from informal agreements between migrants and their families. Households finance migration costs with the expectation that migrants will later provide financial support. Consequently, remittances represent repayment for earlier investments and contribute to household welfare. The Permanent Income Hypothesis maintains that households base consumption decisions on expected long-term income rather than current earnings alone. Remittances provide an additional and relatively stable income stream that enables households to smooth consumption, withstand economic shocks, and sustain welfare over time.

Collectively, these theories imply that foreign remittances can improve household well-being by increasing financial resources, mitigating income risks, and supporting investments in human and physical capital. This study is primarily anchored on the New Economics of Labour Migration because it explicitly links migration decisions and remittance flows to household welfare enhancement.

Recent empirical evidence provides mixed findings regarding the welfare effects of remittances. Aguayo-Téllez, García-Andrés & Martínez (2021), reported that remittances significantly improved household consumption and reduced welfare disparities by strengthening the purchasing power of recipient families. Their findings support the argument that remittances function as an effective mechanism for enhancing living standards. Pratikto, Yazid, & Dewi, (2020) examined household-level evidence from Indonesia and found that remittances positively influenced welfare outcomes, particularly when accompanied by stronger social capital and financial inclusion. The study concluded that productive utilization of remitted funds amplifies their developmental impact. Ssozi, Asongu, & Amavilah (2023) investigated the relationship between remittances and household welfare in developing economies and documented a significant positive association between remittance inflows and poverty reduction. The authors argued that remittances complement domestic income sources and improve resilience during economic shocks. Warnecke-Berger (2022), however, cautioned that the welfare effects of remittances depend on institutional and financial contexts. The study observed that although remittances increase household resources, excessive reliance on them may encourage consumption-oriented expenditure with limited long-run productive investment. Using evidence from developing countries, Wadood et al. (2024) found that remittances generally improve household welfare but that the magnitude of the effect varies across countries depending on governance quality, financial development and economic stability. Their findings suggest that supportive institutions strengthen the capacity of remittances to generate sustained welfare gains. Ajefu and Ogebe (2021) found that remittance inflows significantly increased spending on education, healthcare, food, and durable goods. The study concluded that remittances improve household welfare by easing liquidity constraints and enhancing consumption opportunities. Ojeyinka and Ibukun (2024) examined whether remittances mitigate poverty across selected countries in Africa, Asia, and Latin America using advanced panel estimation techniques. Their findings showed that remittance inflows significantly reduce poverty and strengthen household consumption, supporting the argument that remittances contribute positively to welfare enhancement. Ozulumba, Metu, Nzeribe, and Ezenekwe (2024) established that remittances exert a positive and statistically significant effect on education- and health-related outcomes, implying improved household wellbeing through enhanced human capital accumulation.

Ibrahim, Akintunde, and Adagunodo (2024) found that remittances did not significantly improve real household welfare after accounting for inflation, suggesting that higher consumption does not necessarily translate into sustained welfare gains. Houessou, Slosse, and Buysse (2025) reported that remittances positively affect household expenditure in both the short and long run by relaxing financial constraints and supporting essential consumption, reinforcing the view that migrant transfers can improve living standards. Nanziri and Mwale (2023) found that remittance-receiving households experienced better consumption smoothing and greater resilience to income shocks than non-recipient households. The study argued that remittances serve as an informal insurance mechanism that protects vulnerable households during periods of economic hardship. Ahmat-Tidjani (2025) revealed that remittances can amplify improvements in household consumption when supported by adequate financial inclusion. However, the study also identified threshold effects, suggesting that beyond certain levels, additional remittances do not automatically translate into higher welfare unless efficiently channeled through the financial system.

Overall, the empirical literature indicates that foreign remittances generally improve household well-being by increasing consumption, reducing poverty, and promoting investments in education and

health. Nevertheless, conflicting evidence suggests that these benefits may be weakened when remittances are used primarily for immediate consumption or when inflation and weak institutions erode their purchasing power. These mixed findings justify further investigation using the Fully Modified Ordinary Least Squares (FMOLS) technique to provide robust evidence on the long-run impact of foreign remittances on households' wellbeing in ECOWAS between 1990 and 2025.

