Comparative Economic Research. Central and Eastern Europe
Volume 29 Number 3, 2026
https://doi.org/10.18778/1508-2008.29.24

Remittance-scapes: How Diaspora Financial Flows Influence Rural Capital Formation and Development

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Abstract

Diaspora remittances constitute a critical source of household income and foreign exchange in Zimbabwe, yet their contribution to gross capital formation in rural areas remains ambiguous. This study systematically reviews 62 empirical and policy studies using a PRISMA-guided approach to examine how remittances interact with rural investment environments. The findings reveal that remittances primarily finance consumption, education, healthcare, and housing, with limited allocation to productive assets or rural enterprises. Housing investment, while significant, provides minimal economic spillovers in the absence of complementary infrastructure and market linkages. Macro-level constraints, including inflation, currency volatility, and policy uncertainty, alongside institutional weaknesses such as insecure land tenure and underdeveloped rural financial systems, restrict the transformation of remittances into sustainable capital accumulation. Spatial analysis further indicates an urban bias in remittance-financed investments, exacerbating rural–urban inequalities. The study applies the remittance-scapes framework to conceptualise the socio-economic and spatial pathways through which remittances flow, highlighting structural impediments to productive investment. Policy implications emphasise macroeconomic stability, rural financial inclusion, land tenure reform, and diaspora-targeted investment instruments to enhance remittance-driven rural development. The study also identifies gaps for future research, including longitudinal analyses, collective investment mechanisms, and the measurement of remittance impacts on specific components of rural gross capital formation.

Keywords: diaspora remittances, gross capital formation, rural investment, rural development, remittance-scapes, financial flows

JEL: D14, F24, O12, O16, R58

Funding information: Research Associate: College of Economic & Management Sciences, UNISA, Pretoria, South Africa;, Lecturer: Department of Banking & Finance, BUSE, Bindura, Zimbabwe
Conflicts of interests: None.
Ethical considerations: The Author assures of no violations of publication ethics and takes full responsibility for the content of the publication.
Received: 27.02.2026. Verified: 9.04.2026. Accepted: 7.07.2026

Introduction

Diaspora remittances have become a cornerstone of Zimbabwe's socio-economic survival strategy amid prolonged economic instability, structural transformation challenges, and constrained access to international capital markets. Over the past two decades, Zimbabwe has experienced sustained outward migration, resulting in a large and economically active diaspora primarily located in South Africa, the United Kingdom, Australia, and other parts of the global North. The financial transfers from this diaspora have emerged as one of the country's most stable and countercyclical sources of foreign inflows, often exceeding foreign direct investment and official development assistance in certain years (Newland and Patrick 2004; Brinkerhoff 2008; Debass and Ardovino 2009; Terrazas 2010; Gelb et al. 2021). Despite their macroeconomic significance, the contribution of diaspora remittances to gross capital formation, particularly in rural areas, remains insufficiently understood and under-examined (Duresa 2025; Jonasi et al. 2025).

Rural Zimbabwe is characterised by persistent underinvestment in productive infrastructure, limited access to formal finance, and declining agricultural productivity (Kuipa 2019; Chamba and Tarirai 2024; Chinamatira and Śmiglak-Krajewska 2025). While remittances play a critical role in sustaining rural household consumption, that is, financing food security, education, healthcare, and housing, their ability to stimulate long-term capital accumulation and productive investment remains ambiguous. The concept of remittance-scapes provides a useful analytical framework for examining how remittance flows are spatially embedded within rural Zimbabwean communities and how social norms, institutional arrangements, and economic constraints shape their utilisation (Cirolia, Hall, and Nyamnjoh 2022; Guermond 2022).

Gross capital formation is a fundamental driver of rural development, encompassing investments in farm equipment, irrigation systems, agro-processing facilities, rural housing, transport infrastructure, and small-scale enterprises (Mpogole, Dimoso, and Mayaya 2020; Banerjee 2022; Jadhav 2025). However, despite substantial remittance inflows at the household level, rural Zimbabwe continues to exhibit low levels of fixed capital accumulation. This apparent disconnect raises a critical development paradox: why do remittances, which augment household incomes and relax liquidity constraints, fail to translate into sustained rural capital formation?

Several structural and institutional factors underpin this paradox. Zimbabwe's volatile macroeconomic environment, which is characterised by chronic inflation, currency instability, and policy uncertainty, has significantly eroded incentives for long-term investment (Kramarenko et al. 2010; Makoto 2020; Mbambi 2024). In rural areas, weak property rights, limited land tenure security under the fast-track land reform programme, and the absence of well-functioning rural credit markets further constrain the productive deployment of remittances (Cousins and Scoones 2010). As a result, remittances are often channelled toward immediate consumption needs, housing construction with limited productive spillovers, or informal savings mechanisms rather than capital-enhancing investments.

Furthermore, the spatial and social dimensions of remittance use in Zimbabwe reveal deep rural-urban and centre-periphery disparities (Van Zijll de Jong 1995; Magidimisha and Chipungu 2019; Mulungu 2021). Remittance-funded investments tend to gravitate toward urban real estate, retail trade, and services, where returns are perceived to be more secure, leaving rural economies marginalised. In this context, remittance-scapes are shaped not only by household preferences but also by the broader investment climate, infrastructure deficits, and the absence of coordinated policies linking diaspora finance to rural development strategies (Guermond 2022; Warnecke-Berger 2022).

This study explores the impact of diaspora remittances on gross capital formation in rural Zimbabwe through the lens of remittance-scapes. By analysing how remittance flows interact with local investment environments, institutional frameworks, and livelihood systems, the paper seeks to move beyond simplistic assessments of remittances as either productive or consumptive. Instead, it situates remittances within a complex political economy where their developmental potential is mediated by macroeconomic stability, governance quality, and the availability of viable rural investment channels.

By foregrounding rural Zimbabwe, this research contributes to ongoing debates on migration-development linkages, capital formation, and structural transformation in fragile and post-crisis economies. The study offers policy-relevant insights into how diaspora remittances can be strategically harnessed to support productive investment, rural industrialisation, and inclusive growth. Understanding the dynamics of remittance-scapes in Zimbabwe is therefore essential for designing interventions that convert diaspora financial flows from short-term coping mechanisms into sustainable drivers of rural capital accumulation and economic resilience.

