

tained which is within the acceptable range of the significance level (p -value < 0.05). Therefore, the null hypothesis is not rejected. Thus, economic growth (GDP) leads to a 5% variation in the exchange rate.

On row 3 of table 1.5, (for testing the null hypothesis, H_0 : inflation \neq Remittances, GDP, exchange rate and interest rate), the p -values are all less than the level of significance at the 0.05 critical level. Hence, the null hypothesis is not rejected. Thus, inflation causes changes in remittances inflow, GDP, exchange rate and interest rate at the 5% level of significance. The result is the same for causality effect of exchange rate on remittances, GDP, inflation and interest rate. The same applies to the causality effect of interest rate on remittances, GDP, exchange rate and inflation.

The contribution of remittances towards the economic development of developed countries is controversial. Most remittances are therefore actually used for consumption purposes, contrary to investments and savings made in the case of an emerging economy (Siddique et al., 2012). The remittances turned out to be of little importance for the Ghanaian economy.

Regression analysis between economic growth and remittance

The results reveal that R^2 , which depicts total fitness of model, had a value of 0.61. This suggests that 61% of the variations in the dependent variable is caused by the independent variables. Other variables that are not included in the model cause 39% variations in the dependent variable. Additionally, the variables under consideration are all significant (p -value=0.000) at 5% critical value which means that remittances, as the key independent variable, is significant at 5% and so are the control variables. All of them with the exception of inflation have positive coefficients. The variables (except for inflation) are therefore positively and significantly related indicating any amount of unit increase in the independent variables will in turn cause a proportionate increase in the dependent variable. Thus, a unit augmentation in remittance will in turn boost economic growth at a rate of 0.006. The Granger-causality test however suggests that remittances do not cause any significant growth in the Ghanaian economy. Thus, economic growth is based on other factors which are not included in the model.

Table 1.6: Estimates of Regression Parameters

| Source | SS | df | MS | | | |
|--------------|------------|-----------|------------|-----------------|----------------------|----------|
| Model | 343.068233 | 4 | 85.7670583 | Number of obs = | 41 | |
| Residual | 215.740042 | 36 | 5.99277894 | F(4, 36) = | 14.31 | |
| | | | | Prob > F | = 0.0000 | |
| | | | | R-squared | = 0.6139 | |
| | | | | Adj R-squared | = 0.5710 | |
| Total | 558.808275 | 40 | 13.9702069 | Root MSE | = 2.448 | |
| growth | Coef. | Std. Err. | t | P> t | [95% Conf. Interval] | |
| remitt | .0055274 | .0013771 | 4.01 | 0.000 | .0027344 | .0083204 |
| inflation | -.0809751 | .0169253 | -4.78 | 0.000 | -.1153011 | -.046649 |
| excrate | .9372383 | .4170466 | 2.25 | 0.031 | .0914286 | 1.783048 |
| interestrate | .1221871 | .0503113 | 2.43 | 0.020 | .020151 | .2242232 |
| _cons | 2.835901 | 1.534729 | 1.85 | 0.073 | -.2766735 | 5.948475 |

Conclusion

The main objective of the study was to assess what influence remittance inflows has on economic growth in Ghana. The study establishes that remittances do not lead to economic growth in Ghana and concludes that Ghana's economy does not significantly benefit from the inflow of remittances.

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