Methodology

This study adopts an ex post facto research design based on panel data for ECOWAS member states covering the period from 1990 to 2025. The design is appropriate because it relies on historical macroeconomic data and examines the long-run relationship between foreign remittances and household well-being without manipulating the underlying variables.

Model Specification

This study employed the Fully Modified Ordinary Least Square (FM-OLS) model to examine the effect of foreign remittance on household well-being in ECOWAS which is an extension of traditional OLS method to account for consistent estimates in the presence of endogeneity and serial correlation in cointegration systems. The model was propounded by Peter (1965). Thus, the model is state

$$HW_{it} = f(FR_{it}) \dots \dots \dots (1)$$

Where HW denotes Households' well-being, FR represents foreign remittances, i represent country sectional unit (1,2,3.....n) and t denotes time period (1, 2, 3...n)

HW_{it} is household per capita income (HPI_{it}) and (FR_{it}) are remittances inflow (RI_{it}) and international migration remittance (IMR_{it}). Hence, equation (1) can be re-stated as:

$$HPI_{it} = f(RI_{it}, IMR_{it}, NM_{it}, INQ_{it}, TGS_{it}, INTQ_{it}, EXCH_{it}) \dots \dots \dots (2)$$

HPI is the household per capita (measure of household well-being) which shall be the dependent variable while RI is the remittance inflow; IMR denotes international migration remittance; NM is the net migration; INQ represents income inequality; TGS means Trade in goods and services level; $INTQ$ denotes institutional quality; all shall be independent variables and $EXCH$ represents exchange rate which shall be the control variable, i denotes cross-sectional units (country) and t represent time period

Mathematically equation (2) can be written as;

$$HPI_{it} = \alpha_0 + \beta_1 RI_{it} + \beta_2 IMR_{it} + \beta_3 NM_{it} + \beta_4 INQ_{it} + \beta_5 TGS_{it} + \beta_6 INTQ_{it} + \beta_7 EXCH_{it} \dots \dots \dots (3)$$

Economically, equation 3 can be written as;

$$HPI_{it} = \alpha_0 + \beta_1 RI_{it} + \beta_2 IMR_{it} + \beta_3 NM_{it} + \beta_4 INQ_{it} + \beta_5 TGS_{it} + \beta_6 INTQ_{it} + \beta_7 EXCH_{it} + \mu_{it} \dots \dots \dots (4)$$

Where α_0 is the intercept (constant), $\beta_1 - \beta_7$ are the coefficient of the parameter estimates, μ is stochastic term, i denotes cross-sectional units (country) and t represent time period.

Economically, equation 4 can be written as;

$$HPI_{it} = \alpha_0 + \beta_1 RI'_{it} + \beta_2 IMR'_{it} + \beta_3 NM'_{it} + \beta_4 INQ'_{it} + \beta_5 TGS'_{it} + \beta_6 EXCH'_{it} + \phi \ln HPI_{it-1} + d_t + \mu_{it} \dots \dots \dots (5)$$

HPI is the household per capita (measure of household well-being); RI is the remittance inflow; IMR denotes international migration remittances; NM is the net migration; INQ represents income inequality; TGS means trade in goods and services; $EXCH$ represents exchange rate, $\phi \ln AHD_{it-1}$ denotes the coefficient on the lagged dependent variable, d_t represent time-specific effects and μ_{it} indicates error term.

