

The impact of international money transfer cost transparency on remittance flows to emerging economies

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Abstract

Purpose

The purpose of this study is to explore the impact of cost transparency introduced by the Remittance Prices Worldwide (RPW) online transaction cost comparison tool on remittance inflows of remittance recipient countries in emerging economies.

Design/methodology/approach

Panel fixed-effect model was employed to test the hypothesis focussing on the period five years before and five years after the adoption of the RPW tool. Macroeconomic determinants of international remittances were also included in the model, and the study focused on 115 emerging economies.

Findings

The econometric results reveal that financial development, gross domestic product (GDP) and inflation encourage remittance inflows, whereas interest rate and age dependency ratio discourage remittances. Political stability and migrant stock seem not to influence remittances flowing into emerging markets.

Originality/value

Empirical evidence corroborates the hypothesis that an increase in cost transparency boosts remittance flows. The findings suggest cost transparency is another lever for policymakers to target in boosting remittance flows.

Keywords: Remittance flows, Cost transparency, Migrants, Emerging economies, RPW tool