

Remittances, Financial Market Development, and Economic Growth: The Case of Latin America and the Caribbean

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PDF

Abstract

Within a theoretical framework, the author analyzes the effects that both workers' remittances and financial intermediation have on economic growth. It is found, among other things, that remittances can have significant positive long-run effects on growth. The author confronts the implications of the theoretical model proposed with panel data for countries in Latin America and the Caribbean. After considering the effect of long-run investment and demographic variables, and controlling for fixed time and country effects, the empirical analysis indicates that financial intermediation tends to increase the responsiveness of growth to remittances. The overall conclusion is that making financial services more generally available should lead to even better use of remittances, thus boosting growth in these countries.

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