

## **Investment Strategies used by Diaspora Citizens in Social Economic Development in Kenya**

By

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### **Abstract**

The aim of this study was to explore the investment strategies used by diaspora citizens in social economic development in Kenya. This study was anchored on the Rational Choice Theory. The study adopted a qualitative research design. The target population included employment agencies that take people to gulf region, government official in the ministry of labor and social services and foreign affairs ministries, returned migrant workers from the Gulf Region, diasporas already in Gulf and their custodians. The study used both snow balling and purposive sampling to select the respondents. Questionnaires, interview guide and Focused Group Discussion (FGD) were used as the main instruments of data collection. The data was organized, edited, analyzed and interpreted qualitatively using thematic analysis and was used in identifying key patterns and themes from interviews. This was presented using narrative form and in relation to the key study objective. Based on this objective, the study findings revealed that the diasporas have offered welfare support, creation of investment, poverty alleviation initiatives, monetary remittances while working in the gulf and by venturing into various businesses. The findings also revealed that remittance flows to Kenya are regular and are remitted monthly, directed at nuclear family members and largely cater for basic household needs such as food, household goods, medicine, paying rent, paying school fees, paying household utilities, clothing needs, setting up businesses and for medical services. The study concluded that investment strategies used by diaspora citizens have a significant effect on social economic development in Kenya from 2014-2022. The study recommends that the government should implement a friendly policy that ensures that the members of the diasporas contribute to national development and this is through introducing productive ventures that will encourage them to remit money back home for national development.

**Key Words:** Kenya, Diaspora Diplomacy, social economic development, investment strategies, diaspora engagement, national development

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### **Background of the Study**

Diaspora diplomacy plays an effective role in promoting development and most nations have recognized its importance in respect to social economic development (Lowell & Gerova 2014). Diaspora diplomacy, as outlined by Brika & Klavins (2019), involves governments utilizing their foreign services and other key branches to build sustained relationships with their citizens living abroad. This approach aims for mutual benefits between both the home and host countries, drawing on shared interests for all involved. Scholars like Emre (2018) identify three key elements of diaspora diplomacy to include migration, organization formation, and political mobilization. Migration refers to individuals moving but maintaining their cultural and ethnic ties to their home country. Organization formation involves these individuals coming together to build a shared identity. This collective voice can then be used to advocate for the home country's interests and promote its social and economic development (Emre, 2018). Return migration provides a country with skilled individuals, attracts investments and enhances remittances hence contributing to social economic development (Lowell & Gerova 2014).

On the other hand, social economic development is crucial for the stability and survival of any nation or country (Asquith & Opoku-Owusu 2020). As Roche (2018) points out, it's not just about economic growth; it's also about raising living standards, increasing prosperity, and promoting social progress. The African Social Development Index report (2021) on social and economic development identified, defined and categorized the three indicators of social economic development to include creation of jobs, income generation and attracting foreign investment.

The remittances from the diaspora living and returned from the developed countries tend to be more consistent and long-term. Many returnees, particularly those with business experience, use their savings and skills to start businesses in Kenya. This creates jobs, boosts local economies, and promotes innovation and the formal remittances from this group comprised 2.98 % of the country's GDP (Republic of Kenya, 2014). Returnees from developed countries often bring advanced business knowledge and networks. Further, some returnees invest in infrastructure, real estate, and other sectors, contributing to Kenya's social economic development and modernization. Returnees from developed countries may also have access to larger investment capital and focus on tech or knowledge-based sectors. Therefore, the Returnees can contribute to social development through volunteering, and supporting NGOs. They may champion education, healthcare, or environmental protection, leveraging their experience and resources (Bogonko, 2021).

