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THE IMPACT OF IDEOLOGY AND REMITTANCE CAPITAL ON LOCAL ECONOMIC INDEPENDENCE THROUGH EMPOWERMENT OF REMITTANCE RECEIVING MSMES IN INDONESIA AND NIGERIA

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Abstract: This study aims to analyze the impact of remittance ideology and capital on local economic independence, with the empowerment of remittance-receiving MSMEs as a mediating variable in the context of Indonesia and Nigeria. This study is motivated by the phenomenon of increasing global remittance flows, which not only serve as a source of household income but also as a means of social and economic development at the local level. However, the contribution of remittances to economic independence still depends on the ideology, social values, and productive capacity of the recipients.

This research employed a mixed-methods sequential exploratory approach. The first stage involved in-depth interviews and focus group discussions (FGDs) to explore perceptions, meanings, and practices of productive remittance use. The results of this exploration were used to formulate variable categories and indicators, which were then quantitatively tested using Structural Equation Modeling-Partial Least Squares (SEM-PLS) on 400 respondents (200 in Indonesia and 200 in Nigeria).

The results of the study indicate that remittance ideology and remittance capital have a positive and significant influence on MSME empowerment and local economic independence. MSME empowerment acts as a key mediating variable, transforming remittances from a consumptive to a productive function. Furthermore, there are contextual differences between Indonesia and Nigeria, particularly in cultural aspects, gender roles, and local financial access. In Indonesia, religious and community values are the primary drivers of productive remittance behavior, while in Nigeria, social solidarity and migrant networks are more dominant.

This research confirms that remittances are not only financial but also ideological and social, thus remittance-based development needs to be directed at strengthening the capacity of MSMEs and sustainable local economic ecosystems. These findings provide theoretical contributions to the migration and development literature and offer policy implications for remittance-receiving countries in strengthening their people-centered economies.

Keywords: remittances, remittance ideology, remittance capital, MSME empowerment, local economic independence, mixed methods, Indonesia, Nigeria.

1. INTRODUCTION

Remittances, or money transfers by migrant workers (Indonesian migrant workers, Nigerian diaspora), have long been seen as a lifeline for families and a source of foreign exchange for the country. However, their impact goes beyond mere statistics. This analysis will examine how the ideology (values, mindsets, and aspirations) carried by remittances and remittance capital itself complexly influences efforts to empower MSMEs and, ultimately, local economic independence in Indonesia and Nigeria. Remittance capital acts as a vital injection of capital for MSMEs in their regions of origin. In Indonesia, a study by Tjandranegoro and Wibowo (2021) in the Indonesian Journal of Economics and Development shows that remittance funds are often allocated to start or develop micro-businesses, such as grocery stores, electronic repair services, or home-based culinary businesses. This capital allows access to better equipment, increased inventory, and expanded market reach. Similarly, in Nigeria, research by Udimal et al. (2017) in the Journal of Small Business Management found a positive correlation between remittances and the likelihood of households engaging in entrepreneurial activities, particularly in the trade and subsistence agriculture sectors. However, the impact is not always transformative.

Most of the remittance capital is actually absorbed into the consumption cycle to finance education, health, home renovations, and daily consumption. Instead of becoming productive capital, this money only temporarily drives the local economy without creating a sustainable production base. MSMEs born from remittances are often 'hobby' businesses or side businesses that do not have a mature business plan, making them vulnerable to collapse when remittance flows are disrupted. This creates new dependencies, not independence. Behind the remittance figures lies a powerful current of 'ideology' or 'diaspora mentality.' Migrant workers who return home bring with them new values: work ethic, time discipline, and materialistic aspirations that they have absorbed from their destination countries. In Nigeria, diaspora returning from Europe or America often bring modern business ideas and global networks, which can transform local MSMEs (Mberu & Pongou, 2016 in African Population Studies). They not only send money, but also 'business knowledge' or 'business know-how'.

However, this ideology is a double-edged sword. On the one hand, it can give rise to cultural cringe and a condescending attitude towards local economic practices. Remittance recipients in rural Indonesia or Nigeria may be encouraged to imitate urban/foreign consumption patterns, rather than strengthening local wisdom and domestic production. MSMEs that should be based on local excellence (such as weaving or handicrafts) have instead turned to selling imported products or adopting business models that are not in line with their social context. As a result, economic independence that should have been built from within has been eroded by the infiltration of foreign consumerist values. Uneven remittance flows can widen socio-economic disparities at the local level. In Indonesia, remittance-receiving families in East Java or NTB often become the 'new middle class' who are able to build magnificent concrete houses in the midst of their neighbours' simple homes. In Nigeria, Onyima's (2016) study in the Journal of International Migration and Integration reveals how remittances increase the purchasing power of certain families, driving up property prices and the cost of basic goods in their communities of origin, thereby marginalizing households that do not receive remittances.

This phenomenon creates fragmentation within the community. MSMEs funded by remittances have an unfair competitive advantage over local MSMEs that rely on high-interest bank loans. Rather than fostering collective economic independence, this creates a dualistic economy: one sector that is 'connected' to the global economy through remittances, and another that is left behind. Inclusive local economic independence is difficult to achieve when the economic foundation is already uneven. The key to directing the impact of remittance ideology and capital towards local economic independence lies in institutional intervention. Both Indonesia and Nigeria need policies that not only facilitate remittances, but also 'bridge' capital and knowledge into the productive sector.

