

Question: How does the dependence on international remittances affect income inequality?

Related paper 1: International Remittances and Income Inequality: An Empirical Investigation by Valerie Koechlin and Gianmarco Leon.

Hypothesis: There is a non-monotonic relationship between international remittances and income inequality.

Key finding: There is an inverted U-curve relationship between international remittances and income inequality. Countries with higher educational levels can more quickly reach the inequality-decreasing section of the relationship

Data used: The inequality measure is from the United Nations. Remittances received by countries come from reports by each country's Central Bank.

This research does not fully answer my questions, but provides some insight on the answer. Countries rely highly on international remittance, it might (or might not) reach the "decreasing section".

Related paper 2: Remittances and inequality: A meta-analytic investigation by Amar Anwar, Colin F. Mang, Sonia Plaza.

Hypothesis: Remittances does not affect inequality

Key Findings: Overall, there is negative effect, but economically small. This effect has high regional difference.

Data: Results of economic papers related to "remittances", "inequality", and "income distribution" from Google Scholar, EconLit, and Web of Science.

This paper does not provide answers to my question.

Related paper 3: Remittances, Financial Inclusion and Income Inequality in Africa by Yannick BKWAYEP

Hypothesis: Remittances and financial inclusion reduces income inequality

Key finding: The results show that migrant remittances and financial inclusion (FI) reduce income inequality. The results further indicate that FI implies the impact of the migrant remittances on income inequality, revealing a complementarity between remittances and FI to reduce income inequality.

Data: Panel data for 47 countries in Sub-Saharan Africa over the period 2004

2014. Remittances of migrants data from the World Bank(available). Inequality data: Gini coefficient, Palma report, and the Atkinson index.

This paper does not answer my question since it only include Africa countries and does not consider the dependence.

Data:

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Personal remittances were received (% of GDP) from 1970-2023(incomplete, with some country-year missing). With Income Group(high/low/medium), Region, Source: world bank

Income Inequality Database from the United Nations

Other data I might be able to collect:

Control variables could be collected from <https://www.theglobaleconomy.com/>

Approach:

In the paper International Remittances and Income Inequality: An Empirical Investigation, the authors used OLS regression model and Instrumental Variables on Gini coefficient and the number of remittances. Also they used the Generalized Method of Moments on panel data and explored possible interaction terms.

The main comparison here is the coefficient of remittance in regressions and 0 to see if the result is significant. This determines if remittance does have an impact on income inequality.

My research question has a similarity with this paper, so I would use a similar methodology (OLS, panel data) but with some changes. In my question, I will focus on the share of remittance of GDP, but this is affected by not only the raw number of remittances but also the country's GDP, so it might be useful to categorize countries based on both GDP/per capita GDP and dependence of international remittance, treat it as categorical variables (high dependence+low GDP, mid dependence+low GDP, etc.). Also learnt from another study, regions might need to be considered in regressions as well.

Historical events may significantly influence migration patterns and related data. For instance, after the dissolution of the Soviet Union, there might have been a noticeable increase in remittances, as workers from smaller successor states were likely to migrate to Russia for employment. Consequently, remittances that were previously domestic (within the Soviet Union) transformed into cross-border transfers to their families in other countries. So it might be necessary to delete some of the data or break it into different periods.

Contribution:

I would say in my project I researched the relationship between international remittances and income inequality. Unlike the previous research that focused on the raw number of remittances, I rather focus on the dependence of countries on remittance and their relationship with income inequality. I connect such dependence with the economic status of countries break them into categories, and run regressions accordingly. Also made connections with regions and possible economic/historical events.