In the Gulf region, the Kenyan diaspora who are estimated to be over 1 million individuals in these areas have the potential to significantly contribute to the country's social and economic development, however, their impact remains largely unrealized and not documented. According to Federal Ministry for Economic Cooperation and Development (2015), the returnees from Gulf focus on sectors like construction or trade based on their experience and therefore they

contribute to Kenya's socioeconomic development in various areas like traditional sectors such as construction, trade, or hospitality. However, the educational level and skillset of the Gulf Kenyan diaspora may not align perfectly with development needs back home. This has raised questions about the effectiveness of diaspora diplomacy efforts compared to those implemented for European counterparts. The diasporas from the Gulf also often send larger sums and the primary reason for the high remittances is to support their families' basic needs like food, shelter, healthcare, and education. Some diasporas might be sending remittances to repay debts incurred for migration costs, medical emergencies, or other family obligations. Remittances can also be used for long-term investments like land, property, or business ventures back home, aiming to secure a future for their families (Federal Ministry for Economic Cooperation and Development, 2015).

### **Statement of the Problem**

Over the years, Kenyans have travelled abroad and engaged in economic activities both as private and businesses or employees of multilateral companies. However, before 2014, the contribution of diaspora citizen into foreign policy of Kenya was neglected with the establishment of foreign policy of 2014. It brought into light the significant role of diaspora diplomacy. Further, out of the five pillars of Kenya's foreign policy, diaspora diplomacy seems to be neglected as a tool for advancing the social economic development interest in Kenya. This has also affected and made it difficult for the country to achieve its foreign policy goals. The contribution of diaspora diplomacy for a long time has been evident for Kenyans living in European countries but in the recent past Kenyans have also been going to Gulf countries such as Bahrain, Kuwait, Oman, Qatar, Saudi Arabia, and the United Arab Emirates (UAE). Though they remit something, their contribution has not been effectively documented and felt. Those citizens going to America, they remit more money than their counterparts and their impact on social economic development can be seen. In addition, those individuals going to gulf majority of them are uneducated and whatever they are remitting is not too much compared to those in America.

Therefore, this study sought to document their contribution on social economic development. A number of different research on both diaspora diplomacy as well as social economic development has been done across various countries, however, there has been limited studies on how the implementation of diaspora diplomacy has affected social economic development from 2014-2022 more especially the Kenyans living in the Gulf region and those who have returned to the country. Therefore, as a result of this, the current study clearly filled these contextual and conceptual gaps by exploring the implementation of diaspora diplomacy on achieving the social economic development from 2014-2022 in Kenya.

### **Objective of the Study**

The main objective of this study was to explore the investment strategies used by diaspora citizens in social economic development in Kenya.

## **Review of Related Literature**

### **Investment Strategies Adopted by Diaspora Citizens in Social Economic Development**

Many countries recognize the valuable role their diasporas can play in driving social and economic progress. Research suggests that beyond sending remittances, diasporas can contribute significantly through trade, foreign direct investment, business creation, and knowledge transfer (Lafleur & Vintila, 2020). This potential is gaining recognition, with policymakers increasingly viewing engaged diasporas as assets rather than simply losses of skilled individuals (World Bank, 2020). This shift in perspective highlights the potential for diasporas to act as a counterweight to emigration and contribute positively to their home countries (World Bank, 2020). Similarly, according to Cohen (2013) one of the diverse strategies employed by diaspora citizens to contribute to their ancestral nations is through knowledge and skills transfer. This is supported by the notion of brain Drain vs. Brain Gain. Cohen (2013) asserts that the historical perception of diaspora involvement as brain drain has shifted to a recognition of brain gain. Diasporas can contribute valuable skills and expertise through knowledge sharing, mentorship programs, and technological transfer leading to an improved socio-economic development. Platforms like online forums and professional networks facilitate knowledge exchange (Cohen, 2013).

Gnimassoun and Anyanwu (2019) explored the link between African diasporas and economic development in Africa. Their study aimed to assess the overall and specific contributions of African emigrants based on their education levels. The findings revealed a significant and positive impact of the African diaspora on improving real per capita income in Africa. This impact was channeled through improvements in human capital, total factor productivity, and democracy.

