Uncovering International Migration and Remittance Patterns in Southern Africa During COVID-19: Compelling Evidence from Cape Town, South Africa

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Key Points

- Despite the myriad socio-economic and political hurdles, African migrants exhibit remarkable resilience. They do so by sending remittances to bolster the welfare and livelihoods of migrant-sending households, families, and relatives.
- The COVID-19 pandemic and its subsequent economic shocks, leading to widespread unemployment, income reductions, and job and income losses, significantly disrupted the flow of remittances, raising serious concerns about the welfare of migrant-sending households.
- Amidst these challenges, the surge in digital and mobile technology-based channels for sending remittances emerged as a critical pathway during the pandemic. They will continue to be pivotal in the post-pandemic era as they complement trust-based informal methods and offer potential solutions to the current challenges such as transaction costs.
- Maximizing the role of digital/mobile pathways to transfer remittances and promoting the adoption of artificial intelligence (AI) are necessary. This requires relaxed policies and regulations but also significant infrastructure development and a concerted effort to enhance digital and financial inclusion and literacy among remote/rural communities, undocumented migrants, and informal traders. This is a vital step in ensuring the well-being of migrant-sending households and communities.

Introduction

In the last three decades, evidence in the Global South has indicated that remittances are essential for economies and the welfare or livelihoods of migrant-sending households (Ratha, 2013; Smith & Floro, 2021; Yoshino et al., 2018). The latest World Bank remittances report indicates

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that formal remittance transfers to low-and middle-income countries (LMICs) reached billion USD656 billion in 2023 (Ratha et al., 2024). International migrants transfer remittances for various economic, social, and cultural reasons including shielding against economic shocks, covering expenses for food, education, healthcare, and shelter, maintaining social ties, supporting cultural activities, and fostering entrepreneurship and investments. In Africa, remittances play a crucial role in poverty alleviation, providing resources during economic shocks, income for entrepreneurship, and access to basic needs such as food, healthcare, education, and shelter (Ajefu & Ogebe, 2021; Aregbeshola, 2022; Sithole et al., 2022; Tevera & Chikanda, 2009).

South African urban spaces are popular destinations for migrants, especially African migrants, due to their economic prospects, employment opportunities, family ties, peaceful environment, political stability, health care, and education. A significant aspect of this migration is the role of African migrants in South Africa in supporting their migrant-sending households, families, and relatives by sending remittances. This underscores the human aspect of migration and the strong link between migration and intra-African remittances. These intra-African remittances, which involve the transfer of funds within Africa, are crucial to accessing basic needs, reducing poverty, and fostering economic development.

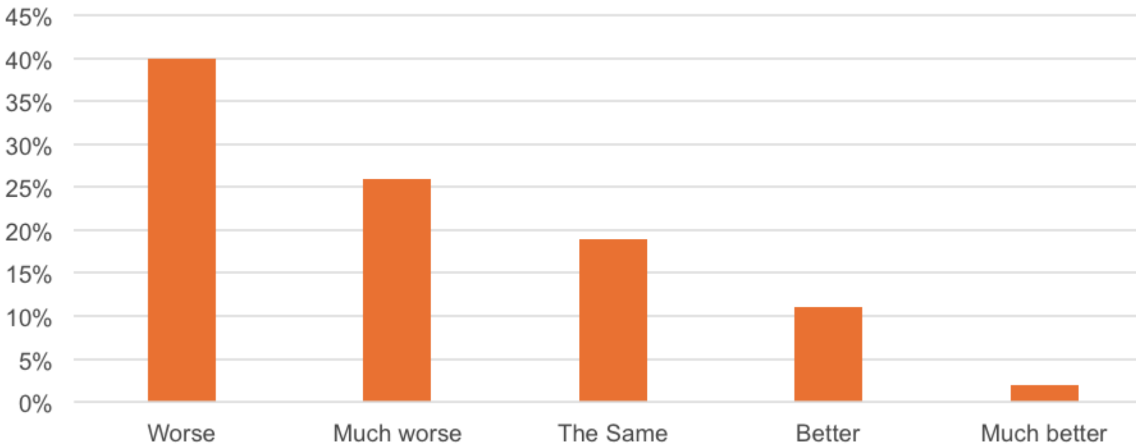
Research conducted over the past two decades has consistently shown trends in remittances and their developmental impact on household welfare and economies. However, there is still limited research and data on intra-Africa remittance patterns, especially during and after the COVID-19 pandemic. The research brief examines the remitting patterns of African migrants in South Africa and shows that the pandemic and post-pandemic precarity of African migrants impacted their remitting behaviour (Crush & Ramachandran, 2024). The brief is based on research from surveys and in-depth interviews conducted in 2023 in Cape Town, South Africa, focused on African migrants, refugees, and asylum seekers from Zimbabwe, Somalia and DRC. The survey was conducted with 844 participants and supplemented by 32 in-depth interviews, and employed purposive and snowball sampling methods. Notably, the findings show the significance of comprehending remittances and their impacts and the need for more policy attention.