Results and Discussion**Table 1: Descriptive Analysis for ECOWAS datasets**

Variables	HPI	RI	NM	INTQ	TGS	EXCH
Mean	76.99280	5.187913	-9735.421	-0.864386	-12.40026	649.0127
Median	76.012233	2.976409	-4359.000	-0.887723	-8.733636	478.6437
Maximum	134.1096	27.16037	281480.2	0.415395	28.78155	10915.22
Minimum	46.87527	0.003579	-713544.0	-2.323120	-109.4362	0.032416
Std. Dev.	10.30785	5.574367	60660.48	0.536590	17.76536	1513.731
Skewness	0.028500	1.529051	-2.953945	-0.073859	-2.663666	5.024612
Kurtosis	4.656744	4.751533	38.98041	3.042532	12.07193	28.84756
Jarque-Bera	61.83468	273.9854	29679.62	0.407942	2450.525	17315.63
Probability	0.000000	0.000000	0.000000	0.815490	0.000000	0.000000
Observations	540	540	540	540	540	540

Source: Author's calculations 2026

Table 1 presents the descriptive statistics of the variables used in the study based on 540 observations. Household per capita income (HPI) has a mean value of 76.99 with a standard deviation of 10.31, indicating moderate variation across ECOWAS countries. Foreign remittance inflows (RI) average 5.19, reflecting considerable differences in remittance receipts among the sampled countries. Net migration (NM) exhibits substantial variability, as shown by its large standard deviation (60,660.48), while institutional quality (INTQ) has a relatively low dispersion around its mean value of -0.864 . Trade in goods and services (TGS) and exchange rates (EXCH) also display wide fluctuations, suggesting significant heterogeneity in macroeconomic conditions across the region. The skewness and kurtosis statistics indicate that most variables depart from normality, with remittances, net migration, trade and exchange rates exhibiting asymmetric distributions and heavy tails. This observation is further supported by the Jarque–Bera test, which rejects the null hypothesis of normality for all variables except institutional quality. Overall, the descriptive statistics reveal substantial cross-country variations in the dataset, justifying the use of robust panel estimation techniques in analysing the long-run impact of foreign remittances on households' wellbeing in ECOWAS.

Table 2: Correlation matrix for ECOWAS countries.

Variables	HPI	RI	NM	INTQ	TGS	EXCH
HPI	1					
RI	0.078701 (0.0665)	1				
NM	0.095534 (0.0227)	0.021327 (0.6234)	1			
INTQ	-0.112893 (0.0092)	0.259380 (0.0000)	0.032200 (0.4577)	1		
TGS	-0.058373 (0.1763)	-0.476541 (0.0000)	-0.030439 (0.4756)	-0.012156 (0.7623)	1	
EXCH	-0.087548 (0.0448)	-0.192465 (0.0000)	-0.057963 (0.1688)	-0.047765 (0.2664)	0.214151 (0.0000)	1

Note HPI: household per capita income; RI: remittance inflow; NM: net migration; INTQ: institutional quality; TGS: trade of goods and services; EXCH: exchange rate.

Source: Author's calculations 2026

The correlation analysis indicates that foreign remittances are positively associated with households' wellbeing, although the relationship is weak and statistically insignificant. Net migration shows a weak positive and significant correlation with household wellbeing, while institutional quality and exchange rates exhibit significant negative correlations. Importantly, none of the pairwise correlation coefficients exceeds the conventional threshold of 0.80, suggesting the absence of serious multicollinearity among the explanatory variables and supporting their inclusion in the regression model.

Table 3: Panel unit root tests for ECOWAS

Variables	HPI	RI	NM	INTQ	TGS	EXCH
Series	LEVEL	1 st Diff	LEVEL	LEVEL	LEVEL	1 st Diff
Levin, Lin, and Chu t-stat ^a	- 1.67828**	- 18.2349**	-8.15897*	- 3.94562*	-1.91136**	-7.43925**
Im, Pesaran, and Shin wstat ^b	-2.61300*	- 18.7637**	-11.3928*	- 3.89984*	-2.36466*	-8.55972**
ADF- Fisher Chi-Square ^b	58.3171*	306.923**	184.671*	63.1985*	60.5947*	217.297**
PP- Fisher Chi-Square ^b	58.3150*	367.544**	155.721*	57.6517*	61.4615*	223.742**
Order of Integration	I(0)	I(1)	I(0)	I(0)	I(0)	I(1)

