



**INTERNATIONAL REMITTANCES AND
HOUSEHOLD EXPENDITURE PATTERNS IN
SRI LANKA**

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ABSTRACT

International migration from Sri Lanka is in an increasing trend over the past two decades and the money sent home by the migrants to Sri Lanka which is called the remittances is following the same. The literature argues that the international remittances significantly affect on the expenditure patterns of the households. Hence, this paper examines the impacts of international remittances on the Household Expenditure patterns. Sri Lanka is one of the leading countries in the South Asia with a rapid growth in foreign workers' remittances. The improvement in international migration has contributed to growth in remittances inflows to Sri Lanka. The main data source of this study is the Household Income and Expenditure Survey (HIES) 2012/13, conducted by the Department of Census and Statistics (DCS). This paper examines the impact of international remittances on expenditure patterns and how remittances are utilized by the remittance receiving households. Thus, the main objective of the study is to analyse 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 as one of the main analytical techniques while, Propensity Score Matching method is applied to overcome the possible selection bias generated by the Ordinary Least Square method. The results of the study confirms that, compared to the households without receiving remittances, households who receive international remittances spend more on non-food items such as durable goods, healthcare, education and investments and they spend less on food, liquor, drugs and tobacco. Hence it suggests encouraging the international remittances and opportunities for investments.

Key Words: *Household Expenditure Patterns, International Remittances, Migration, Ordinary Least Square (OLS), Propensity Score Matching (PSM)*