Findings

Pandemic Impacts

The COVID-19 pandemic seriously harmed the South African economy, including retrenchments, job losses, reduced or lost income, inflation, and high food prices. The survey participants indicated that the economic conditions of their households were worse (40%) or much worse (26%) than before the pan1emic (Figure 1). Only 14% reported that they were better (12%) or much better (2%).

FIGURE 1: Economic Conditions of Households Compared to Before the Pandemic



The personal narratives of the African migrants provide invaluable insights into the worsening economic conditions experienced during or following the pandemic. Furthermore, they provide context for understanding the decline in remittance flows attributable to constrained resources within a crisis-stricken environment. As two Zimbabwean migrants recalled:

> Things have changed. My son, who used to work on the farm, lost his job; he used to support the family greatly as he was the farm manager. The loss of his job affected our income. My wife served as a domestic worker before. She used to work 3-4 times a week. Now, she only works twice because things are tough.

> Before it was better, we were managing to have three meals a day. During COVID, we had to budget the food we had as we were not allowed to go out frequently to purchase food. After the pandemic, things are just getting tougher and tougher… These days, things are really getting tough, especially in terms of food.

A Somali migrant commented on economic circumstances during the pandemic as follows:

> It was very low. People were not working. Sometimes you find food, other days you go hungry. That is how the situation was.

Additionally, as a migrant from DRC observed:

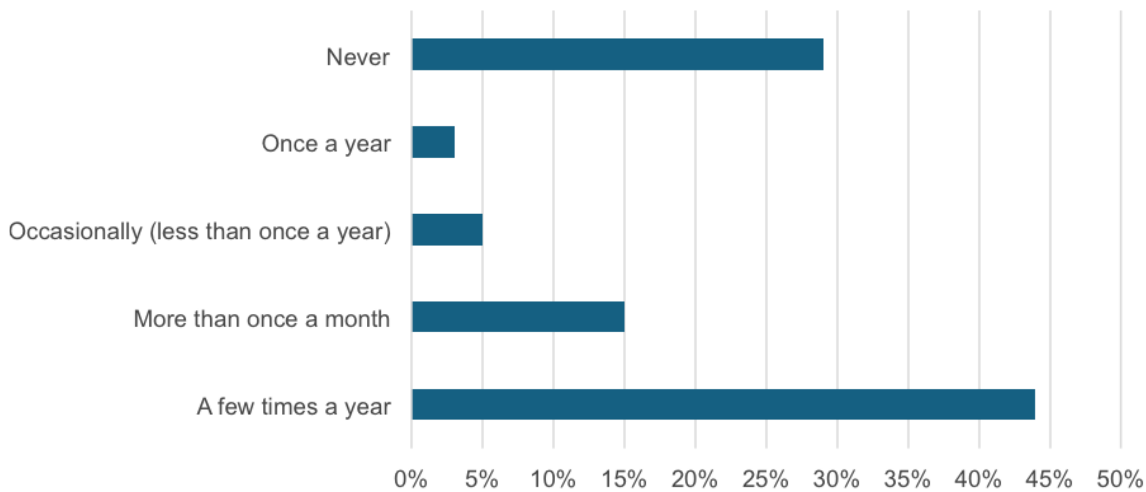
> We were doing well before COVID-19, and then during the pandemic, we struggled a lot. Now, we are not where we want to be. Things are still tough… During the pandemic, we survived on hand-outs from customers.

Remittance Impacts

Despite the economic and social challenges facing migrants in South Africa during the pandemic, their commitment and sacrifices to send remittances to support households, families, and relatives back home are evident. The survey found that around two-thirds (67%) of the participants were still sending remittances back to their country of origin/previous residence (Figure 2). Only 29% were not able to remit. Most migrants were remitting a few times (44%)

a year or more frequently (15%). Occasional remitters were only sending funds once (3%) a year or even less frequently (6%).