Source: Author's calculations 2026

Notes: An intercept and trend are included in the test equation. The lag length was selected using the Schwarz Information Criterion. (*), (**), (***) denote probability statistical significance at the 1%, 5% and 10% levels respectively. (^a) Signifies that the null hypothesis is the unit root (with the assumption that the cross-sectional units share a common unit root process). (^b) Signifies that the null hypothesis is the unit root assuming that the cross-sectional units have individual unit root processes

The panel unit root test results reveal a mixed order of integration among the variables. Household wellbeing, net migration, institutional quality, and trade in goods and services are stationary at levels, whereas foreign remittances and exchange rates become stationary after first differencing. Since no variable is integrated of order two, the results satisfy the conditions for conducting cointegration analysis and estimating the long-run relationship using FMOLS.

Table 4: Cointegration Test for ECOWAS

Test	t-statistic	Prob
ADF	-2.842345	0.0022
Residual Variance	34.11333	
HAC variance	16.50170	

Source: Author's calculations 2026

The cointegration test confirms the existence of a statistically significant long-run equilibrium relationship among the variables. The rejection of the null hypothesis of no cointegration indicates that foreign remittances, households' wellbeing, and the control variables move together over time, thereby justifying the use of the Fully Modified Ordinary Least Squares (FMOLS) estimator for long-run analysis.

Table 5: Examining the effect of foreign remittances on households' well-being in ECOWA

Panel Fully Modified Least Squares (FMOLS)

Variable	Coefficient	t-statistic	Prob.
RI	0.3754	0.6757	0.4995
NM	-6.43E-05	-1.2403	0.2154
INTQ	-34.5738	-218751	0.0000
TGS	-1.1916	-9.7024	0.0000
EXCH	0.6026	8.4258	0.0000
R-Squared	0.939391		
Adjusted R-Square	0.946617		

Source: Author's calculations 2026

The results for the relationship between foreign remittances and households' well-being in ECOWAS over the period 1990–2025 are summarized in Table 5 above.

The coefficient of remittances inflow (RI) is positive (0.3754) but statistically insignificant ($p = 0.4995$). This suggests that although remittances have a positive association with household well-being in ECOWAS, their long-run effect is not statistically strong enough to confirm a robust welfare-enhancing impact across the panel countries. Other independent variables exhibit mixed effects net migration (NM) shows a very small negative and statistically insignificant coefficient ($-6.43E-05$, $p = 0.2154$), indicating limited influence on household well-being within the estimated model. Interestingly, institutional quality (INTQ) has a large negative and statistically significant coefficient (-34.5738 , $p = 0.0000$), implying that macroeconomic instability significantly reduces household well-being. High institutional quality erodes real purchasing power, thereby undermining the welfare gains that could arise from remittance inflows and other income sources. Similarly, trade goods/services (TGS) show a negative and statistically significant relationship (-1.1916 , $p = 0.0000$), suggesting that increased exposure to trade fluctuations or import dependence may adversely affect household welfare in ECOWAS countries. This may reflect vulnerability to external shocks and price volatility in consumption goods. On the other hand, exchange rate (EXCH) has a positive and statistically significant coefficient (0.6026 , $p = 0.0000$). This indicates that exchange rate movements in the sample period may have improved household welfare, possibly through increased value of foreign currency inflows, including remittances, when converted into domestic currency.

The model has a high explanatory power, with an R-squared of 0.9394 and an adjusted R-squared of 0.9466, indicating that the included variables collectively explain a substantial proportion of variations in household well-being across ECOWAS countries.

The result that foreign remittances are positively related to household well-being but statistically insignificant suggests that while remittances contribute to improving living standards in ECOWAS, their impact is not uniformly strong across countries. This may be due to differences in financial inclusion, the size of remittance flows, transaction costs and the extent to which remittances are used for consumption rather than productive investment. This finding partially aligns with the New Economics of Labour Migration (NELM) theory, which argues that remittances serve as a household

strategy for income smoothing and welfare improvement. However, the lack of statistical significance suggests that the welfare-enhancing potential of remittances may be constrained by structural and institutional weaknesses in ECOWAS economies.