The remainder of this article is structured as follows. Section 2 reviews the relevant literature on remittances, remittance-scapes, capital formation, and rural development, highlighting key theoretical and empirical debates. Section 3 describes the research methodology employed to examine the pathways through which remittances influence capital formation in rural Zimbabwe. Section 4 presents the empirical results, which are then discussed in relation to the conceptual framework and existing literature. The final section concludes the article by summarising the main findings and outlining their policy and research implications.

Literature Review

Diaspora Remittances and Development

The relationship between migration, remittances, and development has long occupied a central position in development economics. Early neoclassical models viewed migration as an individual income-maximising decision, with remittances primarily serving as private transfers for household consumption (Todaro 1976; de Haas 2008). In contrast, the New Economics of Labour Migration (NELM) reframes remittances as part of a household risk-sharing and income diversification strategy, suggesting that remittances can relax liquidity constraints and potentially finance productive investment (Stark and Bloom 1985; Rapoport and Docquier 2006; Dawadi 2025).

Subsequent empirical work has produced mixed findings. While some studies identify remittances as catalysts for entrepreneurship and capital accumulation (Taylor 1999; Woodruff and Zenteno

2007), others argue that remittances primarily support consumption smoothing and may reduce labour supply, thereby dampening productive investment (Chami, Fullenkamp, and Jahjah 2005). These divergent outcomes underscore the importance of context, institutions, and spatial dynamics in shaping remittance use.

More recent scholarship has introduced spatial and socio-economic lenses, emphasising how remittances are embedded in local development environments. The notion of remittance-scapes builds on this literature by highlighting how geographic location, social obligations, financial infrastructure, and policy frameworks mediate the transformation of remittance inflows into development outcomes (Levitt and Lamba-Nieves 2011; Cirolia, Hall, and Nyamnjoh 2022; Guermond 2022; Kunz, Maisenbacher, and Paudel 2022; Warnecke-Berger 2022).

Remittances and Gross Capital Formation

Gross capital formation, defined as investment in fixed assets, infrastructure, and productive capacity, is a key determinant of long-term economic growth (Solow 1956; Kanu and Ozurumba 2014; Trpeski and Cvetanoska 2019; Opadeji et al. 2023). At the macroeconomic level, studies examining the impact of remittances on capital formation have yielded inconclusive results. Some cross-country analyses find that remittances contribute positively to investment and growth where financial systems are deep and institutions are strong (Giuliano and Ruiz-Arranz 2009). Conversely, in fragile and low-income economies, remittances may substitute for public investment and weaken incentives for structural reform (Gapen et al. 2009; Azizi et al. 2024).

At the micro level, evidence suggests that remittances can finance housing, agricultural inputs, and small enterprises, but these investments often remain fragmented and low in productivity (Adams and Cuecuecha 2013). In rural contexts, especially in sub-Saharan Africa (SSA), weak markets, infrastructure deficits, and limited access to complementary inputs constrain the translation of remittance inflows into meaningful capital accumulation (Ratha et al. 2018).

Diaspora Remittances and Investment in Sub-Saharan Africa

In SSA, remittances are predominantly directed toward rural households, where poverty incidence is highest and formal financial access is limited (Gupta, Pattillo, and Wagh 2009). Empirical studies from countries such as Ghana, Nigeria, and Kenya indicate that remittances improve household welfare but have a limited impact on productive investment in agriculture or rural industry (Tsegai 2007; Anyanwu and Erhijakpor 2010; Eghan and Adjasi 2023).

The literature highlights several constraints to rural capital formation, including underdeveloped rural credit markets, high transaction costs, insecure land tenure, and exposure to climatic and macroeconomic risks (Dercon and Christiaensen 2011; Linh et al. 2019; Céu and Gaspar 2024; Khan et al. 2024). As a result, remittances are frequently used for short-term consumption, social expenditures, or non-tradable assets such as housing, with limited multiplier effects in rural economies (Hagen-Zanker 2015).

Diaspora Remittances in Zimbabwe

Zimbabwe presents a distinctive case due to its prolonged economic crisis, large-scale emigration, and reliance on diaspora inflows as a survival mechanism (Crush and Tevera 2010; Pasura 2012). Studies consistently show that remittances have played a critical role in sustaining household livelihoods during periods of hyperinflation, currency instability, and declining real incomes (Bracking and Sachikonye 2010; Makina 2010; Combes and Ebeke 2011; Khan 2025).

At the household level, remittances in Zimbabwe are primarily used for food security, education, healthcare, and housing construction, particularly in rural areas (Sachikonye 2011; Nyikahadzoi et al. 2019; Ndhlovu 2020). While housing investment is often classified as capital formation, its productive impact is limited in the absence of complementary economic activity (Maphosa 2007; Mazwi 2022). Empirical evidence suggests that remittance-financed investment in agriculture and rural enterprises remains minimal, largely due to structural constraints rather than household preferences (Alhassan, Maswana, and Inaba 2025; Yoda 2025).

Macroeconomic instability has further weakened the investment potential of remittances (Ratha and Mohapatra 2007; Elorabi, Ishak, and Maher 2024). Persistent inflation, currency regime shifts, and policy uncertainty have discouraged long-term planning and eroded savings (Greenspan 2004; Ncube and Brixiová 2015; Iddrisu et al. 2025). In rural Zimbabwe, insecure land tenure arrangements following the fast-track land reform programme have also reduced incentives for fixed capital investment in agriculture (Matondi and Dekker 2011; Scoones et al. 2011; Mkodzongi and Lawrence 2019; Shonhe 2019).

Remittances, Institutions, and Rural Capital Formation in Zimbabwe

Institutional quality plays a decisive role in determining whether remittances are associated with capital formation (Lartey and Mengova 2016; Mohammed and Karagöl 2023). Studies on Zimbabwe highlight weak financial intermediation, limited diaspora investment instruments, and the absence of targeted rural development policies as key barriers (Kapur 2005; 2010; Muzapu and Havadi 2021). Informal remittance channels, while efficient for household transfers, further limit the mobilisation of remittances into formal investment and savings systems (Guermond 2022; Warnecke-Berger 2022; Nanziri and Mwale 2023). Spatial inequalities also shape remittance outcomes. Urban areas attract a disproportionate share of remittance-funded investment due to better infrastructure, market access, and perceived security of returns (Prokhorova 2017; Saha et al. 2024; Yunus et al. 2025; Islam and Baida 2026). Consequently, remittance-scapes in Zimbabwe tend to reinforce rural marginalisation rather than promote balanced capital formation (Guermond 2022; Menon 2025).