FIGURE 2: Remittance Frequencies



The migrant narratives illustrate the impact of the pandemic lockdowns and restrictions on remittances. Remittance flows to Zimbabwe experienced a temporary drop or halt during and after the pandemic period:

> Initially, when I first came, I was able to send remittances back home as I could afford it. Post-COVID, it was now done occasionally and also upon a justified need. At times, I struggle to send money completely because I may not have it. My wife and children are now working, so we combine effort and resources to support those back home.

> During the pandemic, I completely stopped to send remittances back home. Post-COVID, I can now send money, but only twice a year. I no longer send every month end as before.

These reflections are consistent with the argument of Tawodzera & Crush (2022) that during the COVID-19 pandemic, there was a decrease in remittances sent by Zimbabwean migrants in South Africa because of their economic predicament. The accounts of migrants from Somalia and DRC substantiated the descriptions of the Zimbabwean migrants. As one Somali migrant noted:

> I used to help them when I was working and had some money, but now, I don't send them anything.

Similarly, migrants from the DRC echoed the pandemic shift in their ability to remit funds home:

> Before the pandemic, I was able to send more frequently. But now I cannot. I last sent money home last year when my sister died.

> I could not send anything during the pandemic because I totally stopped working and had no income at all.

> We no longer send at the same rate as before the pandemic because our income is now less. Costs of sending money are high also due to the weak rand.

The narratives of the Zimbabwean migrants in South Africa show that the acute economic shocks and disruptions of the pandemic also impacted their ability to transfer goods to Zimbabwe as well:

> During the pandemic, we could not send any goods. It was a challenge to travel to buses to go send money as you could be arrested on your way there, plus very few buses were travelling back home as the borders were closed. Currently, we are unable to send money as there is no income even to send; the situation is bad.

> Before it was better, we used to send a lot of food, and during COVID, if I can remember very well, we only sent once, and now, because things are expensive, we are sending it here and there. It's no longer the same.

Remittance Volumes

In the year prior to the survey, there was considerable variability in the amount participants were able to send home each month. Table 1 shows that the most common amount sent was between ZAR1,001 and ZAR2,000 (27%), followed by ZAR2,001 to ZAR3,000 (15%), and ZAR500-1,000 (13%). Only 10% sent more than ZAR3,000.

TABLE 1: Average monthly cash remittances

ZAR	USD	No.	%
<R500	<$27	12	1.4
R500-R1,000	$27-$53	110	13.0
R1,001-R2,000	$53-$107	231	27.4
R2,001-R3,000	$107-$160	122	14.5
R3,001-R5,000	$160-$267	57	6.8
R5,001-R10,000	$267-$534	20	2.4
>R10,000	>$534	10	1.2

Sithole (2023) and Sithole & Dinbabo (2016) show that in Southern Africa, migrant remittances primarily benefit family or household members, relatives, and home communities. The survey found that almost two-thirds of the respondents sent remittances to immediate family members (61%) (Table 2). Another 29% transferred funds to extended family (including relatives), followed by friends (4%), community groups or organisations (2%) and other people (0.2%) (Table 3).

TABLE 2: Main Beneficiaries of Remittances

	No.	%
Immediate family members	518	61.4
Extended family (including relatives)	247	29.3
Friends	37	4.4
Community groups or organizations	16	1.9
Other people	2	0.2

Remittance Channels

Technological advances have resulted in the increasing adoption of financial technology, mobile transfers, and digital remittances by migrants in Africa (Ilinitchi, 2020; Tembo & Okoro, 2021). The COVID-19 pandemic and lockdowns accelerated the trend towards the use of contactless transactions and mobile-digital technology-based remittance channels (Dinarte et al., 2021; Datta & Guermond, 2020). Previous research identified this trend in the South Africa-Zimbabwe remittance corridor (Crush & Tawodzera, 2023; Sithole et al., 2022, 2023).

The survey provided further evidence of the dramatic shift from informal to formal digital channels. For example, almost two-thirds (63%) of the migrants surveyed now use phone payment (mobile/phone apps) for their remittances (Table 3). A further 13% use banks to transfer funds. Around one quarter still prefer to use informal channels, either sending the funds with a friend or relative or taking them themselves.

