

A Systematic Review of Foreign Remittances and Economic Growth in Developing Countries

OPEN ACCESS

Manuscript ID:
COM-2026-140210053

Volume: 14

Issue: 2

Month: April

Year: 2026

E-ISSN: 2582-6190

Received: 11.02.2026

Accepted: 13.03.2026

Published Online: 01.04.2026

Citation:

Khader, J. Abdul, and S. Mohamed Ali Mohideen. "A Systematic Review of Foreign Remittances and Economic Growth in Developing Countries." *ComFin Research*, vol. 14, no. 2, 2026, pp. 111–17.

DOI:

<https://doi.org/10.34293/commerce.v14i2.10053>



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J. Abdul Khader

*Assistant Professor, PG & Research Department of Commerce
Sadakathullah Appa College (Autonomous)
(Affiliated to Manonmaniam Sundaranar University), Rahmath Nagar, Tirunelveli*

S. Mohamed Ali Mohideen

*Assistant Professor, Department of Economics
Sadakathullah Appa College (Autonomous)
(Affiliated to Manonmaniam Sundaranar University), Rahmath Nagar, Tirunelveli*

Abstract

This systematic review investigates the relationship between foreign remittances and the economic growth of developing nations. This review also aimed to synthesise the empirical evidence of foreign remittances and economic growth indicators, such as gross domestic product, consumption, investments, savings, and other social factors. This study used the Preferred Reporting Items for Systematic Reviews and Meta-Analyses guidelines, and related studies were identified using the Social Science Research Network database. The inclusion criteria focused on empirically based peer-reviewed articles between 2012 and 2025 evaluating remittance flows and macroeconomic impacts. The reviews indicate that foreign remittances positively influence economic growth in developing economies. Economic growth is spurred by human resource development, expansion of the real estate sector, and rising consumption. However, the banking sector plays a vital role in channelling remittances toward productive uses. Foreign remittances have emerged as an important driver of economic growth and human development in developing countries with large labour markets. Future studies should shed light on the sustainability of these effects and the evolving role of artificial intelligence in the labour markets of developed countries providing employment.

Keywords: Foreign Remittance, Economic Growth, Economic Development, Human Capital, PRISMA, SSRN, Consumption, Developing Countries, Banking, Geopolitics, Covid-19, etc.,

Introduction

According to the World Bank report of 2024, global remittances have reached a new pinnacle of \$905 billion which is one of the largest sources of external financing for developing countries including India. Indian diaspora is the biggest emigrant population in the world with 30 million and received nearly \$79 billion US dollars in foreign remittances in 2019. Followed by China and Mexico received \$67 billion and \$36 billion respectively. The non-resident migrants are certainly the national asset (Khader, J. A., & Hameed, A. I. S, 2023). Foreign remittances during COVID-19 were resilient due to altruistic motives, and migrants sent money to support their families despite the lockdown and infection rates. The foreign remittances during COVID-19 was resilient due to altruistic motives, migrants sent money to support the family despite the lockdown and infection rates. Reduced migration result in vulnerability of diaspora in informal sectors. Sending remittances is a psychological assurance connecting the homeland which enforces identity and belongingness (RBI Bulletin, 2022). Foreign remittances is a form of social capital rather than just sending money. Foreign remittances have empowered

women in recipient households by changing gender decision-making power. The foreign remittances has empowered women in recipient households, changing gender decision making power. Community projects like religious institutions, educational institutions and healthcare facilities are often supported by foreign remittances. (AIMS International, 2019). These varied results highlights a critical research gap between foreign remittances and economic growth factors including GDP, there has been limited systematic synthesis of the empirical evidence. Hence, the objective of this study is to systematically review the empirical evidences on foreign remittances and economic growth in developing countries analysed through PRISMA. PRISMA (Preferred Reporting Items for Systematic Reviews and Meta-Analyses), is an internationally recognized guideline adapted to enhance the transparency and quality of well-structured systemic reviews. Initially introduced in 2009 and revised the guidelines in 2020 which contains 27 item checklist, projects the review reporting (PRISMA 2020 Guidelines).

Research Methodology

Research Question

The research focused on the following objective:

(Q1) In what ways do remittances contribute to the economic growth of developing countries?

Research Design

This study followed the systematic literature review approach with the Preferred Reporting Items for Systematic Reviews and Meta-Analyses (i.e., PRISMA) regulations. The PRISMA framework facilitates transparency and methodological rigor in identifying and synthesising relevant literature.

