

## **International Remittances and Household Expenditure Patterns in Sri Lanka**

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International migration in Sri Lanka is in an increasing trend over the past two decades and international remittances follow the same. Sri Lanka is one of the leading economies in the South Asian region with a rapid growth in foreign workers' remittances. The recent literature argues that the international remittance significantly affects the expenditure patterns of the households. Hence, this paper examines the impacts of international remittance on the household expenditure patterns in the Sri Lankan context and how remittances are utilized by the remittance receiving households. The main data source utilized for this study is the Household Income and Expenditure Survey (HIES) 2012/13, conducted by the Department of Census and Statistics (DCS). The main objective of the study is to analyze the relationship between the international remittances and the total household expenditure disaggregated by food, non-food, and liquor, drugs and tobacco expenditure. The study uses Ordinary Least Square (OLS) as one of the main analytical techniques while, Propensity Score Matching (PSM) method is applied to overcome the possible selection bias generated by the Ordinary Least Square method. The results of the study finds that, compared to the households non-receiving remittance, households which receive international remittances spend more on non-food items such as durable goods, healthcare, education and investments and spend less on food, liquor, drugs and tobacco. Hence it is encouraged to create more investment opportunities for remittance to be invested.

*Keywords:* Household expenditure patterns, International remittances, Migration, Ordinary least square, Propensity score matching