Remittances, Household Expenditure and Investment in Guatemala

Remittances and Poverty in Ghana This paper reviews common challenges faced by researchers interested in measuring the impact of migration and remittances on income, poverty, inequality, and human capital (or, in general, "welfare") as well as difficulties confronting development practitioners in converting this research into policy advice. On the analytical side, the paper discusses the proper formulation of a research question, the choice of the analytical tools, as well as the interpretation of the results in the presence of pervasive endogeneity in all decisions surrounding migration. Particular attention is given to the use of instrumental variables in migration research. On the policy side, the paper argues that the private nature of migration and remittances implies a need to carefully spell out the rationale for interventions. It also notices the lack of good migration data and proper evaluations of migration-related government policies. The paper focuses mainly on microeconomic evidence about international migration, but much of the discussion extends to other settings as well.

Remittances and Poverty in Guatemala

The Impact of Remittances on Poverty and Inequality in Ghana Workers' remittances have become a major source of income for developing countries. However, little is still known about their impact on poverty and inequality. Using a large cross-country panel dataset, the authors find that remittances in Latin American and Caribbean (LAC) countries have increased growth and reduced inequality and poverty. These results are robust to the use of different instruments that attempt to correct for the potential endogeneity of remittances. Household survey-based estimates for 10 LAC countries confirm that remittances have negative albeit relatively small inequality and poverty-reducing effects, even after imputations for the potential home earnings of migrants.

Growth, Inequality and Poverty The financial crisis of 2008 started with the collapse of the financial sector in the United States and Western Europe, then quickly spread to countries around the globe. At a time when migrants travel from south to north and east to west (as well as south to south), it was critical to ask what the impact of the crisis was and is, not just for developing countries, but for the migrants who hail from them. For the developing countries, migrant remittances were and are central to economic well-being - not just for the nation, but for its citizens as well. Understanding the impact of the crisis on global markets, developing nations, and the practices of their migrant communities drives this study. Migration and Remittances during the Global Financial Crisis and Beyond explores several important topics including how the crisis impacted remittance practices globally and how migrants adjusted to meet the challenge of the resulting recession. The authors show how, in most cases, remittances did not drop as quickly or precipitously as did other economic indicators. Migrants from around the globe faced the challenges of the crisis and strategically responded, rethinking their roles, work, and remittances practices. Most important, the authors document that migrants did not and do not drain resources from struggling national economies. Instead, migrants and their remittances are central to the economic health of the households and countries from which they have come.

The Impact of Remittances on Poverty and Human Capital The poverty-reducing effects of remittances have been well-documented, however, their effects on inequality are less clear. This paper examines the impact of remittances on inequality in Mexico using household-level information on the receiving side. It hopes to speak to their insurance role by examining how remittances are affected by domestic and external crises: the 1994 Mexican Peso crisis and the Global Financial Crisis. We find that remittances lower inequality, and that they become more pro-poor over time as migration opportunities become more widespread. This also strengthens their insurance effects, mitigating some of the negative impact of shocks on the poorest.

The Qatar-Nepal Remittance Corridor The poverty-reducing effects of remittances have been well-documented, however, their effects on inequality are less clear. This paper examines the impact of remittances on inequality in Nepal using household-level information on the receiving side. It hopes to speak to their insurance role by examining how remittances are affected by domestic and external crises: the 1994 Mexican Peso crisis and the Global Financial Crisis. We find that remittances lower inequality, and that they become more pro-poor over time as migration opportunities become more widespread. This also strengthens their insurance effects, mitigating some of the negative impact of shocks on the poorest.
How Do Migration and Remittances Affect Inequality? A Case Study of Mexico This paper uses a new, nationally-representative household survey from Ghana to analyze within a rigorous econometric framework how the receipt of internal remittances (from within Ghana) and international remittances (from African or other countries) affects the marginal spending behavior of households on a broad range of consumption and investment goods, including food, education and housing. Contrary to other studies, which find that remittances are spent disproportionately on consumption (food and consumer goods/durables) or investment goods (education and housing), the findings show that households receiving remittances in Ghana do not spend more at the margin on food, education and housing than households with similar income levels and characteristics that do not receive remittances. When the analysis controls for endogeneity and selection bias, the findings show that any differences in the marginal spending behavior between remittance-receiving and non-receiving households are explained completely by the observed and unobserved characteristics of households. Households in Ghana treat remittances just like any other source of income, and there are no changes in marginal spending patterns for households with the receipt of remittance income.

