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**Immigrant remittance flows and the economy of Ghana:  
A non-linear analysis**

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# **Immigrant remittance flows and the economy of Ghana: A non-linear analysis**

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## **Abstract:**

Several recent studies have examined the relationship between remittances and national economies. Some have argued that since remittances take place under asymmetric information and economic uncertainty – implying the existence of a significant moral hazard problem – remittances have a negative impact on economic growth. Others have also observed that recipients utilize remittances to increase consumption rather than to invest in businesses or other productive assets, suggesting that remittances are not benefiting the recipient economies.

The current study extends the discussion by relating remittances to macroeconomic sub-aggregates by means of recent developments in time series analysis. While former studies have been based on linear models, we consider the possibility that the asymmetric attributes of remittances and growth trends in macroeconomic sub-aggregates imply non-linear dynamic features. Consequently, their interdependence should lend itself to modelling via non-linear error correction functions. We evaluate the merits of the suggested models by means of several forecasting experiments.