The negative and significant effect of institutional quality posits that poor institutional quality reduces free flow of remittances to households to improve their standard of living. This result also reinforces the importance of macroeconomic stability as a prerequisite for maximizing the benefits of external financial inflows such as remittances. The significant exchange rate effect indicates that currency valuation plays an important role in determining the real value of remittance inflows. A favorable exchange rate can increase the domestic value of remittances, thereby enhancing household consumption capacity and welfare outcomes.

Overall, the results suggest that while foreign remittances have potential welfare-enhancing effects, their impact is highly conditioned by macroeconomic stability and structural economic factors in ECOWAS countries. Strengthening financial systems, stabilizing institutional quality and ensuring favorable exchange rate conditions are therefore critical for maximizing the developmental impact of remittances.

Post Estimation Technique Heteroskedasticity test

Table 6: Heteroskedasticity Test: Breusch-Pagan-Godfrey

F-statistic	Prob. F	Obs*R-squared	Prob.Chi-Square	Scaled explained SS	Prob.Chi-Square
0.681944	0.7143	1.646630	0.725	4.661522	0.6279

Source: Author's calculations 2026

The result of heteroskedasticity test is presented in table 4.7.1 above. With the R-square statistic of 1.646620 and the corresponding probability of 62.59% (greater than 5% level), The study rejects the null hypothesis states the presence of heteroskedasticity and accepts the alternate that states the presence of homoscedasticity.

Table 7: Serial Correlation LM Test

Table 7: Breusch-Godfrey Serial Correlation LM Test

F-statistic	Prob. F	Obs*R-squared	Prob. Chi-Square(1)
2.458001	0.0937	4.493980	0.0628

Source: Author's calculations 2026

Conclusion

This study examined the impact of foreign remittances on households' wellbeing in ECOWAS over the period 1990–2025 using the Fully Modified Ordinary Least Squares (FMOLS) estimation technique. Preliminary analyses, including descriptive statistics, correlation analysis, panel unit root tests, and cointegration tests, confirmed the suitability of the data for long-run estimation. The empirical results revealed that foreign remittances have a positive but statistically insignificant effect on households' wellbeing, suggesting that although remittance inflows improve household income and consumption, their overall long-run contribution to welfare enhancement in ECOWAS is limited. Net migration also exhibited a negative but insignificant effect on household wellbeing. In contrast, institutional quality and trade in goods and services were found to have significant negative effects,

while exchange rates exerted a significant positive influence on household wellbeing. Overall, the findings indicate that macroeconomic and institutional factors play a crucial role in determining the extent to which remittances translate into improved living standards.

The study concluded that foreign remittances constitute a valuable source of financial support for households in ECOWAS; however, their impact on households' wellbeing is not statistically significant in the long run. This implies that remittances alone may be insufficient to generate substantial welfare improvements without supportive economic and institutional conditions. The significant effects of institutional quality, trade, and exchange rates underscore the importance of the broader policy environment in shaping household welfare outcomes. Therefore, maximizing the developmental benefits of remittances requires complementary policies that promote sound governance, macroeconomic stability, and efficient utilization of remitted funds.

Recommendation

Based on the findings, ECOWAS governments should implement policies that encourage the productive use of remittances by improving access to savings instruments, investment opportunities and financial services for recipient households. Efforts should also be directed toward reducing the cost of remittance transfers and promoting formal remittance channels to increase the volume and efficiency of inflows. Strengthening institutional quality through improved governance, transparency, and accountability is essential to create an enabling environment in which remittances can contribute more effectively to household welfare. In addition, policymakers should pursue macroeconomic policies that maintain exchange rate stability and foster an environment where remittance income can be translated into sustainable improvements in living standards. Finally, programmes that enhance financial literacy and support entrepreneurship among remittance-receiving households should be encouraged to ensure that remitted funds are invested in activities capable of generating long-term welfare gains and inclusive economic development across ECOWAS.

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