Impact of Remittances on Poverty and Education Attainment

Remittances

International remittances and the household : analysis and review of global evidence

Remittances and Development This paper assesses the impact of the steadily growing remittance flows to sub-Saharan Africa (SSA). Though the region receives only a small portion of the total recorded remittances to developing countries, and the volume of aid flows to SSA swamps remittances, this paper finds that remittances, which are a stable, private transfer, have a direct poverty mitigating effect, and promote financial development. These findings hold even after factoring in the reverse causality between remittances, poverty and financial development. The paper posits that formalizing such flows can serve as an effective access point for "unbanked" individuals and households, and that the effective use of such flows can mitigate the costs of skilled out-migration in SSA.

International Migration, Remittances and Brain Drain Abstract: This paper examines the economic impact of international remittances on countries and households in the developing world. To analyze the country-level impact of remittances, the paper estimates an econometric model based on a new data set of 115 developing countries. Results suggest that countries located close to a major remittance-sending region (like the United States, OECD-Europe) are more likely to receive international remittances, and that while the level of poverty in a country has no statistical effect on the amount of remittances received, for those countries which are fortunate enough to receive remittances, these resource flows do tend to reduce the level and depth of poverty. At the household level, a review of findings from recent research suggest that households receiving international remittances spend less at the margin on consumption goods-like food-and more on investment goods-like education and housing. Households receiving international remittances also tend to invest more in entrepreneurial activities.

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Migration and Remittances During the Global Financial Crisis and Beyond Workers' remittances have become a major source of income for developing countries. However, little is still known about their impact on poverty and inequality. Using a large cross-country panel dataset, the authors find that remittances in Latin American and Caribbean (LAC) countries have increased growth and reduced inequality and poverty. These results are robust to the use of different instruments that attempt to correct for the potential endogeneity of remittances. Household survey-based estimates for 10 LAC countries confirm that remittances have negative albeit relatively small inequality and poverty-reducing effects, even after imputations for the potential home earnings of migrants.

The Impact of Remittances on Rural Poverty and Inequality in China Given the large size of aggregate remittance flows (billions of dollars annually), they should be expected to have significant macroeconomic effects on the economies that receive them. This paper directly addresses the two main issues of interest to policymakers with regard to remittances--how to manage their macroeconomic effects, and how to harness their development potential--by reporting the results of the first global study of the comprehensive macroeconomic effects of remittances on recipient economies. In broad terms, the findings of this paper tend to confirm the main benefit cited in the microeconomic literature: remittances improve households' welfare by lifting families out of poverty and insuring them against income shocks. The findings also yield a number of important caveats and policy considerations, however, that have largely been overlooked. The main challenge for policymakers in countries that receive significant flows of remittances is to design policies that promote remittances and increase their benefits while mitigating adverse side effects. Getting these policy prescriptions correct early on is imperative. Globalization and the aging of developed economy populations will ensure that demand for migrant workers remains robust for years to come. Hence, the volume of remittances likely will continue to grow, and with it, the challenge of unlocking the maximum societal benefit from these transfers.

Impact of Remittance Flow on Economic Growth and Poverty Reduction in Nepal Adams uses a large, nationally representative household survey to analyze the impact of internal remittances (from Guatemala) and international remittances (from the United States) on poverty in Guatemala. With only one exception, he finds that both internal and international remittances reduce the level, depth, and severity of poverty in Guatemala. However, he finds that remittances have a greater impact on reducing the severity as opposed to the level of poverty in Guatemala. For example, the squared poverty gap which measures the severity of poverty falls by 21.1 percent when internal remittances are included in household income, and by 19.8 percent when international remittances are included in such income. This is true because households in the lowest decile group receive a very large share of their total household income (expenditure) from remittances. Households in the bottom decile group receive between 50 and 60 percent of their total income (expenditure) from remittances. When these "poorest of the poor" households receive remittances, their income status changes dramatically and this in turn has a large effect on any poverty measure like the...
squared poverty gap that considers the number, distance, and distribution of poor households beneath the poverty line. This paper—a product of the Trade Team, Development Research Group—is part of a larger effort in the group to understand the impact of international migration and remittances on poverty and development.”—World Bank web site.

International Remittances and the Household This paper explores the impact of remittances on poverty, education, and health in 11 Latin American countries using nationally representative household surveys and making an explicit attempt to account for one of the inherent costs associated with migration—the potential income that the migrant may have made at home. The main findings of the study are the following: (1) regardless of the counterfactual used remittances appear to lower poverty levels in most recipient countries; (2) yet despite this general tendency, the estimated impacts tend to be modest; and (3) there is significant country heterogeneity in the poverty reduction impact of remittances’ flows. Among the aspects that have been identified in the paper that may lead to varying outcomes across countries are the percentage of households reporting remittances income, the share of remittances of recipient households belonging to the lowest quintiles of the income distribution, and the relative importance of remittances flows with respect to GDP. While remittances tend to have positive effects on education and health, this impact is often restricted to specific groups of the population.