Synthesis and Research Gap

The literature demonstrates that while diaspora remittances are vital for household welfare and macroeconomic stability in Zimbabwe, their contribution to gross capital formation in rural areas remains weak and inconsistent. Existing studies often focus on consumption impacts or macroeconomic aggregates, with limited attention to the spatial, institutional, and investment ecosystem dynamics that shape remittance use in rural settings. This study addresses this gap by applying the remittance-scapes framework to analyse how diaspora remittances interact with rural investment environments in Zimbabwe. By focusing explicitly on gross capital formation, the research advances understanding of the conditions under which remittances can transition from coping mechanisms to engines of rural structural transformation.

Research Methodology

Research Design

This study adopts a systematic literature review guided by the Preferred Reporting Items for Systematic Reviews and Meta-Analyses (PRISMA) framework (Page and Moher 2017; Parums 2021). The PRISMA approach was selected to ensure transparency, reproducibility, and methodological rigour in synthesising empirical and theoretical evidence on the impact of diaspora remittances on gross capital formation in rural areas, with a specific focus on Zimbabwe (Sunge and Mudzingiri 2023). Given the fragmented and context-specific nature of remittance literature, a systematic review enables the structured identification, screening, and synthesis of relevant studies across disciplines, including development economics, migration studies, rural development, and African studies.

Search Strategy

A comprehensive literature search was conducted across multiple electronic databases to capture peer-reviewed and high-quality grey literature. The databases included Scopus, Web of Science, EconLit, ScienceDirect, JSTOR, and Google Scholar. In addition, institutional repositories and policy databases from the World Bank, International Monetary Fund (IMF), African Development Bank (AfDB), Reserve Bank of Zimbabwe (RBZ), and Zimbabwe National Statistics Agency (ZIMSTAT) were consulted to capture country-specific evidence. The search was performed using a combination of keywords and Boolean operators. Core search strings included:

- “diaspora remittances” OR “international remittances”
- AND “gross capital formation” OR “capital accumulation” OR “investment”
- AND “rural development” OR “rural investment”
- AND “Zimbabwe” OR “sub-Saharan Africa”.

Search terms were adapted slightly across databases to accommodate differences in indexing and search functionalities. Reference lists of selected articles were manually reviewed to identify additional relevant studies.

Eligibility Criteria

Study selection was guided by predefined inclusion and exclusion criteria to ensure relevance and quality, as shown in Table 1 below.

Table 1. Inclusion and exclusion criteria

Inclusion Criteria	Exclusion Criteria
Peer-reviewed journal articles, working papers, and institutional reports.	Studies focusing exclusively on internal remittances.
Studies published in English.	Articles addressing remittances without reference to investment, capital formation, or productive use.
Empirical or theoretical studies examining remittances, investment, or capital formation.	Non-scholarly opinion pieces, blog posts, and media articles.
Studies focusing on Zimbabwe or comparable SSA rural contexts.	Studies with insufficient methodological detail or unclear data sources.
Publications released between 2000 and 2024 (intensified migration and remittance flows in Zimbabwe).	

Source: author's compilation.

Study Selection Process

The study selection process followed the four PRISMA stages: identification, screening, eligibility, and inclusion. During the identification stage, all retrieved records were imported into a reference management system, and duplicates were removed. Titles and abstracts were then screened to assess relevance to the research objectives. Full-text articles were subsequently reviewed for eligibility based on the inclusion and exclusion criteria. Studies that met all criteria were included in the final synthesis. Disagreements regarding study inclusion were resolved through iterative review and consensus-building.

Data Extraction

A structured data extraction template was developed to ensure consistency across studies. Extracted information included:

- Author(s) and year of publication;
- Study location and rural focus;
- Data sources and sample characteristics;
- Methodological approach (quantitative, qualitative, or mixed methods);
- Measures of remittances and gross capital formation;
- Key findings related to rural investment and capital accumulation;
- Identified institutional, policy, or macroeconomic constraints.

This approach facilitated systematic comparison and thematic synthesis across studies.

Quality Assessment

The quality assessment of included studies was conducted in line with the principles of the PRISMA framework to ensure methodological rigour, transparency, and reproducibility. Given the heterogeneity of the evidence base, an adapted appraisal framework was applied across quantitative, qualitative, and policy-oriented studies.

Quantitative studies were evaluated based on data reliability, sample representativeness, measurement validity, and econometric robustness, with particular attention to the treatment of endogeneity, omitted variable bias, and model specification. Qualitative studies were assessed for analytical depth, contextual validity, methodological transparency, and coherence between evidence and interpretation. Policy reports and grey literature were appraised according to the credibility of data sources, methodological clarity, and the institutional reliability of the issuing bodies.

The quality assessment process was directly integrated into the study selection procedure. During the screening phase, studies were required to meet minimum methodological standards to satisfy the inclusion criteria (Table 1). Specifically, studies that lacked sufficient transparency in methods, relied on unverifiable data sources, or exhibited significant analytical weaknesses were excluded at the full-text review stage.

Following inclusion, each study was assigned a quality rating (high, moderate, or low) based on the appraisal criteria. These ratings informed the synthesis by guiding the weighting of evidence: high-quality studies were prioritised in the interpretation of findings, while studies of moderate quality were used to support broader patterns. Studies assessed as low quality were retained only where they provided unique contextual insights, but were interpreted with caution.

Data Synthesis

Given the heterogeneity of study designs, data sources, and outcome measures, a narrative synthesis approach was employed rather than a formal meta-analysis. Findings were synthesised thematically, focusing on patterns relating to remittance utilisation, rural investment behaviour, institutional constraints, and spatial dynamics. The concept of remittance-scapes was used as an analytical lens to integrate empirical findings within broader socio-economic and geographic contexts.

PRISMA Flow Process

The PRISMA flow process, illustrated in Figure 1, documents the number of records identified, screened, excluded, and included at each stage of the review to enhance the transparency and replicability of the selection process.

