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

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Highlights

- *Remittances are important for the growth and development of developing countries*
- *The inflow of remittances lower poverty and inequality in Latin American countries*
- *Remittances could be exacerbating moderate poverty, limiting its overall effect*
- *Remittances effect on income is stronger for the upper segments of the poor*
- *Alternative measures for remittances validates these results*

Abstract: *Although the recent economic expansion and redistributive fiscal policies implemented in Latin America since the turn of the century have raised the wellbeing of the population, 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 2000-2013 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 overall poverty and inequality in the region, even if it exacerbates moderate poverty. Such effect is robust to alternative remittances measures used to control for endogeneity concerns. In particular, remittances seem to have a stronger effect 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*

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