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Remittances in Rural Zimbabwe: From Consumption to Investment?

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Abstract

When remittances become widespread and stable in a rural village, they adopt a critical role in supporting local development. They contribute via the promotion of businesses and employment. Productive consumption creates opportunities for investment in growth oriented SMEs, whether their owners are receivers of remittances or not. This study used a new ethnographic technique to “follow the money”, consisting of recording several rounds of transactions in a village in rural Zimbabwe after the reception of cash from abroad. In this paper we argue that remittances contribute to local development in ward 2, Tsholotsho district in diverse ways.

JEL Classification

O15; O18, R23

Keywords

Migration, remittances, local development, enterprise creation, employment creation, investment, agriculture, Zimbabwe

Introduction

Migration has been a major development issue, with many debates focusing on the effects of emigration on migrant-sending countries and remittances as one of the main noted benefits. Remittances have taken over cooperation aid in many developing countries as the main source of international funds (Maimbo and Ratha 2005; OECD 2006; Smith and van Ton 2009). Statistically, it has been shown that remittances have ‘considerable development impacts’ (Tevera and Chikanda, 2009:1); a positive effect on poverty reduction (Adams and Page, 2005); investment potential in health and education (Bloch 2008; Ghosh 2006); increased household income (Maimbo and Ratha 2005); and reduced the vulnerability of economic downturns and natural disasters (Combes and Ebeke, 2010). The effects of remittances on local development from a longer term perspective, however, are still to be analysed. Studies on migrant remittances in Zimbabwe in general reveal that these are used for consumptive purposes (Maphosa 2007; Tevera and Zinyama 2002). Orozco and Lindley (2007:6) state that in Zimbabwe, ‘approximately 85% of remittance money is sent to support family, 4% to build homes, 3% to invest in a business and 2% to support friends’. While these estimations were corroborated econometrically by Maphosa (2007: 130), a more specific analysis of how remittances are spent at the local level and how the cash transfers benefit non-recipients is still a gap in the literature, as hinted by Skeldon (2008). The widespread view is that recipient households spend most of the cash transfers in daily consumption needs (Maphosa 2007), with little money left for investment and capital formation (Maimbo and Ratha 2005). This assumption needs to be researched to explore the long term effects of remittances on local economies, as concluded by De Haas (2006) in one of the few studies that explore the impact of remittances on communities (Bracking and Sachikonye, 2006).

In contrast to the prevalent methodology of focusing on the micro-level of recipient households by means of house surveys, these effects need to be studied at the level of localities. Following De Haas (2006)’s pioneering work, this research took the local Tsholotsho economy in Zimbabwe as a unit of analysis to explore, using a combination of qualitative methods, the ways in which remittances shape or reshape the local economy in the medium and long term. The study sought to follow the distribution of remittance use between consumption and investment, analyse the kind of investments remittances promote in the local economy, and examine the ways in which remittances impact on local development. The contribution of remittances was analysed within the framework of four indicative aspects of local development, namely, income generation, agricultural productivity and growth, job and enterprise creation, as well as infrastructure improvements.

To establish these dynamics, mixed research methods were used. A technique was developed for the study based on the principle of ‘**following the money**’, and some preliminary findings were presented in Ncube and Gómez (2011). The “follow the money” technique consisted of tracing the use of monetary remittances in several rounds of local economic exchange. The researchers first located recipient households and conducted a series of interviews with them to find out how the transfers were spent in the first round of trade and the use of the remittances, if in kind, was recorded. According to the responses, a second series of interviews was conducted with the people that had received goods or payments for sales of goods, services and labour from the first group, in order to determine how they had spent the cash. Following the responses from the second group, a third series of interviews was conducted with those who had obtained cash from the second group. After this third round, the responses on the origin and use of money became unreliable and the effort was abandoned.

