

TECHNICAL SESSION-6: PUBLIC FINANCIAL MANAGEMENT

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Paper Title: Migrant Remittances and Economic Complexity: Evidence from Panel Data Approach.

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Abstract: In development economics, the main emphasis has been on transforming economies from traditional sectors of production to more sophisticated (productive) sectors to transform them. In this study, we explore the role of migrant remittances on economic complexity. In order to study empirically, we use the economic complexity index (ECI) and migrant remittances inflows over the period of 2005 to 2020. To perform econometric analysis, we use the system GMM. Our results show a negative link between economic complexity and migrant remittances. However, our analysis reveals an interesting finding that the interaction of migrant remittances and education is positively associated with economic complexity. Specifically, we find that the positive effect of migrant remittances on economic complexity is amplified in the presence of higher education levels. These findings suggest that while migrant remittances may not necessarily lead to economic complexity on their own, they can contribute to it when combined with higher levels of education. Our study sheds light on the potential role of education in maximising the positive impact of remittances on economic development. The results of this study carry significant implications for policymakers and highlight the need for a more comprehensive approach to fully understand the impact of remittances on economic development through economic sophistication.

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