

FACULTY OF ECONOMICS AND MANEGMENT SCIENCE

The Role of Remittances in Stabilizing Somalia's Economy: Opportunities and Risks

Background

Remittances are a vital component of Somalia's economy, contributing significantly to household income, poverty reduction, and access to essential services. While they offer financial stability, over-reliance on remittances poses risks.

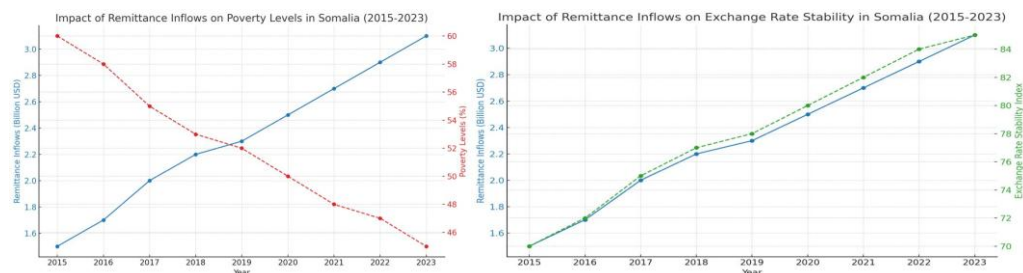
Questions:

How do foreign currency remittances contribute to family income and poverty reduction and stabilize Somali shillings?

How does dependence on external funds discourage local job creation and economic self-sufficiency?

Results:

Remittances serve as a crucial financial lifeline, helping Somali families meet basic needs like food, healthcare, education and reducing poverty. They provide foreign currency, stabilizing the shilling, supporting local markets, and reducing inflation and discourage investment in local industries.



Conclusion

While remittances stabilize Somalia's economy, their over-reliance hinders sustainable growth. Diversification is key to reducing external dependency and ensuring long-term economic stability.

References

1. IMF: Studies on remittance inflows and currency stability in fragile economies.

2. World Bank: Impact of high remittance reliance on local employment and diversification.

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