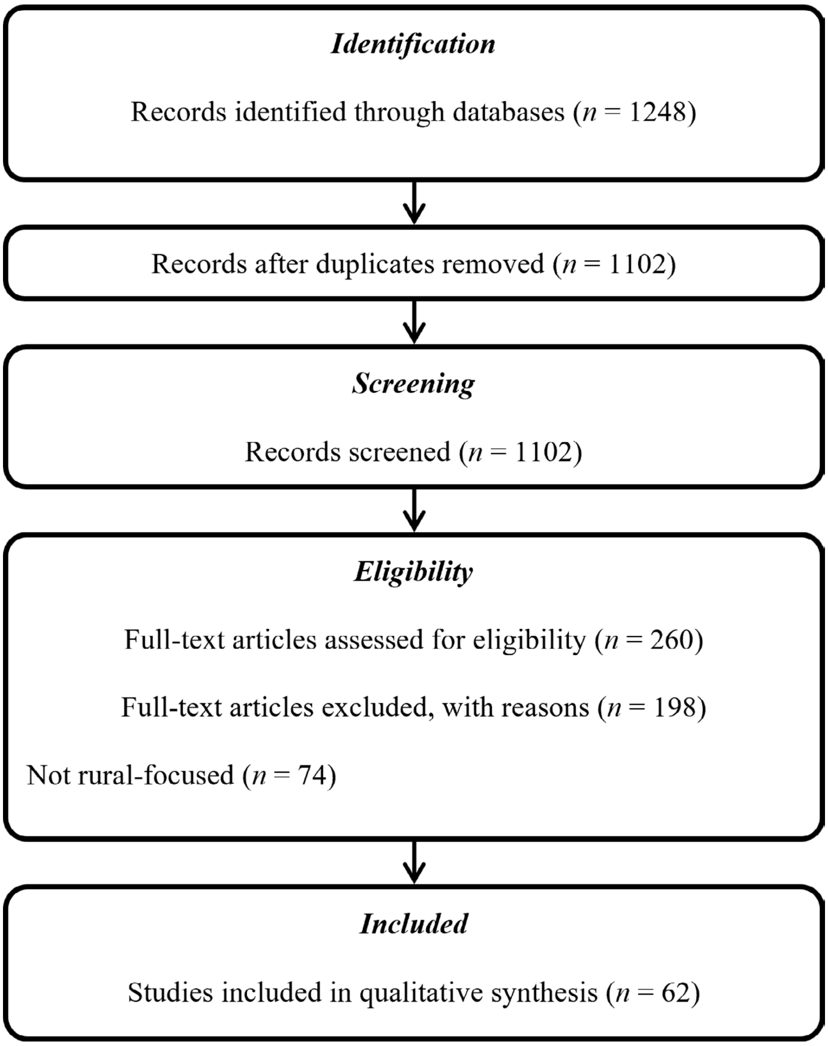

Figure 1. PRISMA flow diagram
Source: author's compilation.

Study Selection

A total of 41 studies were excluded at the full-text review stage due to methodological weaknesses identified during the quality appraisal process. To enhance transparency, the primary reasons for exclusion were systematically recorded and are summarised in Table 2.

Studies were excluded where they failed to meet minimum quality thresholds based on the appraisal criteria aligned with PRISMA guidelines. The most common reasons for exclusion included: (i) insufficient methodological transparency, (ii) reliance on unverifiable or anecdotal data sources, (iii) weak or inappropriate analytical methods, and (iv) a lack of relevance to the study's conceptual framework, for example, no clear linkage between remittances and rural capital formation.

Table 2. Reasons for exclusion at full-text stage (*n* = 41)

Reason for Exclusion	Description	Number of Studies
Methodological opacity	Inadequate description of data collection or analytical procedures	12
Weak analytical rigor	Absence of systematic analysis or inappropriate methods	9
Unverifiable data sources	Reliance on anecdotal evidence or non-credible data	8
Conceptual misalignment	No clear focus on remittances and rural capital formation	7
Data limitations	Insufficient or outdated data undermining reliability	5
Total		41

Note: Reasons for exclusion at the full-text stage are reported to ensure transparency and reproducibility, consistent with PRISMA recommendations.

Source: author's compilation.

Ethical Considerations

As this study relied exclusively on secondary data from published sources, no ethical approval was required. However, all sources were appropriately cited, and care was taken to accurately represent original findings.

Methodological Limitations

While the PRISMA approach enhances systematic rigour, the review is subject to limitations. These include potential publication bias, language restrictions, and uneven availability of rural-specific data for Zimbabwe. Nevertheless, the methodology provides a robust foundation for synthesising existing knowledge and identifying research gaps.

Presentation of results

Following the PRISMA screening process, a total of 62 studies were included in the final qualitative and thematic synthesis. These studies comprise peer-reviewed journal articles (71%), institutional and policy reports (21%), and working papers (8%). The evidence base reflects a mix of quantitative, qualitative, and mixed-methods approaches, highlighting the multidisciplinary nature of remittance research in Zimbabwe and comparable SSA contexts. Table 3 summarises the key characteristics of the included studies.

Table 3. Characteristics of included studies (*n* = 62)

Characteristic	Category	Number of Studies	Percentage (%)	Quality Rating*
Study Type	Peer-reviewed articles	44	71	High
	Policy & institutional reports	13	21	Moderate
	Working papers	5	8	Moderate

Characteristic	Category	Number of Studies	Percentage (%)	Quality Rating*
Methodology	Quantitative	27	44	High
	Qualitative	18	29	Moderate
	Mixed methods	17	27	High
Geographic Focus	Zimbabwe-specific	31	50	Moderate
	Sub-Saharan Africa (comparative)	31	50	High
Sectoral Focus	Rural livelihoods & agriculture	36	58	Moderate
	Rural enterprise & infrastructure	26	42	High

Note: Quality ratings (high, moderate, low) are assigned based on aggregated performance against the appraisal framework aligned with PRISMA principles. Ratings reflect typical methodological strengths observed within each category. High: Strong data credibility, robust methodology, and clear analytical frameworks; for example, peer-reviewed and mixed-method studies with triangulation. Moderate: Adequate rigour but some limitations in data, scope, or transparency; for example, policy reports and qualitative case studies. Low: Significant methodological limitations (excluded or minimally used in synthesis; not prominent in final sample).

Source: author's compilation.

While Table 2 presents aggregate quality trends by study characteristics, individual study ratings were assigned separately and used to guide evidence weighting in the synthesis.

The balanced inclusion of Zimbabwe-specific and comparative studies strengthens the contextual relevance while allowing broader inferential insights. To enhance comparability across heterogeneous studies, categorisation criteria were standardised. Reported uses of remittances distinguish between general mentions and empirically measured primary uses. Similarly, outcome classifications for capital formation were harmonised by combining statistical significance (for quantitative studies) with strength and consistency of evidence (for qualitative and mixed-methods studies). Constraint frequencies were further adjusted using quality-weighted measures to reflect differences in methodological rigour.

