The Impact of Remittances on Economic Growth: Evidence from Tajikistan

Zafar Sultanov
OSCE Academy, Bishkek, Kyrgyzstan
E-mail: zafarisulton@yahoo.com

Abstract: Higher per capita income in the countries like Russia and Kazakhstan is very attractive for the labour migrants from lower income countries like Tajikistan. According to the report by the World Bank, Tajikistan is one of the top ranked remittance dependent countries in the world. Movement of labour and huge inflow of remittances from abroad has an impact on almost all macroeconomic and microeconomic indicators. First remittances increase the demand for the national currency of Tajikistan, later remittances increase expenditures of households and domestic demand for goods and services. The increase in domestic demand and amount of foreign currency increases import. The increase in consumption and import affects other economic variables. Remittances could affect private savings of individuals and households and consequently GDP. While public investment by the government has more impact on infrastructure and other large-scale investments, increase in private savings of individuals and households can be very useful for the development of the small and medium business. Remittances could affect GDP through the increase in domestic consumption of goods and services as well as through an increase in savings and investment. To understand the relationship between remittances, gross capital formation and GDP it is important to know the expenditures structure for households’ in Tajikistan. Labour migration to other countries is a good chance for many migrants from Tajikistan to learn new skills and after coming back have use of those skills in Tajikistan. Successful migrants also have financial resources and business contacts in other countries which could be very useful for starting their own small business in Tajikistan. So, the labour migrants will be a good potential for entrepreneurship and remittances a good source of finance for small and medium business. However, the high level of taxation and the administrative problems, like formal and informal visits from different authorities of the local government as well as high level of corruption do not give them the chance to realize their investment plans in Tajikistan.

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