This methodological approach differs from the prevalent use of statistics and household surveys with which the impact of remittances is usually assessed and enables a comprehensive analysis of the impact of remittances on an entire community, rather than recipient households independently. Secondly, it defends the notion that remittances function as the bloodline that nourishes local economic activity beyond the recipients, with noticeable benefits on non-recipients. The consideration of the impact of remittances on non-recipients and the local economy at large has received limited attention

from previous enquiries, in spite of Taylor's early argument that 'migrant remittances may reshape the migrant sending economies through indirect channels that most conventional research approaches miss' (Taylor, 1999: 64). Thirdly, an important share of remittances is transferred through informal channels (Maphosa 2007), which makes them difficult to be accounted for in national account statistics. This research method studies transfers at the migrants' place of origin, regardless of the channels by which the remittances were sent, and even captures transfers in kind. Complementary data to the "following the money" technique was obtained through interviews with key informants (ward Councillor, village head and senior IOM official) and entrepreneurs in June, July and August 2010. Given the sensitivity of the topic under study and the short duration of the formal fieldwork, purposive sampling was used in choosing receiving households, with high reliance on personal networks of one of the researchers and the support of the village-head who helped in identifying the households that receive remittances in the village. This was further necessitated by the fact that some of the households approached were not forthcoming in releasing the information on how much remittances they received and what they use the money for. The researchers carefully sampled the first group of recipients interviewed to avoid biasing the sample to the social positioning of the researcher although it is clear that these efforts have limited results. In turn, the present research findings are modest and lack the scope necessary to generalise the results, but they help to better understand the mechanisms by which local economies change when recipients are the mainstream.

Consumption was characterised as complete utilisation of all the funds remitted on daily consumables while investment was characterised as the money that was not consumed immediately but rather used to establish income generating activities or on other productive areas like education, health and agriculture. Attention was paid to the impact of invested remittances on local development through setting up of businesses and hiring additional labour by receiving households; or through their increased demand for goods and services leading to enterprise and employment creation. Furthermore, the contribution of remittances to four indicative aspects of investment that lead to local development, namely, income generation, agricultural productivity and growth, enterprise and job creation, as well as infrastructure improvements was explored.

The study area is village 2 located in Tsholotsho, a rural district in western Zimbabwe which is close to the Zimbabwe-Botswana border. The Zimbabwean census of 2002 revealed that the District has a population of 119 181 females and 54 794 males. Ward 19 in particular had 3516 females and 2833 males. Village 2, which is the study area, had 200 households¹. The District as a whole has had a long standing history of migration, especially to South Africa (Maphosa 2007). This is partly due to the economic hardships fuelled by the political unrests that prevailed between over time and also unproductive agriculture in general which has caused households to employ other coping strategies of which migration is part (Ncube and Gomez 2011). The migrants from this district are responsible for the significant inflow of remittances to this region. The study area is located about 49 kilometres South of Tsholotsho Business Centre (TBC) which is the administrative centre for Tsholotsho District, and about 92 kilometres from Bulawayo (Zimbabwe's second largest city) (Ibid). It falls under agro-ecological region five, characterised by low rainfall patterns and relatively poor soils (Vincent and Tomas 1960). Subsistence agriculture is the most widespread due to low rainfall, which makes it impossible for households to embark on extensive commercial agriculture. The current unfavourable climatic conditions have affected the capacity of subsistence agriculture resulting in a gradual decrease in the yields harvested. Wage employment is very low hence most of the villagers involved in wage employment work as migrant workers outside the District - in or outside the country (Ncube and Gomez 2011).

¹ This is according to the Zimbabwean Census of 2002.

2. Remittances and Local Development: An Overview

There are diverse views on the effects of remittances on the development of the economy at large. Maimbo and Ratha (2005: ix) note that ‘given the low rate of domestic saving and high government expenditure in many developing countries, external sources of finance, particularly remittances, have played a critical part on local development and poverty reduction strategies’. Furthermore, if conscientiously saved and aggregated, remittances contribute to infrastructure development and investment for increased income in the long run, and this goes beyond merely increasing the consumption capacity of recipient families. Similarly, Ghosh (2006:52) posit that ‘increased household consumption, especially in the form of expenditure on health, education and family welfare, also contribute to human welfare and capital development at the community level’, hence promoting local development.

