

**EFFECTS OF FOREIGN REMITTANCES ON HUMAN
DEVELOPMENT IN KENYA**

DANIEL MUTUKU MUSYIMI

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DECLARATION

This research paper is my original work and has not been presented for a degree in any other university or any other award.

Signature:  Date: 05/07/2023

Daniel Mutuku Musyimi
Bachelor of Economics and Statistics,
(South Eastern Kenya University)
K 101/PT/CTY/37093/2017

This research project has been submitted for examination to the department of applied economics in the school of economics, Kenyatta University, with my approval as university supervisor.

Signature:  Date: 5th/7/2023

Dr Peter Ng'ang'a (PhD)
Lecturer
Department of Applied Economics
School of Economic
Kenyatta University
Nairobi, Kenya

ABSTRACT

The sole purpose of every government is to improve the welfare of its citizens. That is; to have high standards of living, quality education, good health and a quality general well-being. When a country thrives in human richness, then the country can be predicted to be on the right trajectory of achieving sustainable development goals. The Kenya scenario is no exception because the government has been striving to improve the welfare of its people. Though there has been increase in human development progress in Kenya from 0.468 human development index in 1990 to 0.575 human development index in 2021, the increase is relatively low compared to countries with very high and high levels of human development. Kenya is still in medium level which is far from the standards stipulated by UNDP which recommends countries to have high and very high human development index. Many of studies in Kenya have focused on remittances and education expenditure or remittances and health outcomes hence giving little attention on remittances and human development. This study sought to fill the gap between foreign remittances and human development in Kenya which has not received adequate attention despite the fact that foreign remittance has been one of the leading financial foreign inflows in the country. It is with this regard where the specific objectives sought to establish the effects of foreign remittances on both health index and education index. The study adopted foreign remittance as independent variable while health and education index were treated as dependent variables. To achieve the results, the study adopted vector error correction model (VECM) which falls under ordinary least square (OLS) regression technique. The model helped in determining the long run and short run effects of foreign remittances on health index and education index respectively. The study used time series data from period 1990 to 2021 and was obtained from secondary sources. A non-experimental research design was used to determine the frequency of association between the variables. Statistical results were achieved with the aid of statistical package E-views. The study concludes that foreign remittances have negative and significant effects on both health and education index. The study recommends that relevant authorities should deep in to understand the cause of negative relationship between remittances on both health and education index.