Patterns of Remittance Utilisation in Rural Zimbabwe

Evidence from the reviewed studies indicates that remittances in rural Zimbabwe are predominantly directed toward consumption and basic welfare needs, with more limited allocation to productive investment. As shown in Table 4, 79% of studies report food consumption and basic household needs as a key use of remittances, while 68% identify expenditure on education and health. However, these figures reflect the frequency of reporting across studies rather than measured expenditure shares. Where studies use household survey data to quantify remittance allocation, consumption-related uses remain dominant (61% of measured allocations), reinforcing the interpretation that remittances primarily function as a short-term welfare stabilisation mechanism rather than a direct driver of capital accumulation.

Asset-related uses are less common and more constrained in scale. Housing construction appears in 54% of studies, but is generally characterised as non-productive asset accumulation with limited spillover into income-generating activity. Productive allocations such as agricultural inputs (29%), rural enterprises (21%), and savings or insurance mechanisms (17%) are comparatively marginal, suggesting weak financial intermediation of diaspora inflows into rural investment channels. Overall, the evidence indicates that while remittances contribute meaningfully to household welfare and human capital formation, their translation into productive rural capital formation remains limited and structurally constrained.

Table 4. Reported uses of remittances in rural Zimbabwe

Use Category	Share of Studies Reporting Use (%)*	Primary Use (Quantitative Evidence %)**	Developmental Implication
Food consumption & basic needs	79	61	Short-term welfare support
Education & health	68	49	Human capital formation
Housing construction	54	38	Limited productive spillovers
Agricultural inputs & equipment	29	22	Modest capital formation
Rural enterprises & SMEs	21	16	Potential but constrained investment
Financial savings & insurance	17	12	Weak financial intermediation

Notes: * "Share of studies reporting use" refers to the proportion of included studies that mention a given use category, regardless of whether it is a primary or secondary use. ** "Primary use (quantitative evidence)" includes only studies that empirically measure remittance allocation (for example, household surveys, expenditure shares) and identify the category as a dominant or statistically significant use.

Source: author's compilation.

Remittances and Gross Capital Formation Outcomes

The relationship between remittance inflows and rural capital formation is mixed and highly context-dependent. As summarised in Table 5, only 22 of the 62 studies (35%) provide evidence of a statistically significant or qualitatively robust positive effect on productive investment outcomes. These studies typically document small-scale investments in livestock, farming tools, and informal micro-enterprises.

However, the classification of effects is based on a harmonised outcome framework that combines statistical significance (for quantitative studies) and consistency/strength of evidence (for qualitative studies). Within this framework, 26 studies report insignificant or weak effects, where remittances are largely absorbed by consumption with limited investment conversion. A further 14 studies identify negative or displacement effects, including reduced labour supply and increased dependency dynamics within rural households. Taken together, the evidence suggests that remittances alone are insufficient to generate sustained capital accumulation. Even when positive effects are observed, they tend to be fragmented, small-scale, and vulnerable to macroeconomic instability and environmental shocks.

Table 5. Evidence on remittances and capital formation

Outcome Category	Number of Studies	Definition of Category*	Key Findings
Positive effect on rural capital formation	22	Statistically significant ($p < 0.05$) relationship **or** strong qualitative evidence of sustained productive investment	Investments in farming tools, livestock, micro-enterprises
Insignificant or weak effect	26	No statistically significant relationship **or** evidence of limited, irregular, or consumption-dominated use	Remittances largely absorbed by consumption
Negative or displacement effect	14	Evidence of statistically significant negative effects **or** consistent qualitative findings of disincentives (e.g., labour withdrawal, dependency)	Reduced labour supply, dependency effects

Notes: * Categorisation is based on study-specific definitions of outcomes, harmonised using a common framework (Quantitative studies: statistical significance and direction of effect. Qualitative/mixed-methods: strength, consistency, and depth of evidence regarding productive investment outcomes).

Source: author's compilation.

Institutional and Macroeconomic Constraints

Across the reviewed literature, a strong consensus emerges regarding the structural constraints that limit the developmental impact of remittances. Table 6 shows that inflation and currency instability are the most frequently cited constraints (76%), followed by weak rural financial markets (63%), insecure land tenure (58%), inadequate infrastructure (55%), and policy uncertainty (47%). Importantly, these frequencies reflect quality-adjusted citation counts, ensuring that higher-quality studies exert greater influence on the aggregated pattern. This weighting strengthens the robustness of the identified constraints, particularly in relation to macroeconomic instability and institutional weakness.

These constraints collectively shape the "remittance-scape" of rural Zimbabwe by channelling diaspora inflows toward low-risk and immediately consumptive uses rather than long-term productive investment. High inflation erodes savings and investment value, while weak financial systems and insecure land tenure reduce incentives for capital formation. As a result, remittances tend to function as short-term survival support rather than instruments of structural transformation.

Table 6. Identified constraints to remittance-financed capital formation

Constraint	Frequency of Citation (%)*	Quality-Weighted Frequency (%)**	Impact on Capital Formation
Inflation & currency instability	76	81	Erosion of savings and investment value
Weak rural financial markets	63	66	Limited investment channels
Insecure land tenure	58	61	Discourages fixed capital investment
Poor rural infrastructure	55	57	Raises transaction costs
Policy uncertainty	47	52	Undermines investor confidence

Notes: * "Frequency of citation" refers to the proportion of included studies that identify the constraint. ** "Quality-weighted frequency" adjusts counts using study quality ratings (high = 2, moderate = 1, low = 0.5), ensuring that more robust studies have greater influence on reported patterns.

Source: author's compilation.

Spatial Dimensions of Remittance Investment

The spatial analysis reveals a pronounced urban bias in remittance-financed investments (Table 7). Studies indicate that diaspora households often prefer to invest in urban real estate, retail trade, and services due to better infrastructure, stronger markets, and higher perceived returns.

Table 7. Spatial allocation of remittance-financed investments

Location	Share of Reported Investments (%)
Urban areas	64
Peri-urban areas	21
Rural areas	15

Source: author's compilation.

This spatial imbalance reinforces rural underdevelopment and limits the role of remittances in promoting balanced gross capital formation.

Synthesis of Key Findings

Overall, the results demonstrate that while diaspora remittances are vital for household survival and macroeconomic stability in Zimbabwe, their impact on rural gross capital formation is limited and conditional. Remittance outcomes are shaped by a complex interaction of household priorities, institutional quality, spatial investment opportunities, and macroeconomic conditions. The remittance-scapes framework reveals that remittances tend to reproduce existing structural inequalities rather than transform rural investment landscapes.

