

## **International Migration, Remittances and Household Development in India: A Comparative Perspective of Northern & Southern Regions**

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### Abstract

*In recent years, there is a shift in the pattern of international migration towards the northern states of India while earlier it was primarily dominated by the southern region, especially Kerala. Given the limited flow of international migration, studies till date emphasise more on the casual process of internal migration in the northern states with limited emphasis on the impact of remittances on household wellbeing. The present study is an attempt to understand the impact of remittances on household development in these states measured in the domain of consumption, health, education and investment. To examine this, the expenditure pattern of households, both migrant and non-migrant, was analysed. The paper also analyses the reallocation of spending priorities due to migration and the way it differs from non-migrant households. The study uses the data from 64<sup>th</sup> round of National Sample Survey, 2007-08. The Ordinary Least Square (OLS) and Tobit model were used to identify the impact of remittance on household wellbeing. The study suggest that in comparison with non-migrants, households receiving remittances spent more on education and healthcare practices of the members. As remittances enhance human capital and income level, policies need to be strengthened more to encourage their flow for the betterment of the people.*

Keywords: International migration, remittances, household development, India.

### **I. Introduction**

Migration is an inbuilt feature of the development of an economy and is as old as humanity itself. With gradual changes in economic activities along with a shift from need-based to a market-oriented economy, not only the magnitude of migration is increasing but the pattern is also changing. Aspirations for migration are the outcome of cumulative socioeconomic and cultural factors. Of different reasons, the movement for economic pursuit dominates in the migration process. People move both internally and internationally for employment to uplift the economic status and for household development. With the increasing trend of migration, remittances are considered to be an 'important and stable source of external development finance' for households in source regions (Ratha, 2003). Studies examining the significance of remittances on development show that they are an important way out of extreme poverty and play a major role in maximizing family welfare (Adams & Page, 2003; De & Ratha, 2012). Remittances help to minimize the economic risk, increase the household saving and alter local income distribution (Stark, 1991; Oskai, 2003). They also establish a major link with the origin of the migrant, keeping social ties strong (Phongpaichit, 1993).

India is regarded as the top recipient of overseas remittances. Migration and development brief released by World Bank shows an increase in global remittance flow over time and India recorded the highest with \$80 billion in 2018 from \$15.8 billion in 2001-2002 along with its increasing contribution to GDP (World Bank, 2018). Remittances constitute 3.7 per cent of India's GDP and more than two-and-a-half times the inflow of foreign direct investment (FDI) (Government of India, 2014). The volume of remittances it receives is expected to have wider ramification for the development of the economy as a whole and households in particular, especially, in eradicating

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poverty and enhancing human capital development. Given the flow of remittances to the Indian economy, it is pertinent to study their impact on receiving households. Many of the studies in India looked into the macro impact of international remittances, mostly focusing on the southern states (Rajan, 2004; Zachariah et al., 2001; Mallick, 2012) with limited emphasis at the household level (Mohanty et al., 2014; Mahapatro, et al., 2017). The present study takes this opportunity to fill the gap in research by examining the impact of international remittances at household level. Since the pattern of migration is shifting from the south towards the north, it is important to examine the impact of remittances on household development in these states and how it varied from the southern states.

Three states of India which are socially and culturally different from each other were selected to understand the implications of migrant remittances on wellbeing of families. They include Kerala (which is the high emigrating state of the country) and the other states of northern India, i.e., Uttar Pradesh and Bihar which are the emerging states in emigration. The study by Mahapatro, et al. (2017) though emphasises linkages of international remittances and household wellbeing, it has not emphasised Bihar which is recently an emerging emigrating state. Further, it combined the southern states of Kerala and Karnataka together for analysis and thus the findings exclusively are not true for Kerala. It is widely acknowledged in studies that labour migration from Uttar Pradesh and Bihar to other parts of the country is substantial. The developmental indicators of these states suggest that they are more backward in terms of socioeconomic development. For livelihood, migration of labour took place and it is continuous at a large scale in these two states. However, the pattern is slowly changing and migration of labour is not confined within the country alone; rather people have started migrating abroad mainly for employment from these states. Uttar Pradesh sends the largest number of workers abroad in recent years while it is well established that international migration usually takes place from Punjab and Kerala. Estimates show that, 1.9 lakh workers were emigrated from Uttar Pradesh to the other parts of the world in the year 2012. It is followed by Kerala (98,000), Andhra Pradesh (92,000), Tamil Nadu (78,000), Bihar (84,000), Rajasthan (50,000) and Punjab and West Bengal (both around 37,000). Bihar ranks second among the labour migrating states to other countries followed by Uttar Pradesh according to the latest figures of the Protectorate General of Emigrants (PGoE). The data for 2016-17 shows that Bihar contributes 15 per cent of the total emigrants from India, behind Uttar Pradesh (30 per cent) and its now only 6 per cent in Kerala (*The Asian Age*, 2017). These numbers suggest that there is a shift in the pattern of migration, especially in the northern states with outflow to other countries.