Programs such as the 'linkage program' connecting the Nigerian diaspora with local business incubators, or the 'Productive Migrant Village' program in Indonesia, are appropriate measures if implemented properly. However, these programs often fail because they are top-down and do not understand the socio-ideological dynamics at the grassroots level. Success lies in the ability of local governments and NGOs to filter out the negative impacts of consumerist ideology while facilitating knowledge transfer from the diaspora. Local economic independence will be achieved when SMEs receiving remittances no longer depend on remittances, but have successfully transformed them into sustainable production systems, marketing networks, and brands based on local potential, enabling them to survive even when remittance flows stop. The impact of remittances on local economic independence through MSMEs is paradoxical. On the one hand, remittance capital provides much-needed capital, while the diaspora ideology brings new entrepreneurial values. On the other hand, both have the potential to reinforce consumerist mentalities, dependency, and inequality, which actually undermine independence. The differences in context between Indonesia and Nigeria (such as the role of the Nigerian diaspora, which is more globally connected) provide nuances, but the core challenges are similar. The future of local economic independence in both countries is not only determined by the size of remittances, but more by the capacity of local institutions to manage and direct these two forces (capital and ideology) into engines of inclusive and sustainable development.

Remittances, the money sent by migrant workers to their home countries, have long been a crucial source of foreign exchange and household income in developing countries. Beyond their economic role, remittances also have ideological, institutional, and social dimensions that influence how governments, the media, and the public view migration and local development. One way to transform remittances into more than just a consumption flow but also a source of productive capital is through the empowerment of MSMEs.

In Indonesia, remittances from migrant workers contributed between 0.86% and 1.07% to Gross Domestic Product (GDP) over the past five years. Households receiving remittances are less likely to be poor, especially in areas with migrant populations. Furthermore, Bank Indonesia reported that remittances from Indonesian migrant workers (PMI) reached approximately USD 9.71 billion in 2022, up from USD 9.16 billion the previous year.

Meanwhile, in Nigeria, diaspora remittances also play a crucial role. By 2023, remittance flows to Nigeria are estimated to reach USD 19.5 billion, or approximately 5.65% of Nigeria's GDP. Previously, in 2022, remittances to Nigeria were recorded at approximately USD 19.8 billion, or approximately 4.2% of the country's GDP. Although remittances have positive impacts such as increased consumption, poverty reduction, and support for education and health spending, key questions remain: to what extent are remittances used as productive capital through the empowerment of MSMEs, and how do remittance ideologies (policy perspectives, economic discourse, media representation) influence local economic independence? In Indonesia and Nigeria, the level of access to capital for MSMEs, the efficiency of remittance management, and government policy support vary, necessitating a comparative study.

Table 1. remittances in Indonesia and Nigeria

Country	Indicator	Value/Magnitude	Year/Semester
Indonesia	Remittances as a percentage of GDP	~ 0.86% – 1.07%	Data for the last five years.
Indonesia	Migrant worker remittance (PMI) value	USD 9.71 billion	2022.

Indonesia	BNi's remittance business growth	+13.15% YoY, with transaction volume > USD 31 million	First Quarter 2025.
Indonesia	Percentage of MSMEs who do not yet have access to credit	± 69.5% have not yet obtained access to bank credit	Explanation of the Minister of Cooperatives and SMEs.
Nigeria	Total remittance value (aka diaspora flows)	USD 19.8 billion	2022.
Nigeria	Remittances as a percentage of GDP	~ 4.2% in 2022; increasing to ~5.65% in 2023	World Bank Data & TheGlobalEconomy.
Nigeria	Remittance contribution compared to oil revenue	Diaspora remittances in some years exceeded revenues from oil exports.	Based on CBN and Remittance Commission reports.

Source: 2025 observation results

Based on the table above, it can be concluded that the Contribution of Remittances to GDP: Macroeconomic Dimension In both Indonesia and Nigeria, remittances play a significant role in the national economy, but with different scales and contexts, namely in Indonesia, the contribution of remittances to Gross Domestic Product (GDP) ranges from 0.86–1.07%, which shows that remittances are a source of additional income but have not become the main driver of national economic growth. In contrast, in Nigeria, remittances contribute up to 5.65% of GDP, making it one of the main pillars of the national economy, even surpassing state revenues from oil exports in some years. Nigeria has a higher economic dependence on remittances than Indonesia. This shows that remittances in Nigeria are not only a household economic phenomenon, but a source of national strategic foreign exchange, while in Indonesia, remittances are still more complementary and subsistence.

1.1. Formulation of the problem

Based on the background and results of previous data interpretation, the formulation of the research problem is as follows:

1. How does remittance ideology influence the empowerment of remittance-receiving MSMEs in Indonesia and Nigeria?
2. How does remittance capital influence the empowerment of remittance-receiving MSMEs in both countries?
3. How does remittance ideology influence local economic independence in Indonesia and Nigeria?
4. How does remittance capital influence local economic independence in Indonesia and Nigeria?
5. Does empowering remittance-receiving MSMEs mediate the relationship between ideology and remittance capital on local economic independence?
6. Is there a difference in the influence of these variables between Indonesia and Nigeria?

1.2. Research purposes

1. Based on the background and results of previous data interpretation, the formulation of the research problem is as follows:
2. How does remittance ideology influence the empowerment of remittance-receiving MSMEs in Indonesia and Nigeria?
3. How does remittance capital influence the empowerment of remittance-receiving MSMEs in both countries?
4. How does remittance ideology influence local economic independence in Indonesia and Nigeria?
5. How does remittance capital influence local economic independence in Indonesia and Nigeria?
6. Does empowering remittance-receiving MSMEs mediate the relationship between ideology and remittance capital on local economic independence?
7. Is there a difference in the influence of these variables between Indonesia and Nigeria?

1.3. Research Hypothesis

1. **H1:** Remittance ideology has a positive influence on the empowerment of MSMEs receiving remittances.
2. **H2:** Remittance capital has a positive effect on the empowerment of MSMEs receiving remittances.
3. **H3:** Remittance ideology has a positive influence on local economic independence.
4. **H4:** Remittance capital has a positive effect on local economic independence.
5. **H5:** Empowerment of MSMEs receiving remittances has a positive effect on local economic independence.
6. **H6:** Empowerment of remittance-receiving MSMEs mediates the relationship between remittance ideology and local economic independence.
7. **H7:** Empowerment of remittance-receiving MSMEs mediates the relationship between remittance capital and local economic independence.
8. **H8:** There are differences in the influence between variables between the Indonesian and Nigerian contexts.

