The Impact of Workers’ Remittances on Financial Market Development: A Case Study for Developing Countries

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Abstract

Although workers’ remittances inflows have grown gradually over the years and showed a sharp rise after 2000’s in the developing countries; the effect of remittances on financial development did not receive deserved attention from academic scholars. Yet, the effect of remittances on financial development is very important issue as the financial development plays very important role in rising economic growth or reducing poverty. Thus, main objective of this study is to explore the possible effects of workers remittances on financial market developments by employing dynamic panel data method for the period from 2002 to 2014. Our empirical results prove that there is no significant correlation between financial developments and remittance inflows. Yet, we have found that financial developments are positively correlated with investments while they are negatively correlated with inflation and economic growth.

Keywords: Financial Development, Remittances, International Migration, Financial Markets, Dynamic Panel Data