



**MAKERERE**

**UNIVERSITY**

**THE EFFECT OF REMITTANCE ON ECONOMIC GROWTH OF  
EASTERN AFRICAN COUNTRIES**

**BY**

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## ABSTRACT

*This study examined the effect of remittance on economic growth of Eastern African countries. Currently, the flow of workers remittance from developed to developing countries has received great attention among scholars and policymakers. This is because the flow of remittance is increasing over time. Despite its increasing inflows, there are conflicting views regarding the effect of remittance on economic growth. The optimists argue that remittances have a positive effect on economic growth through subsequent increase in investment and human capital development whereas the pessimists argue that remittances negatively affect economic growth. To examine those contradicting views, generalized least square method of estimation is used for the panel data spanning from 2000 to 2014 for Ethiopia, Kenya, Rwanda, Tanzania and Uganda. The findings of the study show that remittance has a positive and significant effect on economic growth of eastern African countries. Remittance spurs economic growth. The governments of Eastern African countries should create conducive environment for remitters to promote the inflow of remittances. Other sources that account for economic growth of eastern African countries includes foreign direct investment and investment in human capital development. The finding also indicated that foreign aid and trade openness have an adverse effect on economic growth of the region. Countries in this region should minimize the inflow of foreign aid to promote economic growth. The finding also suggested that eastern African countries should take appropriate policy measures on trade openness. Since the majority of industries in the region are infant, there should be protection from foreign competition.*

**Key Words: Remittance, Economic Growth**