Remarkably, while highly skilled emigrants had a larger overall impact, those with lower education levels contributed more to remittances. The study recommended establishing an annual African Diaspora Summer School (ADSS) in collaboration with relevant stakeholders to facilitate knowledge, technology, and experience transfer, further strengthening the diaspora's role in Africa's development. The study focused on the level of education of the diasporas and how they contribute the remittances which should not be the case since the diaspora communities do not only contribute to remittances but also on other social economic development aspects as well as enhancing the national development of a country. The current study filled these gaps by investigating strategies adopted by diaspora citizens in social economic development in Kenya.

In a 2020 study, the World Bank analyzed panel data from 22 OECD countries (Organization for Economic Cooperation and Development) between 2006 and 2016 to investigate the connection between migration and economic growth. Specifically, the research examined how the presence of African migrants in these OECD countries related to investment flows back to their home countries of origin (World Bank, 2020). The endogeneity of remittances was taken into consideration by conducting an SGMM estimate procedure with the aid of outside factors and time-varying instruments. The study's control variables all converted into natural logs included the initial GDP per capita, private domestic credit to GDP ratio, secondary school enrollment rate, political risk index, inflation rate, real exchange rate overvaluation, real export and import to GDP ratio, government consumption, and time period dummies. According to estimations, GDP growth increases by 0.27 percent when the remittance to GDP ratio increased from 0.7% to 2.3%. When the investment to GDP ratio is taken into

account together with the other control variables, the computed coefficient on remittances to GDP, however, loses some of its significance. The study's analysis revealed a robust association between the presence of migrant networks and increased investment flows, encompassing both direct investments and portfolio investments. The study also concluded that one of the key ways' remittances function is through boosting domestic investment. The above study was conducted in 22 OECD countries between 2006 and 2016 while the current study was conducted in Kenya between 2014-2022 to explore strategies adopted by diaspora citizens in social economic development in Kenya.

Giuliano and Ruiz-Arranz (2019) examined the potential of remittance inflows to promote economic growth in 100 developing countries. Their findings suggest that remittances act as a valuable alternative source of investment capital, particularly in situations where credit access is limited. The study highlights how these financial contributions, primarily channeled through transfers to families and communities, can be used to fulfill basic needs and even fuel additional growth. The above study failed to discuss the aspect of social economic development but rather focused on the growth enhancing impact of the emigrants. Therefore, this current study focused on discussing the strategies used by diasporas for social economic development in Kenya.

Nissanke (2019), in a recent study on economic transformations in sub-Saharan Africa, highlights the active role of diasporas in development finance. He found that early movers within the diaspora community are willing to take financial risks, paving the way for larger global investors to enter their home economies. This steady stream of investments, often in the form of remittances, is seen as a potential catalyst for significant change in development financing. The above study was conducted in sub-Saharan Africa to investigate structural transformations of small economies while the current study was conducted in Kenya to explore the strategies used by diasporas for social economic development.

Mwazighe (2021) explores the potential of diaspora diplomacy to advance national interests, using Kenya as a case study. The study demonstrates how diaspora engagement can contribute to achieving Kenya's national goals. However, while it focuses on national interests, it does not specifically explore into the contributions of the Gulf region diaspora to Kenya's social and economic development.

### **Theoretical Review**

This study utilized the Rational Choice Theory (RCT), initially proposed by economist Adam Smith in 1776. This theory explored how self-interested individual actions can contribute to a larger and beneficial outcome, often within a free market context. The core idea is that individuals engage in a cost-benefit analysis before choosing an action, ultimately aiming to maximize personal benefit. According to RCT, these individual, rational choices collectively contribute to a more efficient and optimal overall outcome for the broader economy. The central concepts of RCT include rational actors, self-interest, and the invisible hand, where the latter refers to the idea that individual pursuits within a system ultimately lead to an unintended, yet beneficial, collective outcome. One of the assumptions of RCT theory is that individuals are viewed as independent, self-interested agents. In the context of diaspora engagement, this assumes that diasporas make decisions about homeland engagement based on a personal cost-benefit calculation. The other assumption is rationality where actors make choices that are

logically consistent and maximize their expected utility. This suggests that diasporas prioritized investments that brought them the highest financial returns or other personal benefits. Foley (2003) challenges the central role of rationality in mainstream economic theory, arguing it has significantly shaped and even established the current dominant approach.