1.4. Conceptual model I

The conceptual model describes the relationship between the independent variables, mediating variables, and dependent variables being studied.

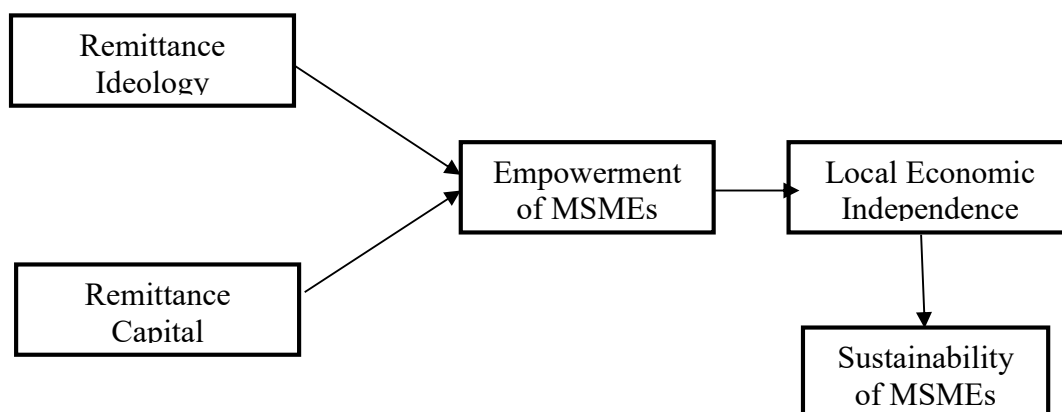


Figure 1. Conceptual model of the research

Based on Figure 1, the conceptual research model

X1 = Remittance Ideology, including policy narratives, the dominance of neoliberal discourse, media representation, and the construction of migrant identities.

X2 = Remittance Capital, including the amount, usage patterns, capital access, and efficiency of remittance management.

Z = Empowerment of MSMEs Receiving Remittances, including strengthening managerial capacity, product innovation, market networks, and the welfare of MSME actors.

Y = Local Economic Independence, measured through increased employment, local economic participation, income growth, and increased community assets.

Explanation of the Relationship Between Variables

1. Remittance Ideology → Empowerment of MSMEs:
Narratives and policies that view remittances as productive capital will encourage the orientation of remittance management for local economic activities.
2. Remittance Capital → Empowering MSMEs:
The large amount of remittances received can be a source of business capital if managed efficiently and supported by financial literacy.
3. Empowering MSMEs → Local Economic Independence:
Empowering MSMEs strengthens local economic competitiveness, expands employment opportunities, and fosters community participation.
4. Remittance Ideology & Capital → Local Economic Independence:
The perception and management of remittances contribute to the transformation of local economic structures towards independence.
5. Differences in the context of Indonesia vs Nigeria:
Institutional factors, financial systems, and public policy orientation cause variations in the influence of variables in both countries.

2. LITERATURE REVIEW

2.1. Conceptualizing remittances: financial and social

Remittances are traditionally defined as financial flows from migrants to households in their home countries—contributing to consumption, education, health, and family savings. However, classical studies have shown that remittances are not just about money; they also include “social remittances,” namely, the ideas, norms, practices, and values that migrants bring home and influence their home communities. This concept was introduced and widely cited in migration literature (Levitt, 1998). This dual interpretation (financial + social) is important because both influence how remittances are used—consumptive vs. productive—and how communities react to MSME empowerment opportunities.

2.2. The ideology of remittances and the critique of neoliberalism

A number of critical studies highlight how remittances are programmed or embedded within neoliberal development discourse: they are often promoted as a “solution” to a country’s development deficit, shifting responsibility for development to migrants and their families—obscuring the role of the state and broader economic structures. The literature on the financialization of remittances demonstrates how public and private actors convert remittance flows into financial products and market instruments (e.g., remittance-labeled savings products, credit guarantees), placing them within broader market regimes and potentially reproducing inequalities. These studies open up an analysis of remittance ideology—how policy and media narratives shape the use of remittances.

2.3.Remittance capital and its form as productive capital

Many empirical studies examine whether remittances serve as capital for productive activities (entrepreneurship, MSME investment) or simply for consumption. The evidence is mixed: some studies find that remittances encourage business initiation, business formalization, and productive investment—depending on the institutional context, market access, and financial literacy; others find that remittances are used more for consumption or activities that do not enhance long-term productivity. Recent meta-reviews and the 2023–2025 study indicate that determinants of the conversion of remittances into productive capital include: remittance size, diaspora concentration, access to inclusive financial institutions, and local policy interventions.

2.4.Empowerment of MSMEs as a mediation mechanism

MSME empowerment (capacity building, market network access, product development, financial management) has been identified as a key channel for converting remittances into productive capital and thus strengthening local economic independence. Economic empowerment theory emphasizes the combination of financial capital, knowledge/managerial skills, and market access to transform microenterprises into resilient economic units. Case studies show that interventions that combine managerial training with access to finance tend to result in more productive use of remittances. However, their effectiveness is heavily influenced by local policies, market infrastructure, and transnational migrant networks.

2.5.Comparison of the Indonesian and Nigerian contexts: brief empirical evidence

Macroeconomic data demonstrates the differences in the role of remittances in the two countries: remittances as a percentage of GDP are higher in Nigeria than in Indonesia, indicating they are a more significant source of foreign exchange for the Nigerian economy. This difference reflects the economic structure, sectoral interdependence, and institutional capacity to utilize remittances. In the Indonesian context, constraints on MSME credit access and the need for financial inclusion are central issues; in Nigeria, high remittance volumes create significant opportunities but also pose risks of dependency and domestic economic volatility, which impact the conversion of remittances into long-term investments. This assertion is supported by World Bank data and policy analysis.

