

AN ANALYSIS OF THE IMPACT OF THE GLOBAL FINANCIAL CRISIS (2007-2009) ON
THE REMITTANCES BY THE KENYAN DIASPORA BASED IN UNITED STATES OF
AMERICA (USA)

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ABSTRACT

The aim of this study was to establish whether remittances of Kenyan Diaspora based in the USA, were reducing despite the global financial crisis (2007 - 2009). The period of 2007 to 2009 were chosen because they indicate the critical levels of the financial crunch of the USA financial system.

The study investigated the global financial crisis in order to establish whether it was the major factor affecting the remittances or whether there were other factors or policies affecting remittances of USA based Kenyan Diaspora. The study was conducted using qualitative and quantitative methods and data was analysed to draw out conclusions. Further, data was obtained from a selected group of Kenyan Diaspora based in USA. The remitters were vital in the study as they were the main participants sending money to Kenya. In addition, data was obtained through questionnaires from an employee of Central Bank of Kenya.

Other than drawing out key factors that affect the levels of remittances, the primary data showed how the recipients' countries were harnessing these remittances and if Kenya is utilizing its remittances effectively in its development. Secondary data obtained from various institutions. Through document analysis successful plans of developed and developing countries were analysed further to understand how remittances for development programs are been utilized. The documents were further used to assess if the financial crunch has affected the levels of remittances, and what has Kenya done so far to better use and account the remittances.

Finally, the results from this study show that the relationship between the financial crunch and low remittances are evident. According to the data from CBK, remittances tend to be 'pro-cyclical' relative to Kenya's economic cycles. The relationship between migration and remits is persistent over time as most of the remittances were sent according to the data by those who have been in the USA for more than six years. The remittances are sent by cumulated flows of migrants over the years and not only by the new migrants of the last year or two. Therefore, it is safe to say, if new migration stops over a period of a decade or so, remittances may stop growing. But, so long as the migration flows continue so will the remittances in an upward trend even if it was in a reduced amount. It is also clear that despite the financial crunch the migrants will continue to send remittances.