Other researchers in Sub-Saharan Africa suggest that a large amount of remittances are invested in real estate, reflecting both a desire by migrants to provide housing to families behind and a lack of other investment instruments in the recipient community (Chami et al, 2005; Maimbo and Ratha, 2005; Taylor et al, 1996). This is mainly the result of the absence of sound economic policies to promote stable economic growth (Taylor et al 1996), as well as weak financial systems and services in much of Africa (Maimbo and Ratha, 2005), consequently weakening the potential positive impact of remittances on development. On the contrary, some scholars argue that remittances frame ‘a way of life that cannot be sustained through local labour, yielding a host of negative side effects, including income inequality, inflation, lost production and higher unemployment’ (Taylor et al, 1996: 397). In Morocco Ghosh (2006) found that remittances had a negative impact on agricultural output because some households were able to live off remittances and thus abandon cultivation, and perpetuating dependency. These assertions, do not take into account the indirect effects of remittances in boosting consumer demand and/or investment.

In general, studies in Africa indicate that migrant remittances are spent on consumption (Maphosa, 2007), with transfers channelled overwhelmingly towards family maintenance, housing and property, leaving little money available for productive investment in enterprises (Bracking and Sachikonye 2007; Maimbo and Ratha 2005; Taylor et al 1996). Studies on Asian countries also reveal that migrant sending regions are characterised by ‘brightly painted luxury houses of returned migrants which are filled with stereo sets, electric refrigerators, televisions, vans and gas stoves’ (Taylor et al, 1996:401), with further criticisms of ‘wasteful consumption’, e.g. construction of large houses (Smith and Naerssen, 2009: 19). However, even when remittances are used for consumption, they generate a ‘multiplier effect’, especially in countries with high unemployment (Maimbo and Ratha, 2005: 32; Rwelamira and Kirsten, 2003: 6). Moreover, ‘living on remittances’ has also been heavily criticised for generating inequality at the local level. International migration has been portrayed as a palliative that improves the material wellbeing of particular families without leading to sustained economic growth within migrant communities, ‘promoting inequality and undermining local development’ (Maimbo and Ratha, 2005: 6). Taylor (1997) considers this pessimism as unwarranted and suggests that under right circumstances, a significant percentage of migrant remittances and savings may be devoted to productive enterprises and overcome capital constraints to finance public works such as parks, churches, schools, electrification, road construction and sewers, as been done in the Philippines.

Furthermore, migrant remittances have also been criticized for having a ‘destabilizing effect’ on the receiving economies (Grabel, 2009: 17), with particular reference to ‘their tendency to lead to an appreciation of the real exchange rate which undermines the competitiveness of the export sector, the so called ‘Dutch disease effect’ (Bayangos and Jansen, 2010: 4). Criticisms further indicate that the increase in remittances is followed by an increase in spending by the households receiving the transfers leading to an increase in the price of goods and high inflation (Maimbo and Ratha, 2005). The New Economics of Labour Migration is conducive in the understanding that remittances can have both positive and negative effects at the local level. Durand et al. (1996: 257) posit that: ‘rather than

concluding that migration inevitably leads to dependency and a lack of development, it is more appropriate to ask why productive investment occurs in some communities and not in others'. According to the authors, migrant remittances have been instrumental in the development of a village in The Philippines in terms of raising agricultural productivity by providing both a source of capital for cash-crop production and a means of acquiring land and ending exploitation by wealthy landlords (ibid). In the line of nuanced views, it has been noted that it is probably unrealistic to expect remittances to promote local development where complimentary infrastructure, services and ecological conditions are not favourable (Grabel, 2009; Maimbo and Ratha, 2005; Taylor et al, 1996).

3. Remittances and the Household Unit in the Study Area

Findings from fieldwork revealed that almost three quarters of the households in the study area had a member who migrated to South Africa. As such, the incidence of the non-receiving households is relatively low. There was significant seasonality in the nature of remittance flows with households noting that highest amounts of remittances are received when the migrant visits home as well as during the December Christmas holidays. This seasonality in amounts received is for both the monetary and in-kind remittances. For migrants in very distant countries like the United Kingdom (UK) remitting in-kind was a challenge, hence they would remit cash instead. During the period 2008 - 2009, Zimbabwean shops had no basic commodities for its citizens which led to an influx of in-kind remittances. The in-kind remittances consisted of food, toiletries, clothes, building materials and furniture. During this period, cash transfers were spent in neighbouring countries because basic commodities were in scant supply in Zimbabwe. This resulted in what has been referred to as the '**diverted remittances**' phenomenon whereby 'the remittances received in a country are not spent on the country's economy but are spent in the neighbouring countries, propping up the manufacturing and retail sectors in those countries' (Ledriz and Alvarez, 2009: 49).