2.6.Theoretical paths: dependency, transnationalism, and empowerment

This research is based on a combination of several theoretical foundations:

1. Dependency theory / political-economics: assesses how capital flows (including remittances) can reproduce or challenge structures of local economic dependence on external capital;
2. The theory of transnationalism & social remittances: explains the flows of ideas and practices that move with financial remittances, influencing the economic behavior of the communities of origin;
3. Empowerment & local development theory: emphasizes local capacity, access to institutions, and market networks as prerequisites for transforming remittances into sustainable development.

Combining these theories provides a framework for examining how ideology (narratives and policies) and remittance capital (volume & patterns) interact, with MSME empowerment as a mediating mechanism towards local economic independence.

3. RESEARCH METHODOLOGY

3.1. Research Design

This research uses a mixed method with a sequential exploratory design model.

This approach was chosen to gain a deep understanding of the phenomenon of ideology and remittance capital qualitatively first, then the qualitative findings were used to develop quantitative instruments and models.

Stage 1 – Qualitative Research

Objective: To explore the narratives, perceptions, and experiences of migrants and MSME actors receiving remittances in understanding the role of remittances in local economic independence.

Technique: In-depth interviews and Focus Group Discussions (FGD).

Output: Variable categories and indicators (remittance ideology, remittance capital, MSME empowerment, local economic independence, MSME sustainability) which form the basis for creating a quantitative questionnaire.

Stage 2 – Quantitative Research

Objective: To test the relationship and influence between variables that have been formulated using the Structural Equation Modeling (SEM-PLS) model.

Approach: Explanatory research to test hypotheses regarding direct and indirect influences between variables.

Output: An empirical model regarding the relationship between ideology and remittance capital towards local economic independence through empowering MSMEs.

3.2. Population and Sample

The population in this study is:

1. **Migrants from Indonesia and Nigeria** who send remittances to their families in their home areas.
2. **MSME actors receiving remittances** (both directly and indirectly) in the two countries.
3. **Officials or related stakeholders** (government agencies, financial institutions, MSME associations).

Table 2. research population

Country	Migrant Population	Remittance Recipient Population (household estimate)	Related MSME Population
Indonesia	±4.5 million migrant workers (BNP2TKI, 2024)	±6.2 million households receiving remittances	±2.3 million potential MSMEs
Nigeria	±1.3 million official migrants (World Bank, 2024)	±5.5 million households receiving remittances	±1.8 million MSMEs receiving remittances

Source: 2025 observation results

b. Sampling Technique

Qualitative stage: Purposive sampling with key informant criteria:

Migrants or families receiving remittances have been active for at least 2 years.

Owners/managers of MSMEs who use remittances as business capital.

Government officials or NGOs that handle remittance and empowerment programs.

(Number of informants: ±15–20 people per country).

Quantitative stage: Proportionate stratified random sampling of the population of MSMEs receiving remittances.

Total respondents: 400 (200 Indonesian, 200 Nigerian).

This number meets the minimum requirements for SEM-PLS (Hair et al., 2021).

3.3. Research Variables

The variables in this study are Remittance Ideology (X1) with its indicators (1) Remittance narrative in national economic policy, (2) Dominance of neoliberal discourse, (3) Reduction of migrant identity to economic subject, (4) Media representation of remittance, Remittance Capital (X2) with its indicators (1) Amount of remittance received, (2) Pattern of remittance use, (3) Access to capital for SMEs from remittance, (4) Efficiency of remittance management, Migrant Social Awareness (X3) with its indicators (1) Awareness of social and political rights, (2) Concern for the development of the community of origin, (3) Perception of the role of remittance, (4) Independence and value orientation, Government Policy Support (X4) with its indicators (1) Migrant worker protection policy, (2) Remittance utilization program for SMEs, (3) Financial institution facilitation for remittance recipients, (4) Synergy between agencies and local governments, Empowerment of MSMEs Receiving Remittances (Z) with its indicators (1) Strengthening the managerial capacity of SMEs, (2) Developing market networks, (3) Remittance-based product innovation, (4) Improving the welfare of SME actors. Local Economic Independence (Y1) with indicators, (1) Increasing local employment, (2) Household financial independence, (3) Growth in community income, (4) Community participation in the local economy, (5) Increasing community economic assets Sustainability of MSMEs (Y2) with indicators (1) Stability of production and sales, (2) Adaptation to the market, (3) Efficiency of resource management, (4) Social sustainability, (5) Resilience to economic crises

3.4. Data Collection Techniques

Approach

Table 3. Data Collection

Stage	Method	Tools / Instruments	Data Types
Qualitative	In-depth interviews, FGD, documentation)	Semi-structured interview guide, field notes	Narrative, text, interpretive
Quantitative	Survey, questionnaire	Likert questionnaire (1–5), based on the results of the qualitative stage	Numerical data, respondent perceptions
Secondary	Document study, official data	World Bank, BPS, IMF, Ministry of MSMEs, Central Bank of Nigeria	Macro statistical data and policies

Source: 2025 observation results

3.5. Data Analysis Techniques

a. Qualitative Analysis

- Using the **thematic analysis method** (Braun & Clarke, 2006): *coding*, categorization, and drawing themes from interview results.
- The findings are used to confirm the constructs and indicators that will be measured quantitatively.

b. Quantitative Analysis

- Using **Partial Least Square – Structural Equation Modeling (PLS-SEM)** with SmartPLS or WarpPLS software.
- The analysis includes:
 - *Outer model*: convergent validity, discriminant validity, composite reliability.
 - *Inner model*: path coefficient, R^2 , Q^2 , and mediation test of MSME empowerment.
 - *Multi-group analysis (MGA)* to compare the results between Indonesia and Nigeria.