Since, labour migration from these states was largely for livelihood, it is important to examine whether the flow of international remittances has an impact on improving human capital and brings household welfare in these states. To understand the impact of remittances on household development, Kerala, the high emigrant state, and among the two northern states which are emerging emigrant states of the country, Uttar Pradesh and Bihar are selected for analysis. Given this, the objectives of the study are: (1) to understand the flow of international migration from Indian states and the uses of remittances at the household level; and, (2) to examine the impact of international remittances on household development in India and the selected states.

## **II. International Remittances and Household Development**

The empirical evidence on the association of remittances with household development is mixed. Highlighting the negative implications of migrant remittances, studies have shown that remittance inflow leads to loss of labour and capital and hence, made the area chronically disadvantaged (Lipton, 1980; Taylor, 1999). Further, remittances create the consumer-driven economy with a decline in agricultural production, stagnant industrial development and high unemployment (Kannan, 2005). In the similar lines focusing on household level, studies provided the evidence for the pessimistic view that migrant resource is largely “wasted” on the unproductive form of consumption expenditure rather than being invested in productive activities (De Hass, 2007). In contrast to pessimist views, studies also underscore the significance of remittances for development and present their more dynamic understanding. These studies find that remittances

considered as an alternative source of income for many households, reduce poverty and enrich the stock of human capital of origin communities (Taylor, 1999; Connell & Conway, 2000; Adger et al., 2002; Adams, 2005; Taylor & Mora, 2006). Research studies on remittances and household wellbeing found the positive impact of remittances in bringing long-term investments, accumulating education and health at the household level (Conway & Cohen, 1998; Adams, 2005; Castaldo & Reilly, 2007; Airola, 2007). A study on Albanian households finds that households receiving international remittances tend to spend more on durable goods and utilities than other households and less on food consumption (Castaldo & Reilly, 2007), while other studies found remittances income is mostly used for health, housing and durables and less on food and has less impact on education (Airola, 2007; Cattaneo, 2010). Examining the impact of remittances in Srilanka, a study shows that remittance income helps the households to move higher in the economic ladder and increase children's human capital accumulation (De & Ratha, 2012). The positive impact of external remittances on health expenditure also has been found in many studies (Amuedo-Dorantes & Pozo, 2009; Valero-Gil, 2009).

The conflicting arguments and findings as drawn from the studies on various countries suggest that it is important to understand the impact of external remittances at household level in newly emerging emigrating states of India.

### III. Data and Method

Data for the study were drawn from the documents of Ministry of External Affairs and National Sample Survey 64th round (2007-08). The sample households of the NSS were 1,25,778 and the data collected follows multi-stage stratified random sampling method. Unlike other migration rounds, it provides information on the out-migrants' socio-economic and demographic characteristics along with their remittance behaviour. With respect to household remittances, the survey asked two questions: (1) how much remittance income the household received in the past 12 months; and (2) the pattern of uses of remittances. Of total households surveyed, 73 per cent of them were non-migrant households, 17.5 per cent of households received remittances both from India and abroad, 8 per cent of households received remittances from India only and 1.2 per cent of households received international remittances only.

For the purpose of analysis, two categories of households were selected: non-migrant households and households receiving international remittances. To examine the impact of remittances on household development measured through expenditure on different items, information on consumption expenditure provided by the data set is used. Table 1 presents the description of expenditure categories used in the analysis. As the time base over which these items are measured varies (from last 30 days for most food items to last one year for education and durables), all expenditures were aggregated to obtain yearly value.