However, respondents noted that after the introduction of the multicurrency system, local shops started stocking basic commodities at relatively cheaper prices. Moreover, the multiple-currency-system also made it expensive for emigrants to remit in-kind as transporters demanded high payments. This resulted in a high incidence of direct cash inflows and these ranged from ZAR150 – ZAR2000², depending on the time of the year and the purpose for which they are sent. On average, households receive ZAR500 a month to cater for their needs. In-kind remittances were mostly brought by the migrants themselves during their yearly visits. Migrants occasionally send furniture and other non-consumable items through *omalayitsha*³ which they may have bought or been given by their employers in South Africa, especially those working as domestics or gardeners. However as noted by Ghosh (2006) and Hall (2007) figures have to be interpreted cautiously because receiving households may not keep records of real amounts received or may not disclose correct information fearing to attract attention and sanctions.

Remittances are the major source of income for the receiving households. They are generally used for purchasing necessities such as food, clothing, consumer items, education and health services, among other utilities. This is in agreement with what Hall (2007: 313) asserts that 'families have become increasingly dependant on international cash transfers to meet their basic needs'. As such, remittances are used mainly for cushioning households from vulnerability and poverty, which simply corroborates what previous studies on remittances have found (for example, Tacoli, 2010; Combes, 2010).

² ZAR refers to South African Rand

³ This is a native Ndebele word for the ground transporters of goods and people from South Africa to Zimbabwe which literally means '*those who carry*'.

At the same time, remittances are also used to boost households' asset bases as the majority of the receiving households stated that the cash received allowed them to purchase assets that boosted their income streams and sustained them in the eventuality of shocks. These assets include scotch-carts, livestock, brick under asbestos and /zinc housing structures, wheelbarrows, tools, solar panels, generators, agricultural equipment, bicycles and sewing machines, among others. Others use the cash to purchase agricultural inputs and implements that increase productivity and enable them to get surplus produce to sell if the rains are good. A substantial number noted that there is a complimentary role between the remittances received and agricultural produce, because remittances allow them access to some inputs that they could otherwise not access. These include extra labour, ploughing implements, livestock, and manure, fertiliser, seeds and livestock vaccines. This is contrary to some of the views held by other scholars that remittances appear to encourage migrant farming households to reduce or abandon agriculture (Rwelamira and Kirsten, 2003:6) because they are able to live off remittances and stop cultivating (Ghosh, 2006: 52). On the contrary, it would seem that households choose to deepen their involvement in agriculture but with increased productivity.

The investment in productivity enhancement tools and equipment equally defies the orthodox view that remittances are mainly consumptive. The findings concur with Ellis's (2005:6) assertion that 'migrant remittances play multiple roles in reducing vulnerability of households and in potentially enabling virtuous spirals of asset accumulation that can provide families with exit routes from poverty'. Interestingly, it is clear that remittance inflows should not necessarily be in large amounts to initiate meaningful asset accumulation.

Non-receiving households in the study area have highly diversified livelihoods. They adopt many strategies in a bid to maximise their chances of getting income. Although agriculture is their mainstay, they also resort to fishing, brick moulding, mixing mud for builders, growing and selling tomatoes, selling labour, basket weaving, buying and selling, cutting firewood for sell, cutting fencing poles as well as clearing fields in preparation for the farming season at a fee. These are largely done for receiving households and distributed among non receiving household members on the basis of gender. Most non receiving households are female headed and their common feature was the significant degree of vulnerability in terms of assets, food or income. Their livelihood strategies revolve around the demands of the receiving households, which are seen as the target 'market' from which they can get income or otherwise. Remittances thus play a crucial role directly and indirectly in the livelihoods of the receiving and non-receiving households alike.

