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## **IMPACT OF REMITTANCES ON ECONOMIC GROWTH IN DEVELOPING COUNTRIES: THE ROLE OF OPENNESS**

### **Abstract:**

The paper examines the empirical relationship between remittances and economic growth for a sample of 62 developing countries over the time period 1990-2014. Remittances seem to promote growth only in the 'more open' countries. The study uses a variety of indicators of 'openness' to test the hypothesis that openness of a country increases the growth effects of remittances. The finding, remittances lead to higher growth in open countries, is robust regardless of how 'openness' is defined. Conversely, no significant effect of remittances on growth could be detected in the case of 'less open' countries. That is because remittances are in themselves not sufficient for growth. The extent of the benefit depends on domestic institutions and macroeconomic environment in the receiving country. Unlike the 'less open' countries, 'more open' countries have better institutions and better financial markets to take advantage of the remittances income and channelise them into profitable investments which, in turn, accelerates the rate of economic growth in these countries.

### **Keywords:**

Remittances; Economic Growth; Openness; Developing Countries; Panel Data

**JEL Classification:** F24, F41, F43