Data Sources and Search Strategy

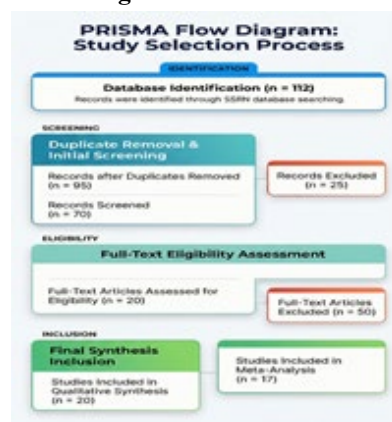
This study identified the literature from the Social Science Research Network (SSRN) database.

The search period included 2012 to 2025. The researcher used two keywords, “foreign remittances” AND “economic development.”

Inclusion and Exclusion Criteria

Inclusion Criteria	Exclusion Criteria
English Publications	Non-English Publications
Publications after 2012	Publications before 2012
Empirical evidences	Without empirical support
Peer-reviewed Journals	Duplicate records

Prisma Flow Diagram



PRISMA Flow Summary Table

Stages	Number of Records
Records Identified	112
Records After Duplicates Removed	95
Full-Text Articles Assessed	70
Studies Included in Final Review	20

Data Extraction

The following table summarizes the 20 sources based on the details requested, drawing from the source materials.

Summary of Research Sources

S.No	Author Name	Year	Study Covered Country	Methodology Adopted	Findings and Results
1	Ali	2025	Russia	ARDL models	Remittances have negative effect possibly lead to brain drain whereas, investments in education lead to Human Resource Development
2	Bajaj, Rajput, & Siyal	2018	BRIC economies	Nonlinear ARDL (NARDL)	Economic Policies have long run impact on Russia and India. Short run impact on Brazil and China.
3	Batool, Haroon, Ali, & Ahmad	2022	Pakistan	ARDL approach	Remittances and the financial sector signifies a complementary role in boosting economic growth in both the long and short run.
4	Bettin & Zazzaro	2012	66 developing countries	OLS and System GMM (SGMM)	Banking played vital role in effective utilisation of remittances.
5	Dipu	2025	Bangladesh	Thematic synthesis and comparative case study	Remittances contributing much to the consumption.
6	Ghaffary Fard & Alireza	2025	Pakistan	Fully Modified OLS (FMOLS)	Remittances has a negative impact on growth due to lack of absorption capacity; capital investment and labour productivity are the most influential factors.
7	Iordache, Matei, & Țițan	2023	European Union (Focus on ex-communist)	Multiple regression (Fixed and Random Effect models)	Remittances have a concrete and significant influence on economic development, particularly by increasing a country's ability to import.
8	Kayani, Bakkar, Ullah, Nawaz, & Mariev	2023	BRIC economies	NARDL and GARCH	Geopolitical risks influences remittances in Brazil, Russia, and India; volatility in GPR transmits to remittances.
9	Malik	2013	South Asia (Pakistan, India, Bangladesh)	ADF/PP tests, Cointegration, and Granger causality	Remittances cause market capitalization specifically in Bangladesh and India.
10	Maune & Matanda	2022	Zimbabwe	ARDL model	Remittances have a positive and significant influence on GDP, specifically during the country's dollarization period.
11	Mutai, Ibeh, Cuong, Kiarie, & Ikamari	2024	Kenya	ARDL model	While FDI and imports have non-significant short-term impacts, remittances are significant long-term determinants of economic growth.

12	Onyebuchi, Osinachi, Godwin, & Norbert	2020	Nigeria	Multiple regression analysis	Personal remittances and FDI significantly increase the growth rate and development of the economy.
13	Peprah, Ofori, & Asomani	2019	Ghana	Dynamic heterogeneous ARDL and Threshold analysis	The joint effect of financial development and remittances is higher than their individual effects; financial sector expansion beyond 70% can drag down growth.
14	Prekazi, Dumi, & Pasjaqa	2015	Kosovo and Albania	Policy typology and comparison	U.S. policies (e.g., temporary protected status and anti-money laundering) powerfully affect the volume of remittances.
15	Sah, Badri Narayan	2019	Nepal	Analytical and descriptive methods based on secondary sources, including government publications and international reports.	Remittances contribute approximately 30% to Nepal's GDP and have significantly reduced the poverty rate from 42% in 1995/96 to 25.2% in 2010/11, About 79% of remittance income is used for daily consumption,.
16	Sarkar, S., Chaudhury, S. K., & Patnaik, C. S.	2025	India	Quantitative and qualitative testing based on secondary data (2005–2022), including simple tabular representation, correlation analysis, and regression statistics,.,.	India is the world's leading remittance recipient, crossing the \$100 billion mark,. A significant positive relationship exists between remittance inflow and India's GDP. Kerala remains the top recipient state in India (19%).
17	Shah, Irfan Ahmad	2024	India	Novel Local Projection Method (LPM) using quarterly data from 1997Q2 to 2019Q4,.,.	Remittances have a significant and asymmetric effect on the Indian economy,. Increases in remittances immediately impact inflation, stock returns, and money supply, while decreases have a delayed effect (6–8 quarters) on output growth and stock returns.
18	Tabash, Anagreh, Subhani, Al-Faryan, & Drachal	2023	Selected Asian economies	Fixed Effect Model (FEM)	International tourism significantly positive impact on GDP growth and GDP per capita.
19	Teng	2015	Eurasia	Qualitative thematic analysis	Tajikistan and Kyrgyz Republic have the highest remittance-to-GDP ratios in the Asia.
20	Umair	2021	Pakistan	ARDL methodology	Remittances had a positive impact on the Gross Domestic Product. Covid 19 had a negative impact.