Remittance-scapes, Capital Formation and Rural Development Frameworks

The concept of *remittance-scapes* provides an analytical advancement over conventional remittance-growth or remittance-consumption frameworks by conceptualising diaspora financial flows as embedded within interconnected transnational, institutional, and spatial systems rather than as isolated household-level transfers. While alternative approaches typically focus on either macroeconomic effects (for example, growth regressions) or micro-level household uses, the remittance-scapes framework integrates both levels and explicitly captures the relational pathways through which remittances are transformed, redirected, or absorbed within rural economies.

Specifically, the framework adds three analytical contributions. First, it identifies mediating mechanisms that include financial intermediation, governance quality, household decision-making structures, and the investment climate, which collectively determine whether remittances are consumed, saved, or invested. Second, it highlights spatial dynamics, showing how remittances flow unevenly across rural, peri-urban, and urban spaces, reinforcing territorial inequalities. Third, it incorporates feedback loops, whereby macroeconomic instability and institutional weakness not only constrain investment outcomes but also reshape future remittance behaviour by increasing precautionary transfers and reducing long-term investment confidence.

These elements are not explicitly captured in alternative frameworks such as NELM, which primarily emphasises household utility maximisation under income risk. In contrast, remittance-scapes provides a systems-level explanatory lens linking micro decisions, meso-level institutions, and macroeconomic conditions.

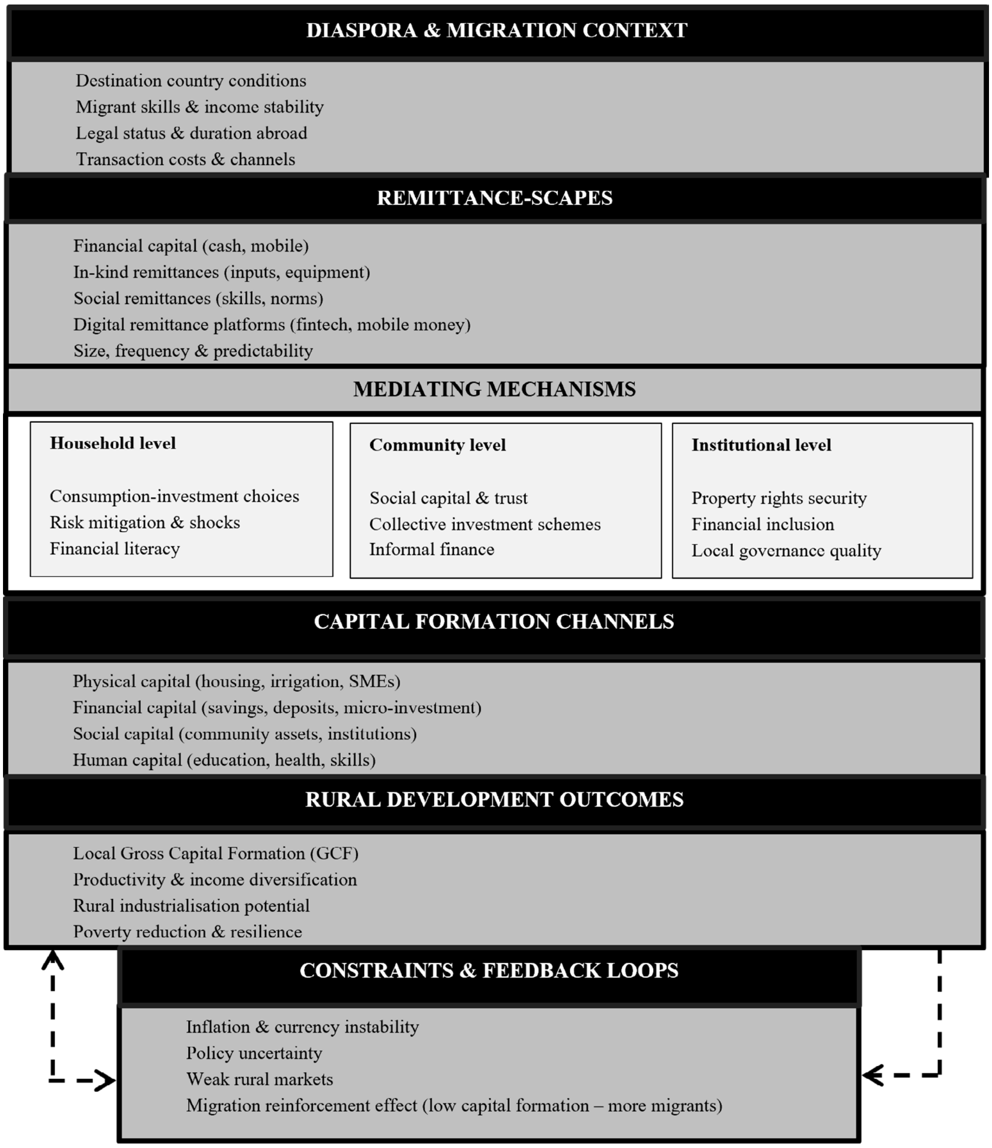

Figure 2. Conceptual mapping of remittance-scapes and capital formation pathways in rural Zimbabwe
Source: author's compilation.

Discussion of Findings

The findings of this systematic review reveal that diaspora remittances in rural Zimbabwe are predominantly used for consumption and basic household needs, with limited translation into productive investment and gross capital formation. As illustrated in Figure 2, this outcome is shaped by the interaction between remittance inflows and mediating institutional and household-level mechanisms, particularly weak financial intermediation, constrained investment opportunities, and survival-oriented household decision-making. In the absence of effective financial systems, remittances are absorbed into immediate consumption rather than channelled into savings or investment pathways.

This pattern is consistent with earlier studies that characterise remittances in fragile and crisis-prone economies as survival mechanisms rather than development finance (Chami, Fullenkamp, and Jahjah 2005; Makina 2010). Within the remittance-scapes framework, this reflects a feedback loop between macroeconomic instability and household behaviour, where persistent inflation and uncertainty reinforce precautionary consumption patterns and discourage long-term capital formation.

These results align with NELM, which conceptualises remittances as instruments for income smoothing and risk mitigation in the absence of formal insurance and credit markets (Stark and Bloom 1985). However, Figure 2 extends this logic by demonstrating that in Zimbabwe's context, macroeconomic instability and institutional fragmentation act as constraining feedback mechanisms, limiting the transition from risk mitigation to productive investment. Similar dynamics are observed in Ghana and Nigeria, where weak institutional environments mediate and often suppress the developmental potential of remittances (Anyanwu and Erhijakpor 2010; Adams and Cuecuecha 2013).