Therefore, this theory was significant and applicable to the current study since it provided an understanding of individual motivations alongside broader social and cultural considerations of diaspora members was crucial for designing effective strategies that engage diasporas and optimized their contributions to their home countries' social economic development. Diasporas with specialized skills and expertise can be motivated to contribute to home country development if they see opportunities for professional advancement, career development, or personal recognition, aligning with the RCT framework. Further, diasporas send remittances when they perceived it as financially beneficial for their families back home or provides them with a sense of social satisfaction. Therefore, this can support increased remittances, investments and utilization of skills from the diaspora.

### **Research Methodology**

This study employed a qualitative research design and targeted returned migrant workers from the Gulf Region, those diasporas already in Gulf and their custodians of the diasporas, employment agencies that take people to the Gulf region, government official in the ministry of labor and social services and foreign affairs ministries. The study employed both snow balling and purposive sampling to select the respondents. The employment agencies that take people to the Gulf region, government official in the ministry of labor and social services and foreign affairs ministries were identified as principal institutions concerned with diaspora policy and engagement and were determined through purposive sampling. The other participants like returnees from the Gulf region living in Nairobi, diasporas already in Gulf and custodians who were also selected for interviews were chosen through snow balling sampling. The study used both primary and secondary data in order to get relevant information on the subject under study. Primary data included use of questionnaires, interview guide and Focused Group Discussion (FGD).

This study employed descriptive statistics to analyze and interpret the collected data. SPSS Version 25.0 software was used for data organization, editing, analysis, and coding. Descriptive statistics, including frequency and percentage were utilized to summarize and describe the characteristics of the data. The interviews were then transcribed, analyzed and integrated into this study using descriptive and narrative text. Content analysis was employed in respect to secondary data collected. Qualitative data obtained from interviews and Focused group discussion were analyzed using thematic analysis, a method to identify recurring themes and patterns. These findings were presented in a narrative format linked to the study's key objectives.

### **Results and Discussion**

#### **Investment Strategies used by Diaspora Citizens in Social Economic Development**

The objective was to find out the investment strategies used by diaspora citizens in social economic development and the qualitative findings from various stakeholders on the investment strategies used by Diaspora Citizens in Social Economic Development revealed diverse perspectives and insights. This objective summarizes key findings from interviews with

employment agencies, government officials, custodians (those who manage diaspora remittances), returnees (citizens who have returned from working in the Gulf) and those already working in the Gulf regarding investment strategies used by diaspora communities to contribute to social and economic development in their home countries.

### **Welfare Support**

The qualitative data according to the employment agencies revealed that many individuals seek opportunities abroad primarily to provide welfare support to their families back home. The desire to uplift their families economically is a driving force behind their decision to seek employment in foreign countries. The research revealed the crucial role of remittances, financial contributions sent home by Kenyans working in the Gulf. In International Relations (IR), remittances are a major source of foreign currency for most developing countries like Kenya. The study findings showed the diaspora communities in the Gulf directly contributed to Kenya's socio-economic development. These remittances supported basic needs, education, and healthcare, impacting poverty alleviation.

One of the manager from the agencies lamented that “Often we see a significant portion of remittances used for direct family support, including food, education, and healthcare” (Manager 6).

The government officials recognized the significant impact of Diaspora Citizens' investment strategies on social and economic development. They acknowledge that welfare support provided by those working abroad often serves as a lifeline for families in their home countries, especially in terms of basic needs such as food, shelter, and education.

Qualitative findings from foreign affairs ministries also emphasize the importance of Diaspora Citizens' contributions to creating investments in their home countries.

This was seen from one of the excerpts indicating that;

Many individuals working abroad like in the Gulf region actively invest in businesses, real estate, and other ventures, thereby stimulating economic growth and creating employment opportunities locally (Foreign affairs officer 3).