Quality Assessment

Quality assessment was conducted based on the following criteria:

- Clarity of research objectives: Relevance to the research question and transparency of data sources.

- Appropriateness of methodology: Qualitative/thematic studies were evaluated based on the transparency of sources and analytical depth.
 - Findings: Econometric studies were highly rated because of robust statistical testing. Descriptive studies were rated moderate and relied on secondary data and narratives.
- Data Synthesis

The selected studies focused on the following themes:

- Foreign Remittances
- Economic development
- Financial Development
- Consumption
- Human Resource Development and
- Regional Insights.

Results and Discussions

The human development index is an outcome of economic growth. Human capital investments, especially expected years of schooling, are the most influential and consistent drivers of human development index progress, which in turn boosts economic growth. Surprisingly, the results revealed that remittances and net migration have marginally negative effects, potentially signalling brain drain or dependency. The study concluded that human capital's primacy outweighs strict institutionalist explanations in Russia's stability-oriented path (Ali, 2025). Foreign remittances are a significant factor in the contribution of economic growth, both in the long and short run. The inferences from the NARDL model suggested that economic policy uncertainty (EPU) has an asymmetric impact on foreign remittances in Brazil, Russia, and India in the short run. The GARCH results indicated that volatility in EPU transfers directly affects volatility in foreign remittances in Russia, India, and China (Bajaj, Rajput, & Siyal, 2018). Foreign remitters are national assets as they support the economy with a higher money supply. The research concluded that the diaspora represents a strategic national asset whose potential for knowledge transfer and soft power is currently fragmented. Suggestions for policy intervention include establishing investment-linked remittance programs and "diaspora innovation hubs" (Dipu, 2025). Remittances are a panacea

for foreign currency shortages, and small and medium-sized enterprises (SMEs) are neglected by traditional financiers. Suggestions for policy include avoiding the politicization of economic variables, such as currency (Maune & Matanda, 2022). Foreign remittances influence currency markets and stabilise economic growth. The success of foreign remittances in supporting economic growth depends on the quality of banks, financial sector efficiency, human capital investment, and geopolitics. Poverty reduction and economic resilience are also outcomes of foreign remittances in developing countries (Maune & Matanda, 2022).

Recommendations

Based on the results of the collected reviews, the study suggests that developing economies utilise or streamline foreign remittances better through financial institutions, especially banks, which play a vital role. Financial institutions or government authorities should introduce a separate pension or investment fund focused on the migrant population or foreign remitters. Tax concessions and social benefits practiced in India for non-residents should be introduced in other emigrant countries for the betterment and welfare. Future studies should focus on the long-term contribution of foreign remittances and its negative results.

Conclusion

The systematic review of empirical evidences through PRISMA concluded that remittances spurs economic growth in developing countries. Foreign remittances strongly influence economic growth factors in developing countries. Countries with high labour markets experience positive impacts from remittances on economic growth, whereas low-labor-market countries experience negative results and brain drain from remittances. Macroeconomic indicators, increased consumption, improved human development index, high capital formation, GDP growth, and financial sector growth are the outcomes of foreign remittances. Remittances and the financial sector play a complementary role in growing economies, and the success of remittances is only determined by a strong and systematic banking system in the country. Remittances support

the economy in the long and short run and also act as a panacea for currency stabilisation.

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Author Details

J. Abdul Khader, Assistant Professor, PG & Research Department of Commerce, Sadakathullah Appa College (Autonomous), (Affiliated to Manonmaniam Sundaranar University), Rahmath Nagar, Tirunelveli. Mail ID: jaksac17@gmail.com

S. Mohamed Ali Mohideen, Assistant Professor, Department of Economics, Sadakathullah Appa College (Autonomous), (Affiliated to Manonmaniam Sundaranar University), Rahmath Nagar, Tirunelveli.