In relation to agriculture, non-receiving households do not have the required implements to sustain agricultural production but they have come up with notable coping strategies. Common among all is negotiating with households that have enough farming implements to plough the non-receiving household's field and then they pay back by weeding the same amount of land for the household that ploughed their field. The households that have almost all the assets for farming are usually those that receive remittances. Under these arrangements, the portion of the non-receiving households' fields that gets ploughed depends on how much they can weed back for the receiving households in payment. A significant number of the non-receiving households also hire out their labour, mainly to work in the fields of the remittance-receiving households. Payment for such could be in cash, a minimum of which was pegged at ZAR200 for the smallest piece of land worked on and in other instances could be in kind. In-kind payments include basic items like soap, shoes, blankets and clothes, among others.

At household level, remittances also promote job creation. There is a high demand for domestic workers and herd-boys in the receiving households. This is because in most receiving-households, men, either as husbands or sons, emigrated to South Africa and wives or mothers man the household. A significant number of females emigrate also, most of who leave their young or primary-school going children with their mothers (children's grandmothers). As a result, these mothers, grandmothers and/or wives need help in running the affairs of the households and employ the help of maids and/or herd-boys. To help them fulfil their practical gender roles and ease the workload in fulfilling the

responsibilities of manning the household and raising the children in the absence of their male counterparts. These workers assist in looking after livestock, fetching firewood and water, working in the fields and processing harvests. The wages of these domestic workers comes from the monthly remittances received. Some of these workers come from the local non-receiving households.

Remittances in the study area also promote infrastructure development through construction of modern housing structures. This is in line with the prevalent view in development literature that remittances are mainly used for building houses for the receiving households (Taylor, 1999). These are structures built from proper baked bricks and roofed with zinc or asbestos sheets compared to the traditional mud and grass thatched huts. These modern structures are constructed by trained builders who may need one or two helpers depending on the amount of work to be done during the building process. The structures are easy to maintain and are safer and healthier to live in. The building process creates employment for the locals who may not have any source of income and these are mainly from the non-receiving households.

It is evidenced therefore, that at the household level, remittances boost the receiving households' income, which in turn enables increases in productivity in the agricultural sector and access to better and modern housing. This reflects the optimism about remittances evident in other scholars' work that 'if conscientiously saved and aggregated', remittances do contribute to infrastructure development and investment for increased income and wellbeing in the long run (Maimbo and Ratha, 2005: ix). Remittances indirectly influence the livelihoods of non-recipients too, as the local economy seems to be affected by a 'multiplier effect' triggered by remittances (Maimbo and Ratha, 2005: 32; Rwelamira and Kirsten, 2003: 6). Non-recipient households develop innovative coping strategies to rip off some of the benefits of remittances which help them reduce the risks of hunger and heightened poverty. Notably, not all non-recipient households benefit to the same extent from remittances. While some may become labourers for recipient households, others may not get any offers. As such, it is evident that remittances do exacerbate inequalities in the area and have a significant impact on the local class structure. Receiving households form a consumptive 'middle class' that absorbs some labour from their non-receiving counterparts, who take marginal steps to improve their livelihoods.

At the community level, remittances promote infrastructure improvements which in turn play a significant role in promoting community development initiatives. The Ward Councillor highlighted that the migrant community in South Africa pioneered some development initiatives in the locale and these are the local clinic and a local dam that needed to be resuscitated to improve availability of water for livestock and vegetable production.

4. Remittances and Local Development in Village 2

The ultimate impact of remittances on local development would be reflected by indicators like employment creation, start-ups and investments in small enterprises, and increased competitiveness. As posited by Taylor (1999: 94) many of migrant remittances' important impacts may not be found in the households that receive remittances but at the level of the local economy. It was noted in the previous section that first-hand recipients used their cash transfers for daily expenses and occasionally for investments in agriculture and livestock. These allocations suggest that households first expand and diversify their consumption and when they use the cash for productive uses, they give preference to investments that improve their traditional economic activities in agriculture and cattle breeding. There is a limited trickle-down effect to non-recipients households. The aggregate effect of these investments is an increase in the agricultural productivity pushed by the use of agricultural inputs, which lead to more abundant harvests. Although these improvements are marginal and start from a low level, they nevertheless represent a qualitative improvement in the economic sustainability of the locality.