Housing Investment and Limited Capital Formation Spillovers

Within the remittance-scapes framework (Figure 2), housing investment represents a dominant asset accumulation channel, but one that is largely disconnected from productive economic circuits. Housing construction emerges as the most common form of physical asset accumulation financed by remittances in rural Zimbabwe; however, its developmental impact remains limited due to weak linkages with labour markets and productive sectors.

This reflects a spatial lock-in effect, where remittances are converted into immobile assets that reinforce household security rather than generating income flows. The finding corroborates evidence from SSA showing that remittance-financed housing rarely generates sustained employment or productivity gains beyond the construction phase (Gupta, Pattillo, and Wagh 2009).

In Zimbabwe, this pattern is reinforced by a feedback loop between macroeconomic instability and asset preference: in high-inflation environments, households rationally shift remittances into real estate as a store of value. As shown in Figure 2, this reduces liquidity available for productive investment while reinforcing consumption-and-asset pathways rather than enterprise development (Gapen et al. 2009; Azizi et al. 2024).

Weak Linkages between Remittances and Productive Rural Investment

Only a minority of studies reviewed report a positive association between remittances and productive capital formation in rural Zimbabwe. In Figure 2, this corresponds to the investment conversion pathway, where remittances pass through financial intermediation and are transformed into productive assets. However, this pathway remains weak and fragmented.

Where such effects exist, they are largely confined to small-scale investments in livestock, agricultural inputs, and micro-enterprises. These outcomes are constrained by institutional bottlenecks and limited financial mediation, which prevent the scaling of investment activities. This finding aligns with Taylor's (1999) argument that remittance impacts depend heavily on complementary public investment and functioning markets.

The framework further highlights a reinforcing feedback loop: weak financial systems reduce investment returns, which in turn discourages future productive allocation of remittances. Consistent with Giuliano and Ruiz-Arranz (2009), deeper financial systems are critical for converting remittances into growth-enhancing capital formation.

Macroeconomic Instability as a Binding Constraint

Macroeconomic instability emerges as the most significant structural constraint in Figure 2, operating through a macro-level feedback loop that continuously reshapes remittance behaviour. High inflation, currency volatility, and policy inconsistency reduce the real value of remittances and increase household preference for immediate consumption or foreign-currency hoarding.

This dynamic reinforces short-termism in financial decision-making and weakens long-term investment planning. As shown in the framework, macroeconomic instability not only constrains outcomes but also feeds back into the system by altering remittance allocation behaviour over time.

These findings reinforce macroeconomic literature identifying instability as a deterrent to private investment in developing economies (Ncube and Brixiová 2015) and support Chami, Fullenkamp, and Jahjah (2005), who argue that remittances may become growth-neutral or even counterproductive under distorted macroeconomic conditions.

Institutional and Land Tenure Constraints in Rural Zimbabwe

Institutional constraints, particularly land tenure insecurity, operate in Figure 2 as part of the institutional mediation layer that determines whether remittances can be transformed into fixed capital investment. In rural Zimbabwe, uncertainty surrounding land rights reduces incentives for long-term agricultural investment, particularly in irrigation, mechanisation, and agro-processing (Scoones et al. 2011).

This reflects a mechanism of investment deferral, where households rationally avoid capital-intensive investments due to weak property rights and high policy uncertainty. The absence of diaspora-targeted investment instruments further limits the institutional conversion of remittances into collective development assets (Ratha et al. 2018). As a result, remittance flows remain atomised at the household level, reinforcing consumption pathways rather than enabling coordinated capital formation.

Spatial Bias and the Reinforcement of Rural Marginalisation

A key spatial dynamic identified in Figure 2 is the uneven distribution of remittance-financed investment across geographic spaces. The evidence shows a pronounced urban and peri-urban bias, with rural areas receiving fewer productive investments. This reflects a spatial filtering mechanism, whereby remittances flow toward areas with stronger infrastructure, better market access, and lower perceived risk. Urban centres thus act as investment absorbers, while rural areas remain structurally marginalised.

From a remittance-scapes perspective, this spatial pattern is not incidental but structurally produced through the interaction of institutional capacity, infrastructure disparities, and investment risk perception. Similar spatial inequalities observed in Kenya and Senegal confirm that remittances often reinforce rather than reduce regional disparities (Levitt and Lamba-Nieves 2011). In Zimbabwe, this spatial bias weakens the capacity of remittances to influence rural capital formation and inclusive structural transformation.

Comparative Remittance Dynamics in Sub-Saharan Africa

The comparative evidence presented in Table 8 highlights that Zimbabwe's weak remittance–capital formation link is not an isolated or exceptional case, but rather aligns with a broader pattern observed in structurally constrained economies within SSA. Countries such as Nigeria and Zimbabwe share similar macro-financial vulnerabilities, including high inflation, exchange rate instability, and underdeveloped financial intermediation systems. In these contexts, remittances are predominantly absorbed by household consumption needs, with limited translation into savings or productive investment. This suggests that the developmental impact of remittances is strongly mediated by the stability and efficiency of domestic financial and macroeconomic institutions.

Table 8. Comparative profile of remittance use and capital formation conditions in selected SSA countries

Country	Remittance Importance	Financial Intermediation	Macroeconomic Stability	Dominant Use of Remittances	Remittance to Capital Formation Link	Key Structural Constraints
Zimbabwe	High (relative to GDP; major external inflow)	Weak–moderate; banking mistrust, liquidity constraints, uneven access	Very weak; currency instability and inflation episodes	Mainly consumption (food, health, education), survival support	Weak	Currency volatility, informalisation, limited credit markets, policy uncertainty
Ghana	Moderate–high	Moderate; improving digital finance and banking access	Moderate stability with occasional fiscal pressure	Mixed: consumption + small business/ informal investment	Moderate	High cost of credit, inequality, rural financial exclusion

Country	Remittance Importance	Financial Intermediation	Macroeconomic Stability	Dominant Use of Remittances	Remittance to Capital Formation Link	Key Structural Constraints
Kenya	Moderate	Strong; advanced mobile money ecosystem (e.g., M-Pesa)	Relatively stable macro environment	Consumption + strong SME and microenterprise investment	Moderate–strong	Income inequality, urban-rural divide, high youth unemployment
Nigeria	Very high (largest remittance receiver in SSA)	Weak–moderate; banking system large but inefficient	Weak; exchange rate volatility and inflation	Mostly consumption, housing, education; limited productive investment	Weak–moderate	FX controls, inflation, infrastructure gaps, capital flight pressures
Senegal	Moderate	Moderate; improving but still limited rural access	Relatively stable	Consumption + migration-financed housing investment	Moderate	Rural poverty, limited industrial base, dependence on external flows

Source: author's compilation.

