

**MIGRATION AND REMITTANCES ON  
HOUSEHOLD WELFARE: EVIDENCE FROM  
SRI LANKA**

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## ABSTRACT

This study is an attempt to find out the impact of migration and remittances on household welfare in Sri Lanka. Remittances are considered to affect consumer and durable asset holdings and consumption expenditure at the household level and thus it contributes to household welfare. Therefore, this paper aimed to investigate whether asset index and per capita expenditure across the remittance recipient households in Sri Lanka vary according to internal and international remittance incomes and whether it affects the household welfare status in Sri Lanka. Also, this study examines the determinants of local and international remittances. For that, data from the Household Income and Expenditure Survey (2016) conducted by the Department of Census and Statistics of Sri Lanka were used. The paper employs the Propensity Score Matching (PSM) technique to address the self-selection problem. The propensity score with the probit model was run to find the probability of local and international remittances behavior. And it is estimated the average treatment effect on the treated as a measure of the impact of local and international remittances on asset index and per capita expenditure for the migrant households. Besides, this study carries out descriptive analysis and Ordinary Least Square (OLS) regression. Probit regression results suggest that most household head characteristics, human capital related characteristics, and regional characteristics are the main determinants of receiving both local and international remittances. Principle Component Analysis (PCA) and factor score analysis suggest that asset indices for productive and consumer assets of international remittance households are higher than the local remittance households with similar assets. The result of the OLS regression suggests that local and international remittances receiving households can have higher welfare in terms of the asset index and per capita expenditure. International remittances tend to have a stronger impact on the welfare of the households in Sri Lanka than that of local remittances. Based on these findings, the government can take steps to further enhance the impact of remittance flows for urban, rural, and estate sectors development and household welfare by promoting human capital development, development of various businesses.

*Keywords:* Asset index, Household welfare, Migration, Ordinary Least Square (OLS), Per capita expenditure, Remittances, Principle Component Analysis (PCA), Propensity Score Matching (PSM) technique