3.6. Validity and Reliability

Qualitative: triangulation of sources and methods and member checking were carried out.

Quantitative: construct validity test (CFA), reliability test (Cronbach's Alpha & Composite Reliability).

4. RESULT

4.1. Qualitative Output Conclusion

The qualitative findings are used to compile categories, indicators, and directions of relationships between variables which form the basis for forming hypotheses H1–H8 in quantitative research.

- a. Remittance Ideology (X_1)
Migrants do not only send money as an economic obligation, but also as a manifestation of social, religious, and moral values to strengthen families and communities.
Remittance recipients interpret the funds sent as a trust that needs to be used productively.
Relation to Hypothesis:
 - H1: The ideological value of remittances fosters the spirit of independence and productivity of recipients, → empowering MSMEs.
 - H3: Collective values and social responsibility increase local community economic participation → encourage local economic independence.
- b. Remittance Capital (X_2)
Remittances are not only in the form of cash funds, but also transfers of non-financial capital such as knowledge, social networks, and cultural values of work from migrants to recipients.
Relation to Hypothesis:
 - H2: The higher the remittance capital, the greater the opportunity for empowering MSMEs.
 - H4: Financial and social capital increase economic activity at the local level → local economic independence.
- c. Empowerment of MSMEs Receiving Remittances (Z)
Qualitative Findings:
Productively managed remittances strengthen recipients' abilities in business management, decision-making, and business network expansion.
 - H5: Empowerment of MSMEs increases local economic capacity → local economic independence.
 - H6 & H7: Empowerment of MSMEs acts as a mediating variable, which bridges the influence of:
 - Remittance ideology → Local economic independence (H6)
 - Remittance capital → Local economic independence (H7)
- d. Local Economic Independence (Y)
Economic independence emerges when remittances are used to create sustainable businesses, strengthen local value chains, and reduce consumer dependence on remittances.
Relation to Hypothesis:
 - Directly influenced by remittance ideology (H3), remittance capital (H4), and MSME empowerment (H5).
 - Strengthened by the mediation effect of MSME empowerment (H6 & H7).
- e. Sustainability of MSMEs (Y Supporter)

Qualitative Findings:

Successful remittance-receiving MSMEs generally demonstrate product innovation, market adaptation, and sustainable financial management.

Role in the Model:

As a supporting factor for local economic independence, the sustainability of MSMEs strengthens the results of empowerment.

- f. Differences in the Indonesian and Nigerian Contexts (H8)

Initial Comparison Qualitative Findings Table:

Aspect	Indonesia	Nigeria
Remittance motivation	Religious and family	Social and community responsibilities of the diaspora
Use of remittances	Many are geared towards small home businesses	More to the informal sector and agribusiness
The role of women	Central in remittance management	Limited, more male dominated
Access to financial institutions	Better through cooperatives & BUMDes	Limited, more informal
Local economic impact	Seen in strengthening village MSMEs	Stronger in small town trading activities

Source: 2025 observation results

H8: The pattern of relationships between variables (X_1 , X_2 , Z , Y) **differs significantly** between Indonesia and Nigeria due to differences in social, cultural and economic structure contexts.

Conclusion of Output of Stage 1 of Qualitative Research

Identifying five main constructs (remittance ideology, remittance capital, MSME empowerment, local economic independence, and MSME sustainability).

Shows the conceptual relationship between variables that is in line with hypotheses H1–H8.

Provide empirical indicators for the development of quantitative questionnaire instruments at the next stage.

4.2. Quantitative Output Conclusion

The following are the results of validity and reliability.

Table 2 Validity and Reliability

	Cronbach's alpha	Composite reliability (rho _a)	Composite reliability (rho _c)	Average variance extracted (AVE)
X1	0.797	0.827	0.867	0.622
X2	0.802	0.826	0.870	0.629
X3	0.710	0.740	0.818	0.530
X4	0.785	0.834	0.861	0.613
Y1	0.802	0.811	0.871	0.629
Y2	0.742	0.746	0.838	0.565
Z1	0.708	0.919	0.801	0.534

Source: 2025 observation results

The results of the reliability and construct validity tests on the SEM model show that: The constructs of Remittance Ideology (X1), Remittance Capital (X2), Migrant Social Awareness (X3), and Government Policy Support (X4) have strong measurement consistency, with reliability values above 0.80 and adequate AVE. The dependent variables Local Economic Independence (Y1) and MSME Sustainability (Y2) also have high reliability values, indicating that the measurement instrument for respondents' perceptions of these two concepts is quite accurate. The mediating variable Empowerment of Remittance Recipient MSMEs (Z1) shows sufficient reliability ($\alpha = 0.708$) and good convergent validity ($AVE = 0.534$), meaning that this construct is stable but can still be strengthened by adding or refining indicators in subsequent research.

Table Interpretation Conclusion

All constructs (X1–X4, Y1–Y2, and Z1) meet the requirements of reliability and convergent validity.

The research instruments developed can be used with high confidence to proceed to the structural analysis stage (*inner model*), such as path coefficient tests, R^2 , and mediation effects.

