

Are Remittances helping lower Poverty and Inequality levels in Latin America?

Abstract: *Although the recent economic expansion and redistributive fiscal policies implemented since the turn of the century have raised the wellbeing of the population in the Latin America, the private monetary transfers from immigrants to their relatives back home are proving to be one of the most stable drivers of this change. This paper uses a new dataset for 18 Latin American countries covering the 1991-2013 period to examine the effectiveness of international remittances in reducing poverty and inequality. Dynamic panel data results using a number of measures for remittances indicate that increases in remittances have a negative and statistically significant impact on extreme poverty and inequality, but can exacerbate moderate poverty in the region. In addition, it seems that the effect of remittances is stronger in countries receiving smaller amounts and in countries with a larger share of its population working abroad. Regional differences also affect the impact that remittances have on the wellbeing of the population, but financial development is found to have a limited impact on the effectiveness of remittances on poverty and inequality.*