

Factors Affecting Remittances and Its Usage in the Rural Communities: Special Reference to Rural-to-Urban Labour Migration in Sri Lanka

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ABSTRACT

Remittances play a significant role in poverty reduction in rural sectors in developing nations. Labour movement from rural villages to cities can be viewed as a universal phenomenon of economic modernization. Despite abundant research on this topic, there is no clear consensus among researchers on the pattern of rural to urban labour migration, remittance inflows to rural sector and its usage. In the recent debate on migration and development, migration practices and remittances have been considered as significant livelihood development strategies for many poor groups in developing countries across the world. Although rural-to-urban labour migration has contributed immensely to income diversification strategies in rural communities in Sri Lanka, there is dearth of attempt in the literature to identify and quantify these impacts. The aim of this study is to examine the factors affecting remittance and its usage in the rural communities. Data for this analysis were obtained from a questionnaire based survey which comprised 400 rural-to-urban migrant workers from 20 urban factories located in Gampaha District in Sri Lanka. The remittance data in this survey consists of both positive and zero values. Due to the nature of this type of data a Tobit regression model was applied to identify the determinants of remittance in Sri Lanka. Due to the limitation of Tobit estimations, a probit model was also employed to examine the decision to remit. Consequently, Probit estimates provided the factors influencing the decision to remit while Tobit estimates provided the simultaneous decisions of whether to remit or not and how much to remit. The results indicate that the decision to remit depends on the purpose of using the remittance rather than the amount of wage or experience. Unmarried migrants are more likely to remit for daily expenses in their households of origin to support elderly people and/or parents who cannot work and do not have a proper income in the places of origin. Households with larger areas of farmlands are less likely to receive regular remittances for consumption purposes whereas they receive more remittances for farming purposes as an investment. Households with students are more likely to receive regular remittances for daily expenses. Migrants tend to remit for the purpose of education if there are students in the household of origin. This confirms that rural-to-urban migration and remittances are not only for consumptive purposes but also for investment purposes. Moreover, rural-to-urban migration contributes significantly to asset accumulation in the communities of origin.

Key words: Rural-to-urban labour migration, remittance, Sri Lanka, Probit Regression, Tobit Regression.

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