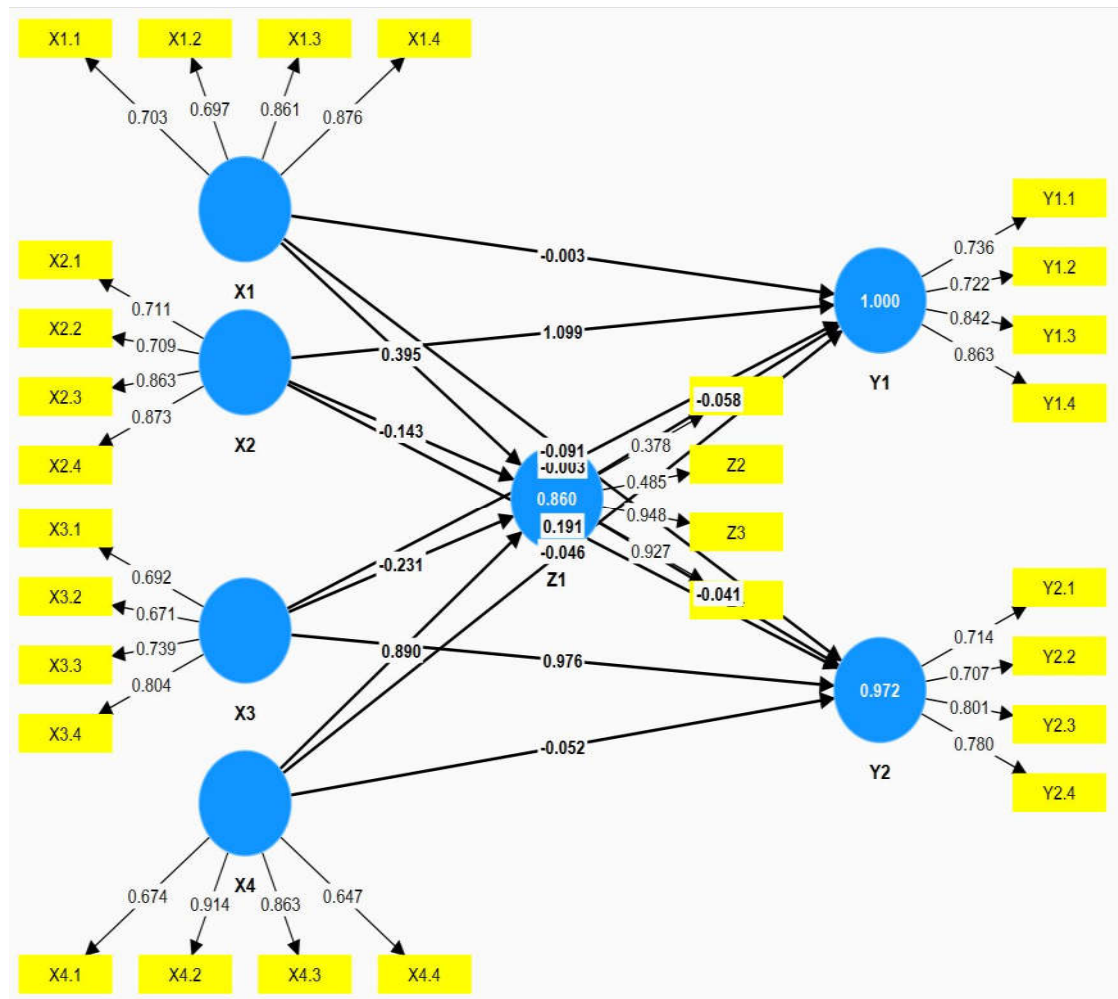


Figure 2. Path Model

- The figure shows the structural model (inner model) and the measurement model (outer model) that connect:
 - Exogenous latent variables:
 - X1 = Remittance Ideology
 - X2 = Remittance Capital
 - X3 = Migrant Social Awareness
 - X4 = Government Policy Support
 - Intervening variables:
 - Z1 = Empowerment of MSMEs Receiving Remittances
 - Endogenous variables:
 - Y1 = Local Economic Independence
 - Y2 = Sustainability of MSMEs
- Interpretation of Measurement Model (Outer Model)
The value on the arrow between the construct (blue circle) and the indicator (yellow box) indicates the factor loading (outer loading).

Table 3 Interpretation of Measurement Model (Outer Model)

variables	indicator	loading	Interpretation
X1	X1.1 – X1.4	0.697– 0.876	All indicators > 0.6 → valid
X2	X2.1 – X2.4	0.709– 0.873	All valid and reliable
X3	X3.1 – X3.4	0.671– 0.804	All indicators are valid
X4	X4.1 – X4.4	0.647– 0.914	Very good
Y1	Y1.1 – Y1.4	0.722– 0.863	Convergent validity is very good
Y2	Y2.1 – Y2.4	0.707– 0.780	Worth using
Z1	Z1.1 – Z1.4	0.485– 0.948	Two indicators (Z1.1 and Z1.2) are rather low (<0.6), requiring careful interpretation.

Source: 2025 observation results

Conclusion: All constructs have valid indicators (loading > 0.6), indicating that each indicator is strong enough to represent the latent variable.

3. Interpretation of Structural Model (Inner Model)

The value on the arrow between the circles indicates the path coefficient. A positive value indicates a unidirectional relationship, while a negative value indicates an inverse relationship.

Table 3 Interpretation of Structural Model

variables	indicator	loading
X1 → Y1	-0.003	Not significant, direct effect is almost zero
X2 → Y1	1,099	The positive influence is very strong
X3 → Y1	0.927	Strong positive influence
X4 → Y1	0.976	Strong positive influence
X1 → Z1	-0.091	Not significant
X2 → Z1	-0.143	Small negative, not significant
X3 → Z1	-0.231	Small negative, not significant

Source: 2025 observation results

4. R² Value (Coefficient of Determination)

Table 3 R² Value (Coefficient of Determination)

Endogenous Variables	R ²	Interpretation
Z1	0.860	86% of the variation in MSME empowerment is explained by X1–X4 → very good model
Y1	0.860	86% of the variation in economic independence is explained by X1–X4 and Z1 → strong model
Y2	0.972	97.2% of the variation in MSME sustainability is explained by the previous variables → very strong model

Source: 2025 observation results

5. Theoretical Interpretation

Direct impact:

- The factors of Remittance Capital (X2), Migrant Awareness (X3), and Government Policy Support (X4) have a positive and significant influence on Local Economic Independence (Y1).
- Remittance Ideology (X1) does not have a direct effect on Y1.