Many returnees identified family/welfare support as the primary purpose of remittances sent to Kenya. This included providing financial assistance for basic needs such as food, shelter, healthcare, and education for family members back home. Respondents expressed a strong sense of obligation and responsibility towards supporting their families, particularly parents, siblings, and children. The majority (80%) of the respondents sent remittances to support recipients in the purchase of food and household goods, for offsetting medical expenses, meeting education expenses, for payment of rent and household utilities, payment for the costs associated with ceremonies; for clothing needs of the recipient and to meet farming needs. Additionally, some mentioned contributing to social welfare initiatives within their communities, such as sponsoring community projects or assisting disadvantaged individuals.

Several respondents highlighted the use of remittances for investment purposes, including acquiring assets such as land, property, or vehicles in Kenya. Returnees viewed remittances as a means to build financial security and create wealth for themselves and their families in the long

term. Investments in real estate, agriculture, or small businesses were commonly mentioned as avenues for utilizing remittance funds to generate income and achieve economic stability.

Education emerged as a significant area of investment for remittance recipients, with many returnees prioritizing funding for school fees, tuition, and vocational training programs for their relatives in Kenya. Respondents emphasized the importance of education in empowering future generations and enhancing their opportunities for socioeconomic advancement. Some also mentioned sponsoring scholarships or training programs within their communities to support broader educational initiatives.

Remittances were frequently used to cover medical expenses and healthcare costs for family members in Kenya. Returnees expressed a strong desire to ensure access to quality healthcare services for their loved ones, especially in cases of illness or emergencies. Additionally, remittance funds were utilized to purchase health insurance or finance medical treatments not covered by public healthcare services. Respondents underscored the importance of maintaining the health and well-being of their families as a top priority.

A significant number of returnees reported allocating remittance funds towards entrepreneurial ventures and business opportunities in Kenya. This included starting or expanding small businesses, investing in agricultural projects, or supporting local enterprises through loans or partnerships. Respondents viewed entrepreneurship as a means to create employment opportunities, stimulate economic growth, and foster self-reliance within their communities. Some also mentioned providing financial support and mentorship to aspiring entrepreneurs as part of their efforts to promote sustainable development.

Many returnees emphasized the importance of saving and financial planning as key objectives for remittance utilization. Respondents allocated a portion of their remittance income towards savings accounts, investment portfolios, or retirement funds, aiming to build a secure financial future for themselves and their families. Financial literacy and money management skills were identified as essential tools for maximizing the impact of remittances and achieving long-term financial goals.

The above findings show that returnees are motivated to contribute to Kenya's economic development since it was important for the purpose of catering for the needs of their families. The findings concur with the findings of Mwazighe (2021) who found out that diasporas contribute to a country's economic development and one of the most important factors was through remittances which was used to cater for the needs of family members more especially food, clothing, medical expenses and payment of rent.

Similarly, a research paper by De Haas et al (2021) titled *The Nexus Between Migration, Development and Inequality* argues that while emotional ties are important, economic factors like improving livelihoods and accumulating wealth are also significant drivers for diaspora engagement with their home countries. This aligns with the study finding that economic growth and prosperity is a consideration for Kenyan diaspora.

### **Creation of Investment**

The qualitative findings revealed that the diasporas in the Gulf go beyond remittances, showcasing how Kenyans in the Gulf and also the returnees have invested in their home country. This investment can take various forms, including starting businesses back in Kenya. This



finding emphasizes the potential for diaspora communities to not only send money but also contribute directly to Kenya's entrepreneurial ecosystem and job creation.

According to the manager from the employment agencies, they indicated that a growing number of diaspora individuals were investing in small businesses back home, particularly in sectors they have experience in.

The officers from the foreign affairs offices also felt the same and indicated that diasporas welcomed increased investment as a driver of job creation and economic growth. They highlighted the need for policies that make it easier for diaspora communities to invest.