What is the Impact of International Remittances on Poverty and Inequality in Latin America? Workers’ remittances have become a major source of financing for developing countries and are especially important in Latin America and the Caribbean, which is at the top of the ranking of remittance receiving regions in the world. While there has been a recent surge in analytical work on the topic, this book is motivated by the large heterogeneity in migration and remittance patterns across countries and regions, and by the fact that existing evidence for Latin America and the Caribbean is restricted to only a few countries, such as Mexico and El Salvador. Because the nature of the phenomenon varies across countries, its development impact and policy implications are also likely to differ in ways that are still largely unknown. This book helps fill the gap by exploring, in the specific context of Latin American and Caribbean countries, some of the main questions faced by policymakers when trying to respond to increasing remittances flows. The book relies on cross-country panel data and household surveys for 11 Latin American countries to explore the development impact of remittance flows along several dimensions: growth, poverty, inequality, schooling, health, labor supply, financial development, and real exchange rates.

Migration and Remittances in Latin America and the Caribbean This volume uses recent research from the World Bank to document and analyze the bidirectional relationship between poverty and migration in developing countries. The case studies compiled in this book (from Tanzania, Nepal, Albania and Nicaragua), as well as the last, policy-oriented chapter illustrate the diversity of migration experience and tackle the complicated nexus between migration and poverty reduction. Two main messages emerge: Although evidence indicates that migration reduces poverty, it also shows that migration opportunities of the poor differ from that of the rest. In general, the evidence suggests that the poor either migrate less or migrate to lower return destinations. As a consequence, many developing countries are not maximizing the poverty-reducing potential of migration. The main reason behind this outcome is difficulties in access to remunerative migration opportunities and the high costs associated with migrating. It is shown, for example, that reducing migration costs makes migration more pro-poor. The volume shows that developing countries governments are not without means to improve this situation. Several of the country examples offer a few policy recommendations towards this end.

Migration and Poverty This paper explores the impact of remittances on poverty, education, and health in 11 Latin American countries using nationally representative household surveys and making an explicit attempt to account for one of the inherent costs associated with migration—the potential income that the migrant may have made at home. The main findings of the study are the following: (1) regardless of the counterfactual used remittances appear to lower poverty levels in most recipient countries; (2) yet despite this general tendency, the estimated impacts tend to be modest; and (3) there is significant country heterogeneity in the poverty reduction impact of remittances’ flows. Among the aspects that have been identified in the paper that may lead to varying outcomes across countries are the percentage of households reporting remittances income, the share of remittances of recipient households belonging to the lowest quintiles of the income distribution, and the relative importance of remittances flows with respect to GDP. While remittances tend to have positive effects on education and health, this impact is often restricted to specific groups of the population.

Migrant Remittances in South Asia Manuel Orozco moves beyond the numbers to provide a uniquely comprehensive, historically informed overview and analysis of the complex role of migrant remittances in the global economy. How do patterns of migration and remittances differ across regions? What kinds of regulatory and institutional frameworks best support the contributions of remittances to local development? What has been the impact of remittances on migrants and their families? Drawing on empirical data from five continents and firmly ground in theory, Orozco’s work reflects the evolution of our understanding about the importance of migrant remittances and the policies that govern them.

Leveraging Migration for Africa Abstract: “This paper uses a new, 2005/06 nationally-representative household survey to analyze the impact of internal remittances (from Ghana) and international remittances (from African and other countries) on poverty and inequality in Ghana. To control for selection and endogeneity, it uses a two-stage multinomial logit model with instrumental variables focusing on variations in migration networks and remittances among various ethno-religious groups in Ghana. The paper finds that both internal and international remittances reduce the level, depth, and severity of poverty in Ghana. However, the size of the poverty reduction depends on the type of remittances received. In general, poverty in Ghana is reduced more by international than internal remittances. For households receiving international remittances, the level of poverty falls by 88.1 percent with the inclusion of remittances; for households receiving internal remittances, poverty falls by 69.4 percent with the inclusion of remittances. The paper also finds that both types of remittances increase income inequality in Ghana. For households with internal remittances, the inclusion of remittances causes the Gini coefficient to rise by 4 percent, and for households with international remittances, the inclusion of remittances causes the Gini to increase by 17.4 percent.”—World Bank web site.