In contrast, economies such as Kenya demonstrate more favourable conditions for converting remittance inflows into capital formation, largely due to stronger financial inclusion mechanisms, particularly mobile money platforms and relatively greater macroeconomic stability. Ghana and Senegal occupy an intermediate position, where remittances contribute to both consumption and small-scale entrepreneurial activity, but structural constraints still limit large-scale investment effects. Overall, the table supports a continuum perspective in which the remittance–development nexus is conditioned by institutional quality and financial infrastructure, thereby reinforcing the interpretation that Zimbabwe's experience reflects a fragility-driven outcome rather than a country-specific anomaly.

Limitations of the Remittance-Scapes Framework

While the remittance-scapes framework provides an integrated multi-level explanation of diaspora financial flows, it has certain limitations. First, it relies on secondary synthesis and therefore cannot fully capture micro-level behavioural heterogeneity across households. Second, the framework aggregates complex spatial and institutional dynamics that may vary significantly across districts and livelihood systems. Third, the operationalisation of feedback loops remains largely conceptual rather than quantitatively modelled. Future research could address these limitations by applying spatial econometric methods or utilising longitudinal household data to empirically test the dynamic interactions proposed in Figure 2.

Conclusion

This study set out to examine the relationship between diaspora remittances and gross capital formation in rural Zimbabwe through a systematic review guided by the PRISMA framework and analysed using the remittance-scapes lens. The findings demonstrate that while remittances constitute a critical lifeline for rural households and a stabilising source of foreign inflows for the national economy, their contribution to sustained rural capital formation remains limited and highly contingent on structural and institutional conditions.

The evidence shows that remittances in rural Zimbabwe are predominantly directed toward consumption smoothing, social expenditures, and housing construction, with only marginal investment in productive assets such as agricultural equipment, agro-processing, and rural enterprises. Although housing investment expands household asset portfolios, it offers limited productive spillovers in the absence of complementary economic activity. This pattern reflects a broader development paradox in which substantial diaspora inflows coexist with persistently low levels of rural fixed capital accumulation.

The study further highlights macroeconomic instability, weak rural financial intermediation, insecure land tenure, and spatial investment biases as binding constraints that inhibit the transformation of remittances into productive capital. These constraints shape Zimbabwe's remittance-scapes by channelling diaspora resources toward low-risk, non-tradable assets and urban investment opportunities, thereby reinforcing existing rural–urban inequalities. Collectively, the findings confirm that remittances cannot substitute for coherent macroeconomic policy, institutional reform, or public investment in rural infrastructure.

Implications for Research

The findings contribute to the broader remittance-development debate by demonstrating that remittances are neither inherently developmental nor inherently detrimental. Instead, their impact on gross capital formation is contingent upon macroeconomic stability, institutional quality, and spatial investment opportunities. The evidence from rural Zimbabwe challenges optimistic narratives that position remittances as substitutes for public investment or development finance.

The findings point to several important avenues for future research. First, there is a need for micro-level empirical studies that explicitly measure the contribution of remittances to different components of gross capital formation in rural Zimbabwe, including agricultural capital, rural infrastructure, and enterprise development. Disaggregated analyses by gender, land tenure status, and remittance channel would provide deeper insights into heterogeneous investment behaviours.

Second, future research should move beyond household-level analysis to examine collective and meso-level investment mechanisms, such as diaspora cooperatives, community investment funds, and public–private partnerships. Understanding how remittances can be pooled and leveraged for shared infrastructure and value-chain development remains an underexplored area.

Third, longitudinal and quasi-experimental studies are required to assess how changes in macroeconomic stability, financial inclusion, and land tenure security alter remittance investment behaviour over time. Such approaches would strengthen causal inference and inform evidence-based policy design.

Finally, applying the remittance-scapes framework across different rural regions and comparing Zimbabwe with other fragile and post-crisis economies in sub-Saharan Africa would enhance the generalisability of findings and contribute to theory-building in migration–development scholarship.

Implications for Policy and Practice

From a policy and practice perspective, the findings underscore the need to establish an enabling environment that transforms diaspora remittances from primarily survival-oriented transfers into drivers of rural capital formation and structural transformation. Central to this is the provision of macroeconomic stability – namely, low inflation, currency predictability, and policy consistency – alongside reforms in land tenure security and the development of inclusive rural financial markets. Without these foundational conditions, remittances are likely to remain largely confined to short-term coping functions rather than contributing to sustained investment and development. These findings reinforce earlier arguments that complementary policy interventions are essential to unlock the developmental potential of diaspora finance (Giuliano and Ruiz-Arranz 2009; Ratha et al. 2018).

Strengthening rural financial systems is equally critical. Expanding access to savings instruments, investment products, and affordable credit can enable households to leverage remittances into scalable productive activities. Financial innovation, including diaspora-linked rural investment funds and digital financial platforms, offers practical pathways for improving remittance intermediation.

Land tenure security remains a central concern for rural investment in Zimbabwe. Policy reforms that clarify and protect land-use rights would significantly enhance incentives for remittance-financed agricultural and agro-industrial investment. In parallel, targeted rural infrastructure development in irrigation, transport, and energy would reduce transaction costs and improve the viability of productive rural enterprises.

Finally, engaging the Zimbabwean diaspora through structured investment vehicles, transparent governance arrangements, and trust-building measures can help align diaspora capital with national and rural development priorities. Rather than viewing remittances as private flows beyond policy influence, governments and development partners should recognise them as strategic resources that require supportive institutions and coherent policy frameworks.

In conclusion, diaspora remittances remain indispensable to rural livelihoods in Zimbabwe but have yet to fulfil their potential as catalysts for gross capital formation and rural structural transformation. This study demonstrates that the developmental impact of remittances is not inherent but constructed through the interaction of households, institutions, and spatial investment environments. Harnessing remittances for sustainable rural development therefore requires a shift from remittance dependence toward remittance-enabled development, grounded in macroeconomic stability, institutional reform, and inclusive rural investment strategies.

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