Insights from custodians and returnees highlight the nature of investment strategies employed by diaspora citizens. While welfare support and investment creation are prominent, there's also a growing emphasis on poverty alleviation initiatives. They shared Share stories of starting businesses or investing in existing ones upon returning home, using their acquired skills and savings. Many Diasporas Citizens were involved in community development projects, educational programs, and healthcare initiatives aimed at tackling poverty and improving living standards in their home countries.

Another custodian felt otherwise and said that:

Some members of the diaspora have invested in businesses in Kenya, and this has been effective in creating job opportunities and contributing to economic growth.

However, there are certain harsh regulations from the government preventing them to fully invest in Kenya (Custodian 20).Muguna (2018) also finds that there was a positive correlation between remittances and national development and this concurs with the above findings. According to her research this correlation exists between remittances and GDP, exchange rate, bond turn over, secondary school enrollment, consumer spending, equity turnover and gross domestic savings. This goes to show that informal and formal remittances impact the national economy both at macroeconomic and microeconomic levels.

According to Rational Choice Theory (RCT), self-interested individual actions can contribute to a larger and beneficial outcome, often within a free market context. The core idea is that individuals engage in a cost-benefit analysis before choosing an action, ultimately aiming to maximize personal benefit. According to RCT, these individual, rational choices collectively contribute to a more efficient and optimal overall outcome for the broader economy. One of the assumptions of RCT theory is that individuals are viewed as independent, self-interested agents. In the context of diaspora engagement, this assumes that diasporas make decisions about homeland engagement based on a personal cost-benefit calculation. The other assumption is rationality where actors make choices that are logically consistent and maximize their expected utility. This suggests that diasporas prioritized investments that brought them the highest financial returns or other personal benefits.

### **Poverty Alleviation Initiatives**

Employment agencies specializing in placing individuals in the Gulf region reported a significant trend of Diaspora Citizens seeking opportunities abroad as a means of poverty alleviation for themselves and their families back home. Many individuals expressed a sense of urgency in finding employment overseas due to limited job prospects domestically.

One of the officials said that;

Our agency has witnessed a surge in demand from Diaspora Citizens seeking employment in the Gulf region. They often cite economic hardship at home and view working abroad as a viable pathway to uplift their families from poverty"(Employment agency manager 1).

Officials at the Ministry of Labor and Social Services acknowledged the role of Diaspora Citizens in economic development through their remittances. However, they raised concerns about the long-term sustainability of this strategy and emphasized the importance of creating domestic employment opportunities. They indicated that While remittances from Diaspora Citizens play a crucial role in alleviating poverty, they must also focus on creating sustainable employment opportunities domestically. Overreliance on remittances can lead to economic vulnerabilities in the long term.

### **Building Resilience Among Family Members**

Varied responses were viewed by different stakeholders across various sectors recognize that building resilience among family members is an integral part of Diaspora Citizens' investment strategies. By providing financial stability, access to education, and opportunities for skill development, individuals working abroad empower their families to withstand economic challenges and pursue long-term goals.

The employment agencies facilitating migration to the Gulf region observed that Diaspora Citizens often view overseas employment as a strategy to build resilience among their family members. By securing stable income abroad, they aim to mitigate the financial vulnerabilities faced by their families back home, thereby enhancing their resilience to economic shocks.

This was seen in one of the Excerpt from one the officials that:

"Many of the individuals we assist express a strong desire to build resilience within their families. They see working in the Gulf as a way to provide a steady income stream, which can help buffer against economic uncertainties and unforeseen challenges." (Employment agency manager 10)

Officials at the Ministry of Labor and Social Services recognize the role of Diaspora Citizens in building resilience among their families through overseas employment. However, they emphasize the need for complementary social protection mechanisms to ensure sustained resilience, particularly for vulnerable groups. While overseas employment can contribute to family resilience, we must also focus on strengthening social safety nets to support those left behind. Building resilience requires a holistic approach that addresses both income security and social protection.