Table 1: Description of dependent variables

Variable	Description
Food	Purchased food, non-purchased food, beverages
Consumer goods	Clothing, bedding and footwear
Durable goods	Household durables: Furniture, domestic appliances
Education	Fees, books, school supplies
Health care	Institutional and non-institutional
Others	Fuel and light; entertainment and personal care; telephone/servant/bus charges, water, house rent, taxes

### IV. Methodology

To understand the expenditure pattern of remittance recipient and non-recipient households, the empirical analysis of the study follows the Engel curve framework (Adams, 2005; Castaldo &

Reilly, 2006; Airola, 2007). According to it, the expenditure on food is an increasing function of income but the budget share allocated for food declines as income of the household increases (Deaton & Muellbauer, 1980). Several functional forms have been proposed in economic literature relating to this. The Working-Leser specification (Working, 1943; Leser, 1963) that is consistent with household utility maximization is more appropriate in this case as it relates budget shares linearly to logarithm of total household expenditure. The model can be written as:

$$\omega_{ij} = \alpha_i + \beta_j \ln \chi_i + \varepsilon_i \dots\dots\dots(1)$$

Where,  $\omega_{ij}$  is the budget share of good j in household I,  $\chi_i$  is the total household expenditure.

In order to capture the role of remittances in the patterns of spending, the basic Working-Leser model has been extended to include other household characteristics that affect the budget shares and the variable of interest remittance. Thus, the model to estimate Engel curve is of following form:

$$\omega_{ij} = \alpha_j + \beta_j \ln \chi_i + Z_i \gamma_j + v_{ij}, i=1,2,\dots\dots\dots n \quad (2)$$

Z is a vector of household and regional characteristics including remittance dummy.

The econometric model including Ordinary Least Square (OLS) and Tobit model are used for analysing the impact of remittances on household development. Since the consumption expenditure is disaggregated into different categories- large number of zero's in many of the items (especially in education, health and durables) has been observed in the data whose true value may not be zero and hence, application of OLS for these variables would provide biased estimates.

To capture the censored nature of the data, the alternative to OLS model is the Tobit model. Thus, for variables like education and health, this model has been applied. In the case of food, consumer durables and other categories, OLS regression has been applied as the information about these items was reported by all the surveyed households. Along with remittances, the other controlled variables include the socio-economic and demographic characteristics of family members.

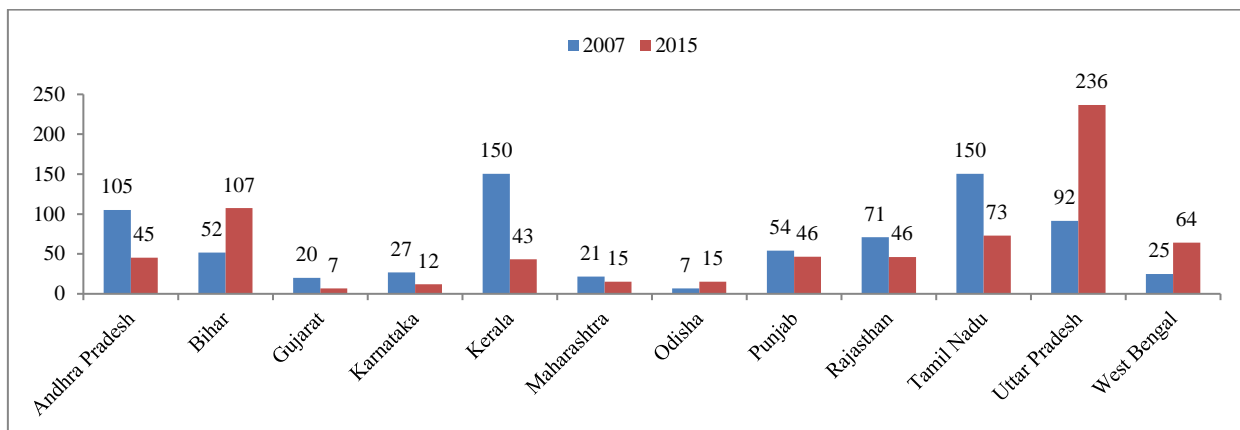
**V. International Migration and Flow of Remittances**