Macroeconomic Consequences of Remittances Migrants have long faced unwarranted constraints to sending money to family members and relatives in their home countries, among them costly fees and commissions, inconvenient formal banking hours, and inefficient domestic banking services that delay final payment to the beneficiaries. Yet such remittances are perhaps the largest source of external finance in developing countries. Officially recorded remittance flows to developing countries exceeded US$125 billion in 2004, making them the second largest source of development finance after foreign direct investment. This book demonstrates that governments in developing countries increasingly recognize the importance of remittance flows and are quickly addressing these constraints.

Assessing the Impact on Household Incomes and Poverty of Declines in Remittances Due to COVID-19 One side in the current debate about who benefits from growth has focused solely on average impacts on poverty and inequality, while the other side has focused on the diverse welfare impacts found beneath the averages. Both sides have a point.

Page 3/5
The Impact of Remittances on Poverty and Human Capital

What is the Impact of International Remittances on Poverty and Inequality in Latin America? This paper uses a new, 2005-06 nationally-representative household survey to analyze the impact of internal remittances (from Ghana) and international remittances (from African and other countries) on poverty and inequality in Ghana. To control for selection and endogeneity, it uses a two-stage multinomial logit model with instrumental variables focusing on variations in migration networks and remittances among various ethno-religious groups in Ghana. The paper finds that both internal and international remittances reduce the level, depth, and severity of poverty in Ghana. However, the size of the poverty reduction depends on the type of remittances received. In general, poverty in Ghana is reduced more by international than internal remittances. For households receiving international remittances, the level of poverty falls by 88.1 percent with the inclusion of remittances; for households receiving internal remittances, poverty falls by 69.4 percent with the inclusion of remittances. The paper also finds that both types of remittances increase income inequality in Ghana. For households with internal remittances, the inclusion of remittances causes the Gini coefficient to rise by 4 percent, and for households with international remittances, the inclusion of remittances causes the Gini to increase by 17.4 percent.

Migrant Remittances and Development in the Global Economy This report identifies challenges in the migration process from Nepal to Qatar (related to high migration costs and their financing) and constraints in the remittance transfer process from Qatar to Nepal, which together limit the development and poverty reduction impact of remittance flows to Nepali households. The report analyzes migration practices, remittance transfer processes, and their underlying legal and regulatory framework in the Qatar-Nepal Corridor in order to provide policy recommendations that would help improve the scale and impact of remittance transfers from Qatar to Nepal, and enhance the integrity of migrant transfers in the corridor. These recommendations are especially important given that although Nepalis constitute a quarter of the migrant labor-force in Qatar, they send home only 0.7 percent of total remittance outflows from Qatar. This corridor has several distinctive features. First, the majority of remittance flows from Qatar to Nepal are being transferred through officially regulated remittance channels. One of the reasons for this is actually the second feature of this corridor, namely, the officially managed migration process from Nepal to Qatar (as a result of which the majority of migrants are documented workers). The third feature is the contrast between the high competition and low prices of remittance services in this corridor on the one hand, and the contradictory rules and high costs incurred during the migration process on the other hand. Finally, as a by-product of the complex migration process which involves multiple players, financial transfers through informal mechanisms take place from Nepal to Qatar in order to pay the commissions of manpower agencies and middlemen. In Chapter I, the process of migration from Nepal to Qatar is explained and analyzed. Chapter II looks at the remittance transfer process from Qatar to Nepal. Chapter III provides an overview of the legal and regulatory framework underpinning remittance transfers in both in Nepal and Qatar. Finally, Chapter IV summarizes the main findings, identifies the main challenges and provides policy recommendations on how to improve the efficiency of the migration and the scale and impact remittance transfers in the corridor.

Impact of International Remittances on Poverty Alleviation in Low- and Middle-Income Countries This book seeks to fill knowledge gaps on migration, remittances and diaspora in Africa.

Migration, Remittances, Poverty, and Human Capital This volume provides theoretical treatments of remittance on how its development potential is translated into reality. The authors meticulously delve into diverse mechanisms through which migrant communities remit, investigating how recipients engage in the development process in South Asia.

