Migrant Remittances and Economic Development
Lecture 8

SIPA U8159
Tuesdays 4:10 pm – 6:00 pm
IAB 410

Lenora Suki
Program on Remittances and Development
Center on Globalization and Sustainable Development
The Earth Institute at Columbia University

Remittances and development

Development impact - effects at the household, community, sub-national and national levels

Household: higher receiver income, consumption, investment, savings, labor supply *(senders??)*

Community: spillovers, borrowing, collective action

Sub-national government: allocate public resources to health, housing, education, infrastructure, etc.

National government: monetary policy, fiscal policy and external affairs

Remittances and development

Impacts a range of development outcomes

Information and communications technology

Financial Infrastructure

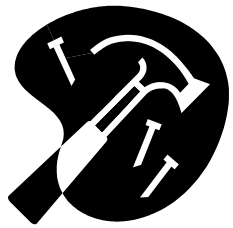
- Small savers
- Lg. institutions

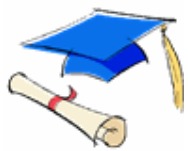
Education

Health

Housing

Small business/ Farming





Remittances and development

Main themes

Poverty reduction – headcount and inequality

Smooth out household consumption

Ease working capital constraints

Spend on areas w/ positive development outcomes

Remittances and development

Challenges of remittances research

What question?	Poverty redux, inequality, funds' use, motivation
Assumptions?	Exogenous, sub for home earnings, randomness
Data source?	Macro vs household
Missing data?	Migrants' info, unobserved variables
Context?	Urban/rural, economic conditions
Feedback effects?	Labor force participation, migration decision
Suit common sense?	Contradictions in conclusions
Able to generalize?	Some studies rely on specific circumstances

Remittances and development

Barnham Boucher (98)

- Issue of the counterfactual – income with no migration?
- Feedback effects – household decisions
- Selection problem – not random
- Unobservable individual characteristics
- Specificity of the case - economic fragility, migrants' characteristics, education, ethnicity

Variable	Log-likelihood = −244.13		Log-likelihood = −248.68	
	Men		Women	
	Coefficient	Asymptotic T-ratio	Coefficient	Asymptotic T-ratio
Labor force participation decision (1 = Participate, 0 = Not Participate)				
Constant	−0.496	−0.547	−1.674	−1.908[a]
Age	0.0903	2.128[b]	0.147	3.577[b]
Agesq1	−0.107	−2.293[b]	−0.161	−3.861[b]
Educ0	−0.0275	−0.045	−0.505	−0.846
Educ1	−0.0875	−0.217	−0.560	−2.167[b]
Educ2	−0.220	−0.623	−0.272	−1.101
Creole	−0.395	−1.224	−0.631	−3.055[b]
Hoh	1.099	3.022[b]	0.339	1.198
Child	0.049	0.181	0.270	1.103
Children	0.162	1.465	0.038	0.536
Continue	−0.987	−2.641[b]	−0.396	−1.116
Adults	−0.127	−1.566	−0.171	−3.076[b]
Rem1	−0.013	−1.675	−0.010	−1.749[a]
Dyhoh1	−0.295	−0.678	−0.008	−3.018[b]

Estimation results of bivariate probit

Variable	Log-likelihood = −244.13		Log-likelihood = −248.68	
	Men		Women	
	Coefficient	Asymptotic T-ratio	Coefficient	Asymptotic T-ratio
Migration decision (1 = Not Migrate, 0 = Migrate)				
Constant	8.398	4.111[b]	6.288	2.927[b]
Age	−0.212	−4.379[b]	−0.096	−2.431[b]
Agesq1	0.267	4.201[b]	0.103	2.260[b]
Creole	−0.771	−3.249[b]	−0.697	−2.657[b]
Children	0.199	2.340[b]	0.281	2.499[b]
Adults	−0.239	−4.188[b]	−0.252	−3.771[b]
Educ0	0.854	1.236	3.857	0.00
Educ1	0.568	2.301[b]	0.676	2.269[b]
Educ2	0.601	2.584[b]	0.433	1.603
Hoh	−0.059	−0.183	0.647	1.050
Child	−0.122	−0.423	−0.567	−2.141[b]
Sibling	−0.996	−2.610[b]	−1.744	−5.222[b]
Parent	−0.063	−0.046	−1.196	−1.918
Wealth1	−0.985	−1.752[a]	−0.616	−0.968
Welthsq1	0.076	1.847[a]	0.047	0.983
$\rho 12$	−0.150	−0.254	0.374	0.884

	Send remittances	Return with savings
Age	+	
Age sq.	-	
Married	+	
Schooling	-	
Land owned	-	+
Business owned	-	
Home owned	-	+
Settled in US	-	-
Duration (mo.)		-
W/ spouse	-	
Earnings		+
Food and rent		+
Coyote	+	+
Taxes withheld	+	
Self-employed	+	
Females in mfg.	+	
Paved road to hwy		+
Ejido	+	
Inflation		+

CONTRADICTORY!!

Receiving community conditions:
Rewards good performance?
Or reflects need for ongoing support?

SAVE, REMIT or BOTH?

Variables not significant:

dependency ratio

school and bank

agricultural indicators

interest rate, exchange rate

Source: Adapted from Durand 1996.