TABLE 3: Remittance Channels

	No.	%
Phone payment (mobile/phone apps)	528	62.6
Bank transfer	113	13.4
Sent with a friend/relative	107	12.7
Self in cash	104	12.3
Other	1	0.1

Implications

This survey underscores the importance of the work for our audience of academic researchers, policy-makers, and professionals in the fields of development studies, economics, finance and technology, especially related to the adoption and utilization of new mobile and digital technologies in sending food remittances and other in-kind goods during this challenging time.

Pandemic Shocks and Remittances

In Global South regions such as Africa, Asia, and Latin America, there were phases of remittance flow disruption and reduction caused by the COVID-19 pandemic, lockdowns, and economic impacts such as jobs and income loss (Cardozo Silva et al., 2022; Kassegn, 2021; Withers et al., 2022). Crush & Ramachandran (2024) and Crush & Tawodzera (2023) note that shrinking remittance flows in the South Africa-Zimbabwe remittance corridor were related to unemployment, job losses, and income reduction in the context of pandemic precarity and food insecurity challenges. The narratives in this brief corroborate their findings. Accordingly, economic shocks, disruption or restriction of economic activities, and lack of government support for migrants limited the resources available for their own for sustenance and constrained the resources of cash, food, and other commodities for remittances. The findings in this brief therefore provide lessons related to the impact of a pandemic like COVID-19 on the welfare of migrant households in the host country and the disruption of cross-border remittance flows.

Digital-Mobile Technologies, Social Media and Remittances

The disruption of informal remittance channels during the pandemic underscores the significance of digital and mobile platforms for facilitating remittance transfers, both monetary and in-kind. In the post-pandemic era, these channels continue to represent a prevalent and convenient method for remittance transactions. Sithole et al. (2022, 2023) present a case for further increasing reliance on digital and mobile technologies for remittance transfers in the aftermath of the pandemic.

The role of fintech in providing alternative, reliable, secure, and accessible services is clearly evident. This contributes to the financial inclusion of marginalised groups such as the unbanked, undocumented migrants, informal traders, and remote communities. Social media has also been helpful for information pathways related to migrant networks, decision-making, transfer of remittances, and socio-economic activities (Sithole, 2023).

However, there are still challenges related to digital and mobile technology-based channels, including (a) bureaucratic regulations and processes; (b) limited services for irregular migrants, lack of access to smartphones, mobile devices, mobile data and the internet; (c) slow adoption of Artificial Intelligence (AI); (d) poor infrastructure; (e) levels of digital literacy; (f) cyber security and data privacy; (g) misinformation, especially on social media; and (g) gender disparities. Thus, a significant minority of migrants are compelled to still rely on informal remittance pathways which are based on trust and kinship, and involve less bureaucracy. To maximise the role of digital and mobile channels to transmit remittances, relaxed regulations and policies, infrastructure development, and greater digital financial inclusion and literacy of the unbanked, rural/remote communities, irregular migrants, and informal traders are needed.

Transaction Costs of Remittances

International migrants, including in South Africa, often face economic and social challenges, such as unemployment, low or inconsistent income, food insecurity, discrimination, and exclusion (Crush & Sithole, 2024a; 2024b). These challenges can lead to reduced or no remittances, compounded by high transaction costs. A significant obstacle to sending remittances through formal pathways such as banks is the fees. Formal channels are generally more expensive, pushing migrants to use informal channels that are more accessible and where transaction costs can be negotiated, reduced, or charged at zero rates through personal networks. However, there is optimism about the potential for cost savings through digital and mobile channels or money transfer operators, including cash-to-cash services, which have lower transaction costs than banks (Ratha et al., 2024).

Another significant challenge is unfavourable exchange rates, which result in higher real charges for migrants based in countries with weaker currencies. The role of policy-makers, researchers, and stakeholders in the field of migration, remittances, and finance in promoting financial inclusion is therefore crucial. This strategy, in combination with regulating taxes and transaction costs, infrastructure development, and leveraging both formal and informal channels, is essential for the financial benefit of both the senders and beneficiaries. The research findings highlighted in the brief provide insights that can drive further research and policy attention towards South-South migration and international remittances. Addressing the challenges in remittance transfers is essential. Doing so will help to create a more inclusive and cost-effective system that ultimately benefits both the senders and recipients.

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