Historically the migration flow from India is dominated by reasons such as slavery, indentured labour under colonisation and guest workers in post colonialism. However, in the process of globalisation, integration of the economy with the global market along with social development, two waves of migration from India have emerged. One, the skilled migration to various developed countries such USA, UK, Canada and Australia for higher education and better job. The other wave is unskilled or semi-skilled workers migrating to Gulf countries. The movement of workers to Gulf countries was largely from Kerala and other south Indian states. Of late, according to the data provided by the Ministry of External Affairs, however, northern states like Uttar Pradesh and Bihar have also emerged as the leading states of origin for such migration.

As depicted in Figure 1, there is a decline in Emigration Clearance (EC)/Emigration Clearance Not Required (ECNR) for many states. The global economic crisis affects the migration flow in many states, but during the last one decade, the emigration flow from Bihar and Uttar Pradesh is increasing. There is more than 100 per cent increase in workers granted emigration clearance in Uttar Pradesh. In 2007, while 92 per 1000 population were granted EC/ECNR, it increased to 236 per 1,000 populations by 2015. Likewise, in Bihar the number of workers granted EC/ECNR increased from 52 in 2007 to 107 workers by 2015. On the other hand, in Kerala, the

decline was tremendous, from 150 to 43 per 1000 people. Despite Kerala showing a decline in migration flow, the percentage of migrants to total population still constitutes a significant proportion.

Figure 1: Workers granted EC/ECNR endorsement in India (in 000's)

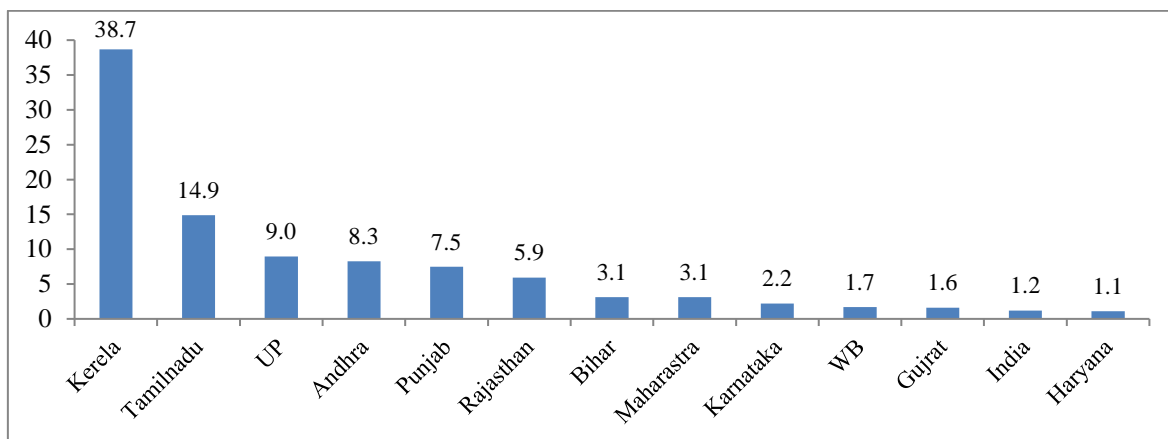


Source: Ministry of External Affairs (2015).

Thus, to understand the inflow of remittances on family wellbeing, we have analysed these three states, one was historically dominated by emigration and the other states are the emerging states and ranks top in international migration recently. The pattern of uses of remittances and its varying impact among the selected states would also provide guidance as to how the prevailing socio-cultural institution has differential impact on the usages of remittances.

NSSO (2007-08) estimates show that 44.4 lakh Indians are living abroad. This is nearly half of the one crore estimated by the World Bank (2008) and 80 lakh Non-Resident Indians (NRIs) estimated by the Ministry of Overseas Indian Affairs (MOIA, 2010). Distribution of emigrant household across the states of India is presented in Figure 2.

Figure 2: Distribution of emigrant households



Source: National Sample Survey, 2007-08.