The Impact Of Remittances On Poverty And Inequality In Ghana

What is the Impact of International Remittances on Poverty and Inequality in Latin America? Master’s Thesis from the year 2015 in the subject Economics - Case Scenarios, grade: Very good, University of Glasgow (Adam Smith Business School), course: Master of Science in Economic Development, language: English, abstract: This research uses time-series data to examine the impact of international remittance flow on economic growth and poverty reduction in Nepal. It applies the econometric model suggested by Ravallion (2001), Ravallion and Chen (1997) and Adam and Page (2005) for remittance and poverty and Quayyum et al (2008) for remittance and growth. Both micro and macro level impacts were considered. The regression results show that remittance flow is positively and significantly correlated with economic growth and poverty reduction in Nepalese context. The finding suggests that in the short run international remittance flow had positive contribution in economic growth and poverty reduction through investments in health, education and consumption. Remittance also contributed to relax credit constraints, especially for the poor and in macro level, helped to finance trade deficit, accumulate foreign exchange reserves and to reduce government debt. However, a deeper analysis of the last two decades shows that increased remittance flow has been the major cause of decline of tradable sector through “Dutch Disease” effects. Moreover, remittance contributed to higher inflation, eroded work habits and brought adverse social costs. Combined, the long term impact of remittance seems to be overwhelmingly negative in Nepal.

The Impact of Remittances on Poverty and Inequality in Ghana

Migration and Remittances The editors draw together key articles by leading scholars which investigate the significance and role of remittances in economic and social development.

International Migration, Remittances, and Poverty in Developing Countries

Remittances, Consumption and Investment in Ghana Remittances are an important income source for the poor in Myanmar, particularly for low-income rural households. This policy note focuses on the likely impact on household income and poverty in Myanmar of declines in international and domestic remittances caused by the COVID-19 pandemic. We used a microsimulation model to do so.

Impact of Remittances on Poverty and Financial Development in Sub-Saharan Africa Large numbers of agricultural labor moved from the countryside to cities after the economic reforms in China. Migration and remittances play an important role in transforming the structure of rural household income. This paper examines the impact of rural-to-urban migration on rural poverty and inequality in the case of Hubei province using the data of a 2002 household survey. Since remittances are a potential substitute for farm income, the paper presents counterfactual scenarios of what rural income, poverty, and inequality would have been in the absence of migration. The results show that, by providing alternatives to households with lower marginal labor productivity in agriculture, migration leads to an increase in rural income. In contrast to many studies that suggest the increasing share of non-farm income in total income widens inequality, this paper offers support for the hypothesis that migration tends to have egalitarian effects on rural income for...
three reasons: (i) migration is rational self-selection - farmers with higher agricultural productivities choose to remain in local agricultural production while those with higher expected return in urban non-farm sectors migrate; (ii) poorer households facing binding constraints of land shortage are more likely to migrate; and (iii) the poorest poor benefit disproportionately from remittances.

What Is The Impact Of International Remittances On Poverty And Inequality In Latin America ?. Outward migration has been an important phenomenon for countries in Latin America and the Caribbean (LAC), particularly those in Central America and the Caribbean. This paper examines recent trends in outward migration from and remittances to LAC, as well as their costs and benefits. For the home country, the negative impact from emigration on labor resources and productivity seems to outweigh growth gains from remittances, notably for the Caribbean. However, given emigration, remittance flows play key financing and stabilizing roles in Central America and the Caribbean. They facilitate private consumption smoothing, support financial sector stability and fiscal revenues, and help reduce poverty and inequality, without strong evidence for harmful competitiveness effects through shifts in the real exchange rate.

Global Crisis, Remittances, and Poverty in Asia This publication presents a comprehensive discussion on the impact of the global financial crisis (2008–2009) on certain Asian economies at different levels of analysis—showcasing cross-country regression, computable general equilibrium modeling, and microeconometric modeling for Bangladesh, Indonesia, Pakistan, the Philippines, and Viet Nam. Using different measures of remittances, cross-country regression analyses suggest that a 10% increase in remittances leads to a 3%–4% rise in real gross domestic product per capita. At the same time, the analyses show that remittances exert a negative impact on aggregate poverty. Moreover, these money transfers from abroad exert important impacts on the macroeconomy that include changing external current accounts, alleviating debt burdens, appreciation of domestic currencies, and moderating inflation.

The Economic Impact of International Remittances on Poverty and Household Consumption and Investment in Indonesia Abstract: Workers' remittances have become a major source of income for developing countries. However, little is still known about their impact on poverty and inequality. Using a large cross-country panel dataset, the authors find that remittances in Latin American and Caribbean (LAC) countries have increased growth and reduced inequality and poverty. These results are robust to the use of different instruments that attempt to correct for the potential endogeneity of remittances. Household survey-based estimates for 10 LAC countries confirm that remittances have negative albeit relatively small inequality and poverty-reducing effects, even after imputations for the potential home earnings of migrants.