In contrast, few households have ventured into establishing new enterprises in more innovative branches of the economy. These are generally better-off, inhabit safe and relatively comfortable housing structures, feel cushioned from risks and consider the flow of remittances to be sustainable. They do not perceive their dependence on transfers from abroad as a position of vulnerability; have achieved some security based on the assets that they have accumulated over time; sometimes coupled with higher yields in their agricultural activities. This finding supports De Haas (2006:5)'s assertion that there is 'a weak link between migrant remittances and commercial investment as compared to housing and agriculture' because there is not much pressure pushing the receiving households to increase their income flows. Examples of some of the ventures they embark on are small shops that sell groceries and trade in agricultural inputs. This point is consistent with the findings of Maphosa (2005: 15), who states that 'most of the businesses [from remittances] are the traditional rural businesses such as general dealer shops, grinding mills and bottle stores'. Although the businesses fit in Maphosa's description as 'traditional' (2005: 15), their potential contribution to the local economy should not be underestimated, particularly in terms of employment creation. Each one of the shops visited employs one or two shop attendants to oversee business daily. Some were immediate family members, some extended family and some purely strangers employed on strict waged and labour relations. In turn, the shops provide basic services to the villagers and the absence of the shops could lead to villagers travelling long distances to access these basic services.

In spite of the high incidence of the so-called traditional rural businesses whose construction was financed by remittances, there are other entrepreneurial ventures in the study area. As alluded to earlier, remittances wield a multiplier effect on the local economy and increase the purchasing power in the locality, triggering investments by individuals or firms, who are foreign to the locality as highlighted by Taylor (1999: 65). Remittances become the source of income for purchasing whatever products other entrepreneurs have to offer that in turn are needed by the households. These enterprises include restaurants, butcheries, motor mechanics, welding, brick moulding, among others. As a result, one can safely conclude that remittances are the lifeblood of any businesses going on in the locale. All the interviewed entrepreneurs had more than one business; a strong drive to make them grow; possess some entrepreneurial skills and the willingness to take risks. Interestingly, the majority of these are not locals but strangers who perceive opportunities for investment in a local economy fed by cash transfers in the form of remittances.

Remittances have also motivated local young men from non-receiving households to start seasonal entrepreneurial activities to make extra income. A specific case is that of a group of young men who were moulding mud bricks and baking them in huge ovens using firewood to make them strong and resistant to erosion by water. They mould bricks to sell to households who build houses in their homesteads and these are usually remittance receiving households. This business is usually done soon after the rainy season because that is when there are plenty open water sources that can be used freely. This is mainly because the brick moulders are not allowed to use community drinking water sources. When selling, each brick sells for ZAR0.50 and when sold in bulk, 1500 bricks sell for ZAR1300.00. In a day they can make between 300 and 600 bricks depending on their enthusiasm and motivation and how early they start. These entrepreneurs meet up with different challenges that hinder them from growing, like securing more reliable water sources that will enable them to scale up their production and service other markets beyond the domestic one.

There was another group of young men who had a welding shop from where they made scotch-cuts for sell in the locale. These small businesses make a considerable contribution to employment creation in the locale, as they all employ permanent workers that take care of the day to day smooth running of the businesses. They also promote skills training for young men in the locale which increases their chances to start their own activities that will sustain them in the absence of formal education and employment. The employees in these enterprises are mainly youths in the locale who have not 'yet' migrated to South Africa and most of whom are from non-receiving households. The

study area is hence characterised as a local economy that is relatively affluent in resources to afford consumption. Figure 1 illustrates the path of how remittances change hands in the study area and is based on a graph of the asset vulnerability framework in Moser (1998).