Of total emigrant households where at least one member is migrated out is highest in Kerala (39%), followed by Tamil Nadu (15%) and Uttar Pradesh (9%). Bihar accounts for 3 per cent of total emigrant households. These estimates are based on 2007-08 data. However, in recent years the magnitude has increased in northern states as evident from emigration clearance data provided by Ministry of External Affairs. In this context, the evidences based on NSS will provide guidance to the expenditure behaviour of remittance receiving households.

## VI. Remittance Flow in India & States

Table 2 presents the estimates on remittances received by the left behind households and the significance of remittances in household expenditure. The Table reveals that 12 households per 1000 households in India have been receiving international remittances. The average amount of remittance per household is around Rs. 65,000 in India.

Table 2: Magnitude of international remittances & its share to household expenditure in selected states (in Rs)

States	No. of HHs receiving remittance per 1000 HHs	Average remittance (in Rs)	Share of remittance to household expenditure (in %)
Uttar Pradesh	7	39,716	67
Bihar	5	51,542	87
Kerala	140	67,186	103
India	12	64,929	104

Source: National Sample Survey, 2007-08

However, there occurs variation across the states. The emigrant households in Kerala account for 140 per 1000, followed by Uttar Pradesh (7) and Bihar (5). In terms of average remittance received, among the three selected states, Kerala accounts higher than the national average, that is, 67 thousand followed by Bihar (51 thousand) and Uttar Pradesh (40 thousand). The ratio of average international remittances over household expenditure is 104 per cent for the country as a whole and for Kerala it is 103 per cent. This suggests that for certain households of the state, the expenditure of households is totally covered by remittances.

Perhaps in that particular year larger expenditure of certain households which could be for marriage or for health reasons, leading to inflow of remittances higher than the total expenditure. Excluding these outliers, the share of remittances in the expenditure of households in India and Kerala was almost half. In Uttar Pradesh and Bihar on an average, more than 50 per cent of the household expenditure is covered through remittances. These estimates suggest remittances represent a larger share of household income, and hence play a critical role in household welfare. To understand the implications of international remittances, households receiving them across economic classes are presented in Table 3.

Table 3: International remittances across economic classes in selected states

Remittance status	Q1	Q2	Q3	Q4	Q5
<b>Uttar Pradesh</b>					
Households receiving remittance (%)	0.18	0.19	0.79	1.28	1.85
Average remittance per remittance receiving HH	10,421	20,616	23,842	37,868	65,376
Share of remittance to total expenditure	66.20	59.70	45.78	43.48	42.89
<b>Bihar</b>					
Households receiving remittance (%)	0.29	0.42	0.53	1.12	1.84
Average remittance per remittance receiving HH	13,503	27,537	39,435	36,850	164,782
Share of remittance to total expenditure	42.25	53.42	75.69	38.79	61.47
<b>Kerala</b>					
Households receiving remittance (%)	3.76	6.78	12.15	18.67	20.19
Average remittance per remittance receiving HH	28,361	38,682	37,678	65,392	92,566
Share of remittance to total expenditure	70.05	52.30	45.408	52.12	50.15

Source: National Sample Survey, 2007-08.

The Table shows a direct and linear relation between remittance flow and economic status of the household. For instance, in Kerala while around 3 per cent households from the poorest class received remittances, it was 19 per cent for the richest class. A similar pattern was observed for

