

Channels of Transmission of the Effects of Migrant Remittances on Income Inequality in Sub-Saharan Africa

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Abstract: This paper analyses the robust effects and channels through which migrant remittances (MR) improve income inequality. Using a sample of 45 countries, we specify and estimate a panel data model using the Generalized Least Squares (GLS) method for the period 1982-2022. Our results show that remittances (measured by remittances from migrant workers and workers' wages) significantly increase income inequality (as measured by the Atkinson index). Their effects are transmitted through financial development, trade openness, unemployment, energy consumption and corruption. We suggest limiting the volume of remittances, channelling these funds through the government into business creation, and finally taxing the funds to benefit non-recipients.

Keywords: Sub-Saharan Africa, Income Inequality, GLS, OLS, Migrant Remittances

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