Documentos de Trabajo sobre Economía Regional y Urbana - Remittances, growth and regional economic convergence: evidence from Colombian departments

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Remittances are a highly important source of income for Colombian households. This study shows how this growing flow of remittances is helping transform regional economies and assesses whether it contributes to narrowing or widening income gaps across departments.

Publication Date: Wednesday, 26 of August 2026 **Approach**
Remittances sent by Colombians living abroad have become one of the country's main sources of external income. These flows have reached historic levels, amounting to nearly 3% of Gross Domestic Product (GDP). However, their distribution across the national territory is highly uneven. In some departments, remittances account for only 1% of economic activity, whereas in regions with a stronger migration tradition, such as Valle del Cauca and the Coffee Region, they exceed 13% of departmental output.

This paper examines the impact of remittances on real GDP per capita growth across Colombia's departments during the 2009–2024 period. Specifically, it analyzes whether remittances help narrow income gaps between poorer and wealthier regions or, conversely, whether they contribute to widening those disparities.

Contribution
This study provides new subnational evidence on how remittances affect economic growth in Colombia. Unlike previous analyses that assume a uniform effect, this research employs empirical approaches that make it possible to assess regional absorptive capacity, that is, the pre-existing conditions required for a territory to use remittance inflows productively.

By identifying specific thresholds in access to credit and educational attainment, the study helps reconcile ongoing debates on the subject. Its findings show that, within the country, remittances operate in a complementary manner with the regional financial system, thereby fostering economic activity.

Results
The results provide evidence of conditional convergence dynamics among departments during the period analyzed, indicating that economies with lower initial income levels tend to grow faster once structural characteristics are taken into account.

By contrast, the average effect of remittances on regional growth, considered in isolation, is either negligible or even negative once territorial heterogeneity is controlled for. However, the positive impact of remittances is found to be strictly conditional. Remittance inflows generate positive effects only in departments that surpass certain thresholds of financial depth (approximately 8.6% of GDP in consumer lending), upper-secondary education coverage (close to 38%), and a minimum level of initial income.

Overall, remittances do not operate as an automatic engine of regional development. In the absence of complementary policies aimed at strengthening financial inclusion and educational attainment, these income flows may ultimately reinforce territorial disparities in Colombia rather than help reduce them.

Fuente: https://www.banrep.gov.co/en/publications-research/working-papers-regional-urban-economics/remittances-growth-regional-economic