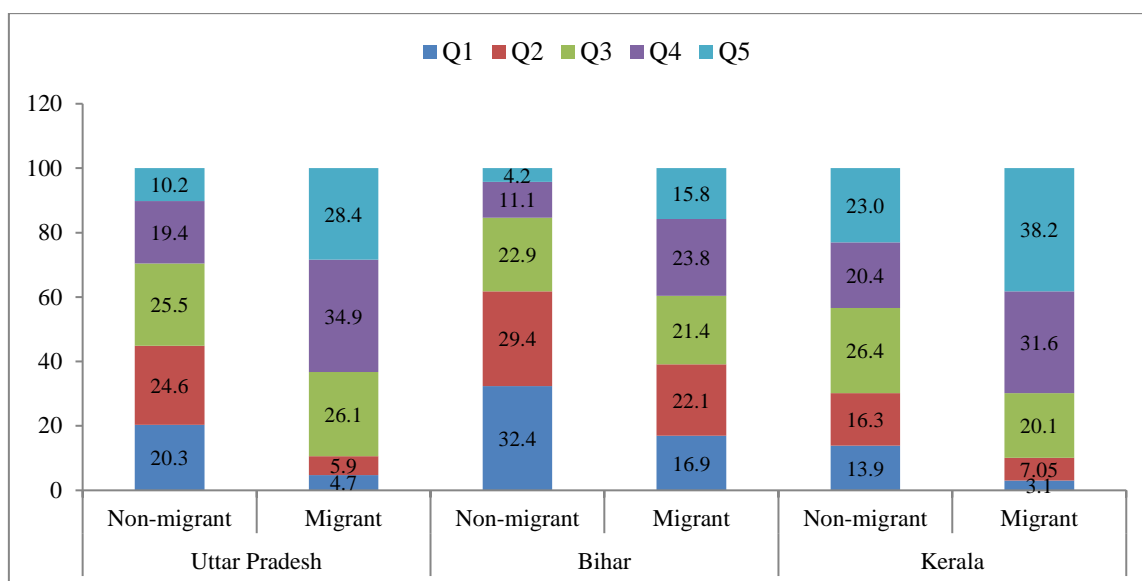
Uttar Pradesh and Bihar where the richest households receiving remittances was higher than the poor families and also the amount was higher for the richest class. The Table displays that the share of remittances to total expenditure was higher among lower economic classes in Uttar Pradesh and Kerala. It indicates that remittances constituted a major livelihood option for these economic groups in these states, while in Bihar the pattern was not clear. In Bihar for the middle income class, around three-fourths of the expenditure of emigrant households was managed by remittances, followed by richest quintile (60%) and poorer quintile (53%).

**VII. International Remittances and Economic Mobility**

In order to understand the role of international remittances on improving economic status of a household, base line information on its economic status of household prior to migration is required. These types of information can be obtained only from the longitudinal surveys. Given this limitation, to understand the role of international remittances on household economy, we compared migrant and non-migrant households according to their economic status.

As depicted in the Figure 3, the proportion of emigrant households is higher in the richest class than the poorest class. For instance, in Uttar Pradesh, among the households receiving international remittances, around 28 per cent were in the richest quintile, while in the poorest class it was 5 per cent. On the contrary, the distribution of non-migrant households by household economic status reveals a different picture where the percentage of households in the poorest quintiles was relatively higher (20%), while the concentration was lower for the poorest class, that is, 10 per cent. This pattern was true for other states but the difference in economic status among migrant households was less pronounced in Bihar.

Figure 3: Economic status of migrant and non-migrant households in selected states



Moreover, households receiving external remittances are better off than other type of households. In the case of overseas migration, evidence show that migrant households are usually economically better off than non-migrant households because of the inflow of foreign remittances (Oda, 2007).

**VIII. Left Behind Households and Uses of Remittance**

Studies on uses of remittances found that households with migrants have higher propensity to invest (Taylor & Mora, 2006), while a set of studies also found a major share of remittances channelled towards consumption. Thus, driven by the household need, remittance money was used

either for consumption and/or for investment. For each household, information on the use of remittances was collected for at most three purposes from NSS as a household may use the remittances for more than one purpose. Information on 12 different purposes for which remittances were used was collected from NSS. Table 4 presents the proportion of households using remittances for different purposes.

Table 4: Uses of international remittances by households in selected states

Uses of remittance	Uttar Pradesh	Bihar	Kerala	All India
<b>Consumption</b>				
Food	72.86	70.92	78.68	70.73
Education	42.47	25.22	39.38	35.38
Household durable	14.10	21.80	7.01	15.18
Marriage	3.89	4.37	4.31	4.20
Health care	43.12	33.15	37.57	33.17
Other expenditure	48.40	49.34	32.26	33.11
<b>Sub-total</b>	<b>98.31</b>	<b>92.83</b>	<b>94.16</b>	<b>90.19</b>
Housing	7.25	10.43	7.39	9.70
Debt repayment	3.86	6.74	32.25	28.18
Finance working capital	0.83	1.70	0.04	1.24
New entrepreneurial activity	0.19	0.34	0.14	0.27
Saving/Investment	6.05	6.74	9.77	13.19
Other	3.82	8.86	3.02	3.87

Source: National Sample Survey, 2007-08.