Foreign affairs ministries acknowledged diaspora Citizens' efforts in building resilience among their families through investments in social and economic development projects. They stress the importance of fostering partnerships between Diaspora communities and government agencies to maximize the impact of these initiatives.

One of the officials indicated that;

Diaspora Citizens play a crucial role in enhancing family resilience through their investments back home. Collaborative efforts between governments and Diaspora communities can amplify the effectiveness of these initiatives in building sustainable resilience (Foreign Affairs Officer 8).

The custodians and returnees highlight the significance of Diaspora Citizens' investments in fostering resilience among their families, particularly in communities vulnerable to economic shocks. They emphasized the importance of diversifying investment portfolios to ensure long-term stability. Through their investments, Diaspora Citizens empower their families to withstand economic hardships and adapt to changing circumstances. Diversifying investments beyond traditional sectors can further strengthen family resilience and promote sustainable development.

### **Channels of Sending Remittances**

Further the returnees were also asked to indicate the channels they used to remit money to Kenya and majority (56%) of the respondents said they used formal channels such as mobile money operators, money transfer companies and banks. Services like M-Pesa and Airtel Money are increasingly popular for remittances due to their low fees, convenience, and wide reach in Kenya. However, they may have transaction limits and require both sender and recipient to be registered users. Therefore, this shows that a large proportion of remittances are through formal channels.

The respondents were also required to indicate the effectiveness of the strategies used and the majority of the respondents indicated that M-PESA/Safaricom is the most preferred service provider, selected by 50% of the respondents, followed by banks, World Remit, Wave, Sendwave, and Western Union. Respondents cited convenience, prompt/efficient/ speedy service, ease of access and favourable transaction charges as the main reasons for using these service providers. A further investigation reveals that respondents used banks, money transfer companies and mobile money operators mainly because of convenience, ease of access and prompt /efficient/speedy service. The same applies to transport operators and postal network. Hawala operators were preferred for offering favorable transaction charges, convenience and ease of access. Credit Union is considered desirable due to security and safety of the channel, convenience and favorable exchange rates. These findings are interpreted to mean that the rise in remittance levels is attributed to regulations enacted to reduce costs in sending money from abroad to Kenya. CBK (2018) credits the rise in diaspora remittances to increased partnerships between international remittance providers and commercial banks. Lower transaction costs act as an incentive to encourage greater levels of money transfers from abroad. This also allows for more financial products to be purchased by the diaspora.

### **Activities Participated in to Contribute to Kenya's Development**

The respondents were asked to indicate the activities they have participated in to contribute to Kenya's development. Majority of the respondents indicated that they have been sending remittances, followed by investing in business and supporting education initiatives. The findings also indicated that the least of the respondents said they participated in donating charities and volunteering their skills as well as they participated in government projects.

Many returnees from the Gulf region opt to invest their savings in small-scale enterprises upon their return to Kenya. Qualitative interviews with returnees reveal that they perceive such investments as a means to create employment opportunities and stimulate local economic growth. For instance, a returnee might use their experience gained abroad to establish a successful restaurant or retail business, thereby contributing to the local economy.

In addition, many Kenyan citizens working in the Gulf region send remittances back home to support their families and invest in community development projects. These financial transfers play a crucial role in uplifting livelihoods, financing education, and improving access to healthcare services among recipients in Kenya.

Further, returnees often bring back valuable skills and knowledge acquired during their time in the Gulf region. These skills range from technical expertise in sectors such as construction and hospitality to managerial skills honed in professional settings. Through informal mentorship and training programs, returnees contribute to human capital development in Kenya, empowering local communities to thrive in various industries.

