

Determinants and use of the remittances received: The case of Bolivia*

Valeria Jemio Hurtado

Laura Rubín de Celis

Liliana Villamil Velasco

ABSTRACT

This research has the purpose of knowing the factors that determine the flow of family remittances received and evaluating the use or destination of these resources in the national economy. To achieve the first objective, a panel data model and error correction vector (VEC) is applied, obtaining that the behavior of remittances is explained by the positive performance of certain sectors of the economies that issue these resources (particularly the Services, Construction and Manufacturing sectors). These results are supported by an analysis of economic cycle synchronization between the variables of interest. To meet the second objective, the analysis of the Household Survey and a subsequent calculation of transition probabilities *à la* Markov are carried out, showing that the main destination of the family remittances received is consumption; however, an increase in the probability of investing these resources is observed.

JEL Classification: *F24, C32, C33*

Keywords: *Remittances, panel data models, time series models, transition probabilities.*

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