Of all the purposes, remittances for food constitute the major category irrespective of the states. It is seen from the Table that around three-fourths of the households have used remittances for food consumption. Following this, the other major uses of remittance constitute education and health. Households using remittances for education is higher in Uttar Pradesh (42%), followed by Kerala (39%) and Bihar (25%). A similar pattern has been observed in the case of healthcare. Around 43 per cent of households use remittances in Uttar Pradesh for health followed by Kerala (37 per cent) and Bihar (33 per cent). Among the non-consumption expenditure items, the important purpose for which remittances were used was 'debt repayment'. Nearly 33 per cent of rural households had reported that remittance was used for debt repayment (NSSO, 2007/08). This indicates that in the rural area one of the most important uses of remittances is debt repayment.

With regard to uses of remittance for debt repayment, Kerala ranks highest where 32 per cent households use remittance income for repaying the loans, while it is 4 per cent and 7 per cent for Uttar Pradesh and Bihar respectively. Households using remittances for non-consumption items like housing and debt repayment are more in Bihar, followed by Uttar Pradesh. Around 10 per cent households in India use remittance income for building the house, whereas it was 7 per cent for Uttar Pradesh and Kerala. Significant differentials across the states with respect to uses of remittance for durable goods are noticed. In Kerala, only 7 per cent households use remittances for durable goods, while it is 14 per cent in Uttar Pradesh and 21 per cent in Bihar.

It is widely recognized that remittances are exclusively spent on consumption and other unproductive or personal items and the findings from the Table also confirm that a major share goes to food items. However, such a pessimistic view has shifted to more optimistic beliefs as expenditure on health and education is increasingly seen as an investment in human capital (Carling, 2004). Moreover, most of the households use remittances for consumption expenditure—food, education and health in the selected states.



## IX. International Remittances & Household Expenditure Pattern

The average budget share on different items by remittance status is presented in Table 5. It shows the contribution of remittances for wellbeing of household members over non-recipient households.

Table 5: Expenditure pattern of emigrant and non-migrant households in selected states

Share of remittance in consumption expenditure	Uttar Pradesh		Bihar		Kerala	
	Migrant HH	Non-migrant HH	Migrant HH	Non-migrant HH	Migrant HH	Non-migrant HH
Food	55.07	60.18	56.41	64.34	43.81	51.58
Education	5.19	3.80	5.10	2.45	5.80	4.78
Health	7.11	5.75	4.75	3.17	11.89	8.39
Consumer durables	10.45	10.47	11.39	10.54	11.57	9.72
Others	10.45	10.47	11.39	10.54	11.57	9.72

Source: Estimated from *National Sample Survey, 2007-08*.

In Table 5, total consumption expenditure was disaggregated into 5 items, that is, food expenditures, expenditure on consumer durable goods, education, health and other expenditure. Of total expenditure of a household, as expected the major share of budget share is allocated for food for both the categories of households- remittance receiving and not receiving households. Nevertheless, there seem interesting differences in budget shares across the different categories of households. The Table shows that households receiving remittances spend relatively less share of their budget on food and more on health and education than non-migrant households. For instance, while 56 per cent of the budget share goes for food expenditure in migrant households in Bihar, it is 64 per cent for non-migrant households. Likewise in Kerala, while 43 per cent of household income is allocated for food, it is 52 per cent for non-migrant households. Unlike this, remittance-receiving households devote a significantly higher share of their budget on health care and education. While 5 per cent of the total expenditure goes to education in migrant households, it is 2.5 per cent in non-migrant households in Bihar. The same pattern is observed in UP and Kerala, however, the difference is less in Kerala. A similar pattern is observed for health expenditure as well. Households receiving remittances spend more on health than non-recipient households irrespective of the states. For instance, an emigrant household in Uttar Pradesh spends an average of 7 per cent of the total budget on health, while it is 5.7 per cent for non-migrant households. The same pattern is observed in Bihar and Kerala as well.

An important finding is that remittances enable households to spend more on human capital like health and education. Apart from that, the findings also show that for the poorest households, remittances are crucial as they help them meet their food expenditure. To understand the association between international remittance flow and overall household wellbeing, the next section presents the empirical results based on regression models.