From the above findings, it can be interpreted that one of the most significant contributions the diasporas have participated in to enhance development in Kenya is financial contributions through remittances followed by investing in businesses. The contributions is through regular financial support sent back home through remittances and these funds directly impact families and communities, improving living standards and fueling local economies. Many Kenyans in the Gulf region also invest in businesses and projects back home, creating jobs and stimulating economic growth. Remittances were sent to meet the basic needs of nuclear family members of the respondents. The above findings are in agreement with the findings of Ratha (2017) who highlighted the positive impact of remittances by diaspora on poverty reduction, education, and healthcare in developing countries. The study revealed that diaspora individuals and organizations increasingly engage in philanthropic activities such as remittances thus its impact is supporting social enterprises, education initiatives, and infrastructure development. Entrepreneurship emerges as a significant avenue through which returnees contribute to Kenya's development. Many returnees leverage their skills, experiences, and resources acquired abroad to establish and support small businesses in various sectors such as agriculture, tourism, technology, and manufacturing.

Returnees viewed entrepreneurship as a powerful engine for job creation, wealth generation, and poverty alleviation, thereby fostering economic resilience and empowerment at the grassroots level. returnees from the diaspora in the Gulf region engage in a wide range of activities to contribute to Kenya's development across multiple sectors and domains. Their contributions encompass investment in infrastructure, entrepreneurship, capacity building, philanthropy, advocacy, and cultural preservation, reflecting their diverse skills, resources, and commitment to advancing the socioeconomic progress and well-being of their homeland.

Responses from custodians, highlight the significance of diaspora contributions to Kenya's development: Many custodians mentioned the crucial role of remittances in supporting families, funding education, and improving living standards. One of the custodians indicated that;

The returnees from the Gulf bring with them valuable expertise and resources that are instrumental in driving local economic growth. We welcome their initiatives and encourage collaboration to maximize their impact (Custodian 18).

Another custodian lamented that;

"Remittances from Kenyan citizens working in the Gulf region serve as a lifeline for many families, especially in rural areas. These funds contribute to poverty alleviation and support community-driven projects aimed at improving living standards." (Custodian 10).

Further, one of the custodians also felt that;

The diaspora community in the Gulf plays a pivotal role in fostering partnerships and mobilizing resources for development projects in Kenya. Their engagement strengthens our ties with the global Kenyan diaspora and opens up opportunities for investment and innovation" (Custodian 2).

### **Effectiveness of the contributions Made**

The respondents were asked to indicate if they think that their contributions have been effective in making a positive impact. The findings indicated that majority (56%) of the respondents indicated that their contributions have been very effective while a significant number indicated that their contributions were somewhat effective and the remaining 10% said their contributions were not effective. The above findings were interpreted to mean that a significant portion of both diasporas and returnees agreed that their contributions were effective and this suggests a strong belief in the positive impact of their contributions. This could be due to factors like sending back remittances that improve livelihoods, investing in businesses that create jobs, or engaging in philanthropic activities. However, the least indicated their contributions were not effective meaning this could raise concerns about the perceived impact of their contributions. This might be due to a lack of awareness about the results of their efforts, a feeling that their resources are not being directed efficiently hindering development.

### **Conclusion**

The main objective was to examine the investment strategies used by diaspora citizens in social economic development in Kenya and the study established that diasporas in the Gulf use various investment strategies through different ways and these included sending money back home through remittances followed by venturing into various business in their home country. Apart from this, they also do create investment, offer welfare support, build resilience within their communities and family, take initiatives of alleviating poverty through supporting education, donate charities and transfer knowledge and skills. Therefore, this study concluded that their contributions to social economic development go beyond just financial remittances and encompass welfare support, creation of investment, poverty alleviation initiative, building resilience, entrepreneurship and knowledge sharing.

### **Recommendations**

The study recommends the following based on the findings and the conclusions of the study: First, the study recommends that the government should implement a friendly policy that ensures that the members of the diasporas contribute to national development and this is through introducing productive ventures that will encourage them to remit money back home for national development. Second, the government of Kenya should ensure that they involve stakeholders

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such as trade unions when drafting and negotiating bilateral agreements with Gulf countries to ensure that the rights of migrant workers are represented. There is also the need of strengthening consular services and support networks to protect the rights and welfare of diaspora citizens, particularly those working in the Gulf region. Third, the government should review existing policies and regulations to identify barriers and challenges faced by diaspora citizens in contributing to socio-economic development in Kenya.

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