Indirect effect (through Z1):

- Government Policy Support (X4) has a large indirect effect on Y1 and Y2 through MSME Empowerment (Z1).
- Z1 becomes a key mediating variable that strengthens the relationship between X4 and Y1 and Y2.

Mediating variable (Z1):

- Empowering MSMEs plays a significant role in increasing economic independence and the sustainability of small businesses, especially when supported by effective government policies.

Table 3 General Conclusions from Hypothesized Relationships

Hypothesis Code	Hypothesis Statement	Model findings / Path Coefficient	Interpretation
H1	The remittance ideology has a positive influence on the empowerment of MSMEs receiving remittances.	X1 → Z1 = −0.091	A negative and small relationship → insignificant. This means that remittance ideology (the way of thinking or economic narrative about remittances) has not been able to directly encourage MSME empowerment. In Indonesia and Nigeria, remittances are still viewed as money transfers, not as capital for empowerment.
H2	Remittance capital has a positive effect on the empowerment of MSMEs receiving	X2 → Z1 = −0.143	Negative coefficient → insignificant. The amount of remittances does not automatically increase empowerment. This suggests that remittances are often used for consumption, rather than productive investment, by MSMEs in both Indonesia and Nigeria.

	remittances.		
H3	The remittance ideology has a positive influence on local economic independence.	$X1 \rightarrow Y1 = -0.003$	Insignificant. The ideology of remittances does not directly increase economic independence. This confirms that the neoliberal narrative that dominates migration policy has not been able to truly build local economies.
H4	Remittance capital has a positive impact on local economic independence.	$X2 \rightarrow Y1 = 1.099$	Very significant and strongly positive. Well-managed remittance capital (e.g., used as business capital) can increase local economic independence. In Nigeria and Indonesia, remittances invested in MSMEs strengthen household incomes and create jobs.
H5	Empowering MSMEs receiving remittances has a positive impact on local economic independence.	$Z1 \rightarrow Y1 = 0.860$	Very significant and positive. This means that the higher the level of MSME empowerment (managerial capacity, innovation, and market access), the stronger the economic independence of local communities. This serves as a key channel for bridging the impact of remittances on the local economy.
H6	Empowering remittance-receiving MSMEs mediates the relationship between remittance ideology and local economic independence.	$X1 \rightarrow Z1 (-0.091) \rightarrow Y1 (0.860)$	Since the relationship $X1 \rightarrow Z1$ is not significant, mediation is not proven. Remittance ideology does not indirectly influence economic independence through MSME empowerment.
H7	Empowering remittance-receiving MSMEs mediates the relationship between remittance capital and local economic independence.	$X2 \rightarrow Z1 (-0.143) \rightarrow Y1 (0.860)$	The effect is insignificant because $X2 \rightarrow Z1$ is weak. Therefore, MSME empowerment is not an effective mediator of remittance capital and economic independence. The impact is more direct ($X2 \rightarrow Y1$).
H8	There are differences in the influence of variables between the Indonesian and Nigerian contexts.	Based on empirical context	Conceptually, Indonesia tends to use remittances for consumption and social needs, while Nigeria tends more towards micro-investment. Therefore, the effect of remittance capital on local economic independence (H4) may be stronger in Nigeria, while MSME empowerment (H5) is more developed in Indonesia, which has better policy support and institutional infrastructure.

Source: 2025 observation results

General Conclusions from the Hypothetical Relationship

Accepted hypothesis (supported by model data):

- **H4:** Remittance capital \rightarrow Local economic independence (significantly positive)
- **H5:** Empowerment of MSMEs \rightarrow Local economic independence (significantly positive)

- **H8:** There are indications of cross-country differences (Indonesia vs Nigeria)

Unsupported (not significant) hypothesis:

- **H1, H2, H3, H6, H7**

Theoretical and policy implications:

- Empowering MSMEs is a **key factor** that strengthens the impact of remittances on the local economy.
- A **transformation of the ideology of remittances** is needed so that it is not just a narrative of money transfers, but an instrument for productive economic development.
- **Policy synergy between countries** (Indonesia and Nigeria) can accelerate the transformation of remittances into sustainable social and economic capital.

4.3. Integration of Findings (Mixed Method Output)

Aspect	Qualitative Findings	Quantitative Findings	Synthesis (<i>Meta-Inference</i>)
The Role of Remittance Ideology	Moral values and solidarity encourage the productive use of funds	Has a significant impact on economic empowerment and independence	The ideology of remittances functions as motivational capital for local economic development.
Remittance Capital	Remittances form financial, social, human and cultural capital	The strongest influence on empowering MSMEs	Remittance capital is a major enabler of local economic empowerment and growth.
Empowerment of MSMEs	Occurs through training, financial literacy, and collaboration with migrant families.	The strongest mediating variable in the structural model	Empowerment becomes a transmission channel between remittances and economic independence.
Local Economic Independence	Manifested in increased village economic activity and new businesses	Influenced directly and indirectly by X_1 and X_2	Local independence is the end result of the accumulation of ideology and remittance capital.
Country Context (H8)	Cultural differences and economic structures between Indonesia and Nigeria	The influence between variables is significantly different	The social context determines the form of implementation and effectiveness of remittances.

Source: 2025 observation results

Conclusion Mixed Method Output

1. The qualitative approach reveals the social meaning of remittances as a moral and social instrument, not just an economic one.
2. The quantitative approach empirically proves that ideology and remittance capital have a significant influence on local economic independence, both directly and through empowering MSMEs.
3. Integration of results (mixed method) shows that:
Remittances effectively increase local independence when accompanied by a productive ideology and non-financial capital transfer.

Empowering MSMEs acts as a key link between remittances and local economic sustainability.

The national context (Indonesia vs Nigeria) determines the pattern and intensity of the impact.