## X. Empirical Findings from Regression Analysis

Table 6 presents the impact of international remittances on household wellbeing measured in terms of food, education, health and other consumption items. As mentioned, due to censored nature of data for health and education variable, Tobit regression was applied while for other variables like food, consumer durables, etc., OLS model was used.

The effect of remittances on food in this study is consistent with Engel's Law which states that as income rises the share of the budget on food tends to decline for migrant households vis-a-vis non-migrant households. The relationship is consistent for all the three states and supported by studies elsewhere (Adams, 2005, 2010; Taylor & Mora, 2006; Airola, 2007).

Table 6: Regression results for effect of international remittance on expenditure pattern in selected states

Expenditure categories	Uttar Pradesh		Bihar		Kerala	
	Co-efficient	S.E	Estimates	S.E.	Estimates	S.E.
Food	-3.35**	1.25	-5.38***	1.35	-4.18***	0.75
Consumer durable	0.89	0.51	0.98	0.60	1.82***	0.59
Education	1.69***	0.60	1.67*	0.95	-0.17	0.48
Health	1.66*		2.21***	0.62	3.81***	0.82

Note: \*\*\* Significant at 0.01 level, \*\* significant at 0.05 level, \* significant at 0.10 level; S.E: Standard Error.

The positive association of remittances with healthcare expenditure suggests that households receiving remittance spent more on human capital development than non-migrant households. Since ill health is the cause of poverty of the household, expenditure on this item will increase household wellbeing. Studies conducted in many other countries like Mexico, Columbia, Ghana, Guatemala, etc., exhibit similar results concerning health (Hildebrandt & Mckenzie, 2005; Amuedo-Dorantes & Pozo, 2009; Valero-Gil, 2009).

Interesting results have emerged with respect to the educational expenditure of households. The association of remittances with education provide mixed results. After controlling for other factors, the association of remittance and education is significant in Uttar Pradesh, but the relationship is weak in Bihar and for Kerala with insignificant relation. Perhaps less number of school going children in the migrant households resulted in a weak association between remittance and expenditure on education. Contrary to studies (Adams, 2005; Cardona & Sosa, 2006; Kifle, 2007), the findings suggest remittances have weak impact on education. This finding is supported by studies (Mckenzie & Rapport, 2006) that find less parental inputs into education acquisition due to migration, the engagement of children in farm and household work to meet labour and cash shortages negatively influence school attendance. The weak association of education and migration in Bihar indicates that the income effect of migration is lower than the substitution effect for such households. Further, the poor quality of the education system may create disincentives for school attendance and enrolment (Airola, 2007; Cattaneo, 2010). In the Indian context, studies (Muller & Shariff, 2011) show that the average years of schooling of non-migrant households are higher than an emigrant household, whereas the reverse is observed in the case of internal migrant households. Perhaps, fewer number of school going children or the provision of free elementary education as a part of government initiatives to promote literacy may prompt poorer remittance-receiving households to spend on food rather than education.

## XI. Conclusions

The present study made an attempt to examine critically the impact of international remittances on the consumption pattern of households in selected states of India having high emigration potential, that is, Kerala in south and UP and Bihar in north.

The key research question was to identify whether the pattern of international migration is shifting and, if so, whether remittances enhance household development in these regions? This question was examined through analysing the expenditure pattern of emigrant and non-migrant households. Two major findings are drawn from the study. First, the analysis confirms that in recent years there is a regional shift in the international migration flow in India from south to north. Uttar Pradesh and Bihar are the main sources of origin of international migration. Secondly, households receiving international remittances tend to spend less on one of the key consumption goods- 'food' and spend more on human capital accumulation, that is, health care and education. The positive and significant impact of remittance income on healthcare suggests that remittances play a crucial role in the enhancement of human capital which, in turn, contributes to the development of the economy as a whole. With respect to education, however, the significance varies across the regions. Perhaps the state intervention in terms provision of free elementary

education and demographic structure of households explains the association. However, further investigation is needed to understand the differential impact of remittances on education. As remittances enhance human capital and income level, policies need to be strengthened to encourage the smoother flow of remittance and consequently its productive utilisation.

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