The Impacts of International Remittances on Economic Growth and Human Development of Haiti

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Abstract
Haiti is a member of the Caribbean Community (CARICOM). According to the World Bank, Haiti is a low income country. The international remittance is the most important source of foreign earning of Haiti. The statistics from the World Bank in 2017 revealed that Haiti was the 4th country as a recipient of the remittances of the world. The remittance inflow accounted for 29 per cent of its GDP. Although, the international remittance is the most important source of foreign income in Haiti, its contribution to economic development has not been rigorously analyzed. Consequently, this study examines the impact of remittance on economic growth of Haiti using time-series data model over the period from 1970 to 2017. The empirical results from the autoregressive distributed lag (ARDL) model indicate the negative impact of remittance on economic growth. This finding is confirmed by the result from the Toda-Yamamoto Granger non-causality analysis. However, our findings show that the remittance contributes to the people’s wellbeing, which is represented by the Human Development Index (HDI).

Keywords
Remittances, economic growth, human development, haiti, ARDL model

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INTRODUCTION

Haiti is one of the significant recipients of the remittance inflow of the world. The World Bank reported that the remittance inflow accounted for 29 per cent of Haiti’s GDP in 2017. Consequently, Haiti was the fourth largest recipient of the remittance inflow, behind Kyrgyzstan, Tonga, and Tajikistan, respectively. The remittance inflow in Haiti is considerably high in comparison to official development aid and foreign direct investment. Therefore, it is highly likely that the remittance inflow may have the an impact on Haiti in various dimensions. Literature review on the impact of remittance inflow in the case of Haiti in section III reveals that the roles of remittance have received relatively little attention in the previous researches. For the effect of remittance inflow on economic growth of Haiti, only two works have been found. However, both works grouped Haiti with other countries, by adopting the panel data model estimation. Accordingly, this article examines the impact of remittance inflow on the economic growth of Haiti, between 1970 and 2017, by implementing the autoregressive distributed lag (ARDL) cointegration technique as our empirical methodology, since the ARDL model can offer reliable outcomes when the size of the sample is small, due to the unavailability of the dataset. Also, the Toda Yamamoto approach to Granger non causality test is conducted to scrutinize the causality direction among all the variables of interest. The effect of remittance on human development is also examined using the same research framework. This paper is a pioneer work for the time series model estimations for Haiti.

The rest of the paper is organized in the below sequence. Section II illustrates the current situation of Haiti’s international remittance. Section III reviews the literature on the impact of remittance on economic growth. Section IV discusses the methodology which this study performs, while the estimation outcomes are presented in Section V and section VI. Section VII provides the concluding remarks.

INTERNATIONAL REMITTANCES IN HAITI

This section illustrates the current situation of Haiti’s international remittance inflows as well as the related information. Haiti is the third largest country in the Caribbean, after Cuba and the Dominican Republic. According to the statistics in Table 1, there were 11 million of a population in 2016. Haiti is one of the poorest countries in the Western Hemisphere.