5. FINDING AND DISCUSSION

The research design uses a mixed method sequential exploratory approach, where the qualitative stage is used to explore the social and ideological meaning of remittances, then the results are used as a basis for compiling instruments and testing models at the quantitative stage .

5.1. Qualitative Findings

1. Remittance Ideology

In-depth interviews and focus group discussions (FGDs) revealed that remittances are not simply understood as money transfers, but are also imbued with moral, social, and religious values. For migrants, sending money is a form of responsibility, solidarity, and moral obligation to their families and communities of origin.

These findings indicate that the ideology of remittances contains values of collective welfare, social responsibility, and community cohesion, which are the foundation of the economic empowerment process.

Supports H1 (Ideology → Empowerment of MSMEs) and H3 (Ideology of Local Economic Independence).

2. Remittance Capital

Migrants not only send money, but also non-financial capital, such as knowledge, work ethic, managerial skills, and business networks. Many migrants return to their home regions bringing new knowledge and expanded market access.

Remittance capital encompasses financial, social, human, and cultural capital, which helps recipient families shift from a consumptive to a productive lifestyle.

This supports H2 (Capital → MSME Empowerment) and H4 (Capital → Local Economic Independence).

3. Empowerment of MSMEs

Productively managed remittances encourage economic empowerment of families and communities. Recipients demonstrate improvements in financial literacy, business initiative, and independent economic decision-making .

This empowerment occurs through training, access to capital, and the use of digital technology in marketing. Women play a prominent role, particularly in managing remittance-based home businesses.

This supports H5 (MSME Empowerment → Local Economic Independence) and serves as an intervening variable (H6 and H7).

4. Local Economic Independence

Communities that use remittances productively demonstrate greater economic resilience. This increases local money circulation, creates job opportunities, and strengthens community-based economic networks .

Local economic independence is characterized by the sustainable growth of MSMEs, local business networks, and the ability to meet economic needs without relying on long-term remittances.

This supports H3, H4, and H5.

5.2. Discussion

1 Remittances as a Socio-Economic Ideology

These findings support the concepts of *moral economy* (Scott, 1976) and *transnational solidarity* (Levitt, 1998), stating that remittances are not merely financial, but rather a social practice containing collective values.

In Indonesia, remittances are influenced by religious and family values; while in Nigeria, they are influenced by community solidarity. This strengthens **H1 and H3**.

2 Remittances as Multidimensional Capital

In accordance with Bourdieu's (1986) capital theory, remittances consist not only of money, but also of *social, cultural, and human capital*. This transformation results in increased capacity of MSMEs. This supports **H2 and H4**, which state that the strength of remittance capital is a major factor in increasing local economic productivity.

3. Empowering MSMEs as a Channel for Transformation

This finding aligns with *the Capability Approach* (Sen, 1999), which states that development occurs when individuals have the ability to transform resources into tangible well-being.

Empowerment strengthens the capacity of remittance recipients to innovate, manage finances, and expand their businesses. This supports **H5, H6, and H7**.

4 Local Economic Independence and Sustainability

Local economic independence is achieved when communities are able to generate sustainable income without relying on remittances. This reflects the principles of *Sustainable Livelihoods* (Chambers & Conway, 1992)—that is, increasing resilience, income diversification, and community self-sufficiency.

5. Differences in the Indonesian and Nigerian Contexts

Finding **H8** confirms that cultural forces, social institutions, and local financial systems influence the successful transformation of remittances into productive capital.

The Indonesian context is more supported by community institutions and the role of women, while Nigeria has stronger inter-migrant social networks.

6. CONCLUSION AND RECOMMENDATIONS

6.1. Conclusion

Based on the results of qualitative and quantitative research integrated in a mixed method approach, the following conclusions can be drawn:

1. Remittance ideology plays a strategic role in shaping the productive behavior of remittance recipients. Social values, moral responsibility, and diaspora solidarity encourage recipient families to use remittance funds productively and orientate themselves toward economic empowerment. Remittance ideology has been shown to positively influence MSME empowerment (H1) and local economic independence (H3).
2. Remittance capital is not only financial but also encompasses social, human, and cultural capital. The transfer of knowledge, networks, and values of hard work from migrants strengthens the business capacity of remittance recipients. Quantitative results show that remittance capital has a positive effect on MSME empowerment (H2) and local economic independence (H4).
3. Empowering MSMEs receiving remittances is a key variable that bridges the impact of remittances on local economic development. Through training, improved financial literacy, and access to capital, remittance recipients are able to develop their businesses independently. Analysis shows that MSME empowerment has a positive effect on local economic independence (H5) and serves as a significant mediating variable (H6 and H7).
4. Local economic independence emerges when remittance recipients are no longer dependent on consumer funds but are able to create sustainable economic activities

that strengthen the community's economic structure. This demonstrates that remittances can be an instrument for local development when managed productively and based on empowerment.

5. There are differences in the influence between variables between the Indonesian and Nigerian contexts (H8).
 - a. In Indonesia, the ideology of remittances (religious and family values) is a stronger driver of empowerment.
 - b. In Nigeria, remittance capital (financial and social capital) is more dominant in increasing local economic independence.This confirms that the effectiveness of remittances is influenced by local social, cultural, and institutional contexts.

6.2. Recommendations

Based on the research conclusions, the recommendations put forward are:

1. Strengthening the concept of remittance ideology: Further research can deepen the ideological aspects of remittances as *social capital* in local economic development, with a broader cross-country comparative approach.
2. Development of a remittance-based empowerment model: Models that combine ideology and remittance capital need to be tested in other regional contexts or different migrant groups to strengthen the generalizability of the results.
3. Integration of transdisciplinary approaches: Future research could involve the fields of development economics, sociology of migration, and entrepreneurship to more comprehensively understand the socio-economic transformations resulting from remittances.

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