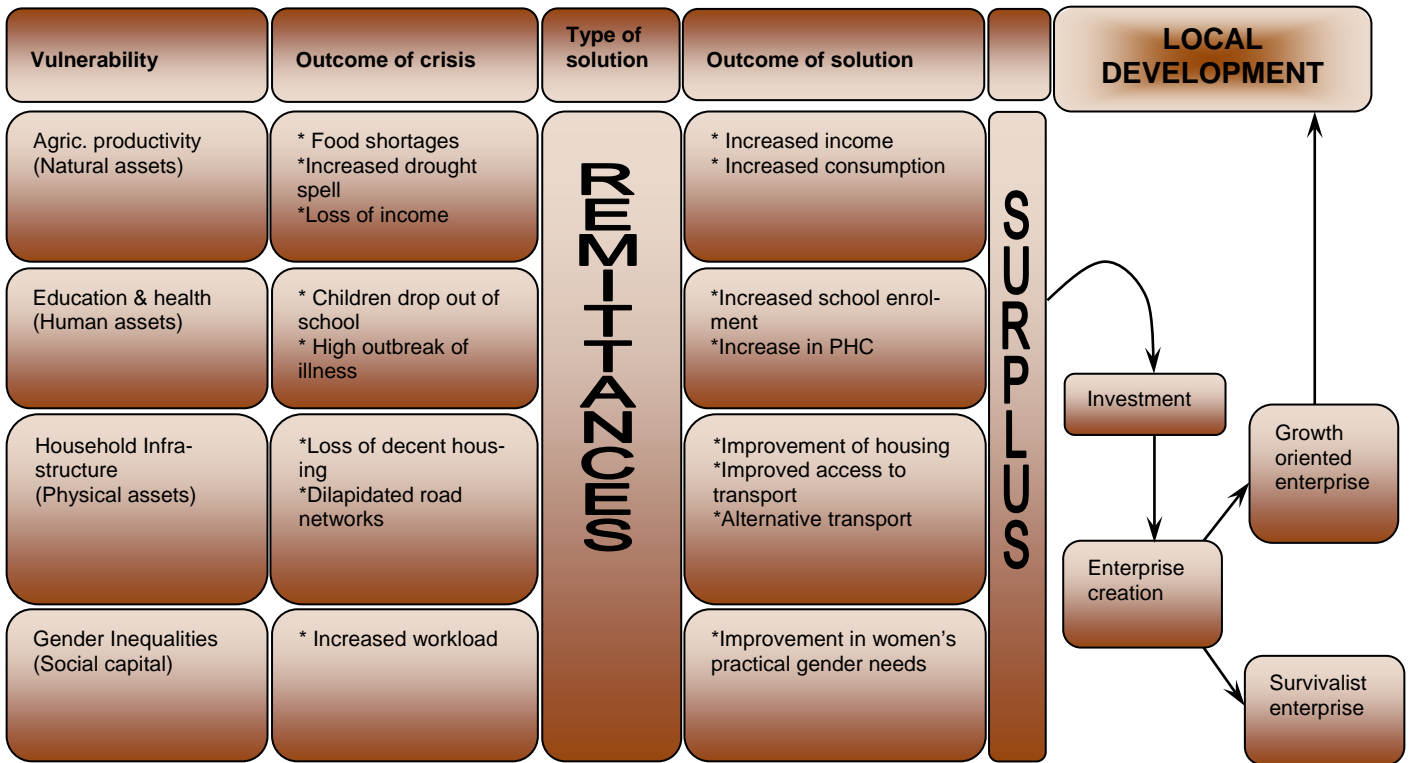


FIGURE 1: ‘Follow the Money; - The Path of Remittance [An adaptation of C. Moser (1998)’s Livelihoods Vulnerability Framework].

While resources have not been generated locally, the increased consumption provides further opportunities for recipients and non-recipients alike and may encourage start-ups by outsiders who arrive with entrepreneurial skills and savings to invest. The generation of comparable entrepreneurial skills and resources at the local level takes considerably more time but is slowly catching up among the local youth, who target receiving households as clients. In a nutshell, local development revolves around remittances in one way or the other, with the obvious implications in terms of dependency.

Notably, while generalised remittances enhance business and employment creation in the local economy, they do not provide enough incentives to create a breed of enterprises that would not largely depend on cash transfers to survive. There are no mechanisms in place to allow the entrepreneurs access to training, credit and other forms of support to help them stabilise and gain other segments of the market or non-local markets. The missing link is a set of conscious efforts from local authorities to push a more structural change in the economy. The Ward Councillor highlighted that the local authorities do not have much to offer entrepreneurs at the moment, save for registration and authorisation to operate in the locale. The lack of entrepreneurship promotion policies affects the enterprises’ potential to contribute to ‘sustainable economic growth and the ability to react to change with flexibility’ in the event that remittances cease to flow into the study area (ILO, 1998:4). So while local development has taken off, its long-term prospects are rather uncertain.

5. Conclusions

In Village 2 of Ward 19 in Tsholotsho District, Zimbabwe, the utilisation of migrant remittances drives the local economy. They sustain increases in income, whether directly or indirectly, for both the receiving and non-receiving households alike. They promote employment generation through the creation of enterprises or through work such as fishing, brick moulding, fetching firewood, building and weeding, among others, that non-receiving households do for the receiving households. As such, households' livelihood security is increased, albeit differentially. Receivers form a consumptive class with limited motivation to run businesses other than upgrading agricultural activities and non-receivers form the pool of the labour available to be engaged by recipients. Furthermore, the analysis shows that the main effect of remittances on the local economy is increasing the households' purchasing power, which awakens entrepreneurial skills and leads to investments that adds diversity and income to the local economy, resulting in what is referred to as 'productive consumption'.

A number of scholars are of the view that remittances are highly consumptive and increase households' consumption (Orozco and Lindley, 2007; Maphosa, 2007) which make remittances a resource (Adger et al, 2002: 359) that is positive for poverty alleviation but neutral in terms of long-term productive potential. The evidence gathered for this research contradicts that view. Remittances do contribute to local development via the promotion of enterprises and employment creation. Productive consumption creates opportunities for investment in growth oriented SMEs, whether their owners are receivers of remittances or not. While some of the new enterprises have notable potential for growth, the main mechanisms by which remittances promote local development are job creation, productivity growth in traditional rural activities and diversification into economic activities that did not exist in the area. In that sense, it represents an upgrade for the local economy, although of a rather limited nature and need to be seen as a panacea. Remittances are hardly the magic solution to local development, at least in their present form. The enterprises and jobs created are not particularly of high quality or innovative and their sustainability in the event that remittances cease flowing in is not ascertained. This uncertainty necessitates further research into the sustainability of these remittance inspired enterprises. The enterprises barely have the accumulation capacity to upgrade and get clients outside the study area.

The development of a local economy fuelled by remittances would thus take different shapes. Firstly, and as a default situation, remittances boost the consumption of recipients, initially by helping them to secure the regular satisfaction of basic needs and subsequently allowing them to expand their housing, education and health care budget. A second instance is linked to the improvements in agriculture and other traditional activities to increase income, which basically constitute 'more of the same' in terms of local development. This second stage creates low-income jobs in agriculture and domestic work for non-recipients and spurs the latter group to devise creative arrangements to rip off some benefits from the reception of transfers by their neighbours. This second stage stabilises the business cycle of agriculture and expands the population that benefits from remittances in the short term. There is a third stage in which enterprises are started-up and the local economy starts to diversify. Attracted by increased demand and economic opportunities created by remittances, a minority with entrepreneurial skills may decide to take the risk and set up new enterprises. Insiders from the younger generations also venture into creating new enterprises that mostly depend on the transfers. In these circumstances, jobs are also created for non-recipients and the local economy becomes more complex. Investment and entrepreneurial decisions, however, are conditioned by the uncertainty of the sustainability in the event that the inflow of remittances reduced or abruptly stopped, although the entrepreneurs interviewed considered this risk rather unlikely given the widespread nature of remittances in the study area. The intervention of local governments and donors may be desirable at this stage to upgrade to a fourth phase, which would consist of relatively competitive enterprises exporting their goods and services outside the locality. The entrepreneurial activity detected in this study has not seen signs of this fourth stage, which would require improved infrastructure, access to markets and managerial capacities.

In conclusion, a local economy fuelled by remittances alone remains essentially unbalanced and most likely incapable of sustaining long-term local development, but they reduce poverty, stabilise households' access to necessities, and offer a favourable environment for diversification and complementing mechanisms. Rondinelli and Kasarda (1992: 260) highlight that SMEs' ability to generate jobs and promote local development "depends ultimately on policies that create an environment conducive for private enterprise development". However, there are insufficient support systems in place in the locale to push them beyond their ordinary abilities, so that they may have more to offer and push local development to become sustainable. As such, conscious policy efforts could be put in place to support the enterprises that have the ambition to go beyond their current achievements. Local authorities could thus focus their efforts to uphold and implement programs aimed at increasing the rate of enterprise creation, building the capacities of the entrepreneurs and their businesses.

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