Total funds repatriated and what share in savings

	Total "migradollars"	% of which savings
Age	+	-
Age sq.	-	+
Married		-
Schooling	+	+
Months experience	+	
Land owned		
Business owned		+
Home owned		
Settled in US		-
Duration (mo.)	+	
W/ spouse		+
Earnings	+	
Coyote	+	
Taxes withheld		-
Self-employed		-
Females in mfg.		-
Prep school	-	
Agrarian		+
Ejido		-
Inflation	-	

TOTAL REPATRIATED AND WHAT SHARE IN SAVINGS

not significant:

dependency ratio (-)

land owned

food and rent

twice min wage

paved road

bank in community

agriculture and arable land

interest rates, exchange rate

Source: Adapted from Durand 1996.

Use of savings and remittances			
Remitted only	22%	Share as savings	34%
Saved only	13%	Spent on housing	14%
Remitted and saved	47%	Spent on production	10%

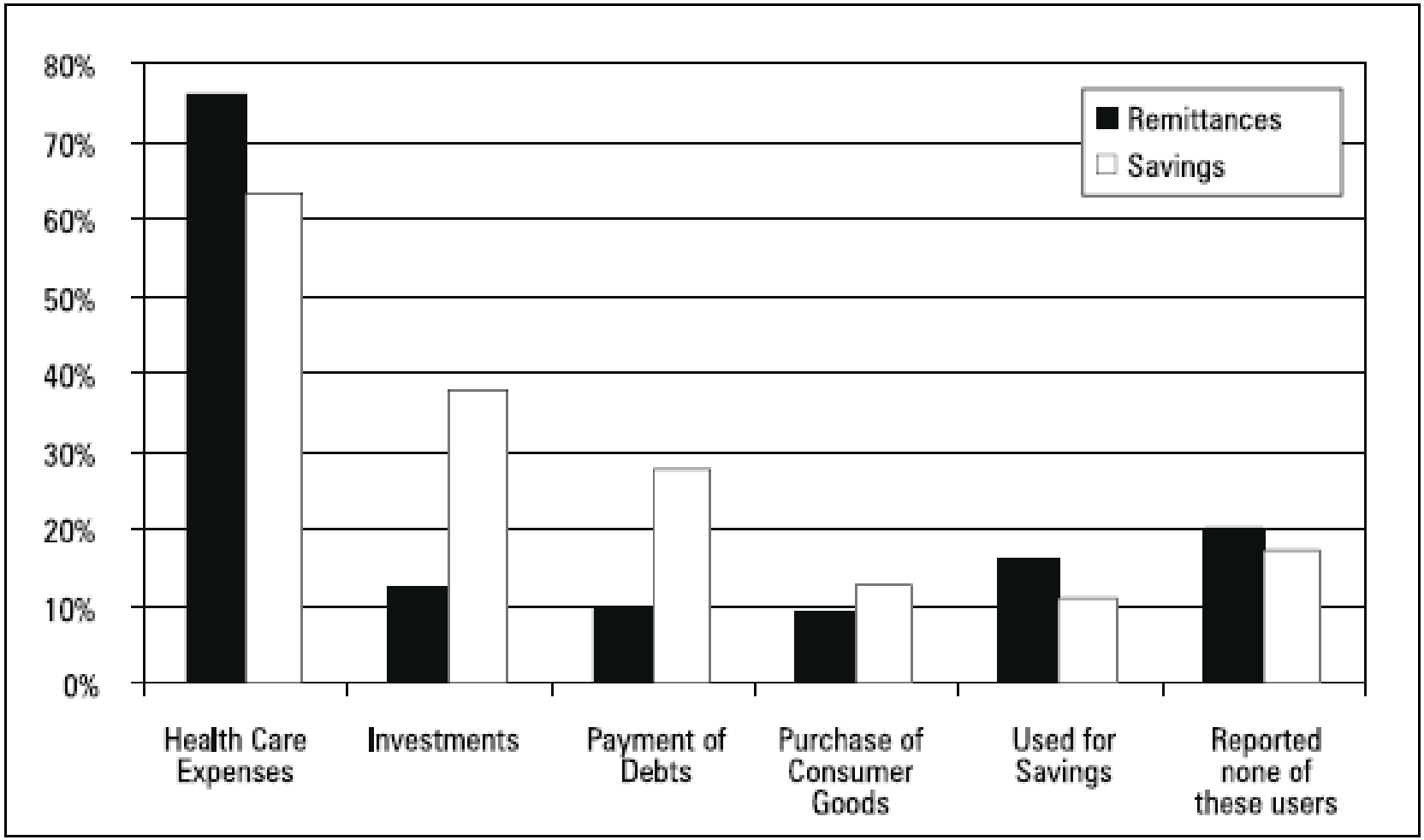
Source: Adapted from Durand 1996.

- Remittances/saving interdependent
- Contradictions in the output
- Nuance in conditions/decisions
- Funds not only to depressed areas
- Funds go to dynamic communities
- May reward growth prospects
- Saving less about local conditions than sender situation
- Inflation raises savings' repatriation?
- Housing a last resort of those in unfavorable conditions?

DEVELOPMENT IMPACT? IMPROVING IMPACT?

Uses of remittances

Figure 6. Use of Remittanes or Savings Repatriated to Mexico, Percent of Households Expending.



* Respondents can report multiple uses of remittances, so the total will not add to 100 percent.
Source: Mexican Migration Project Data in DeSipio 2000.

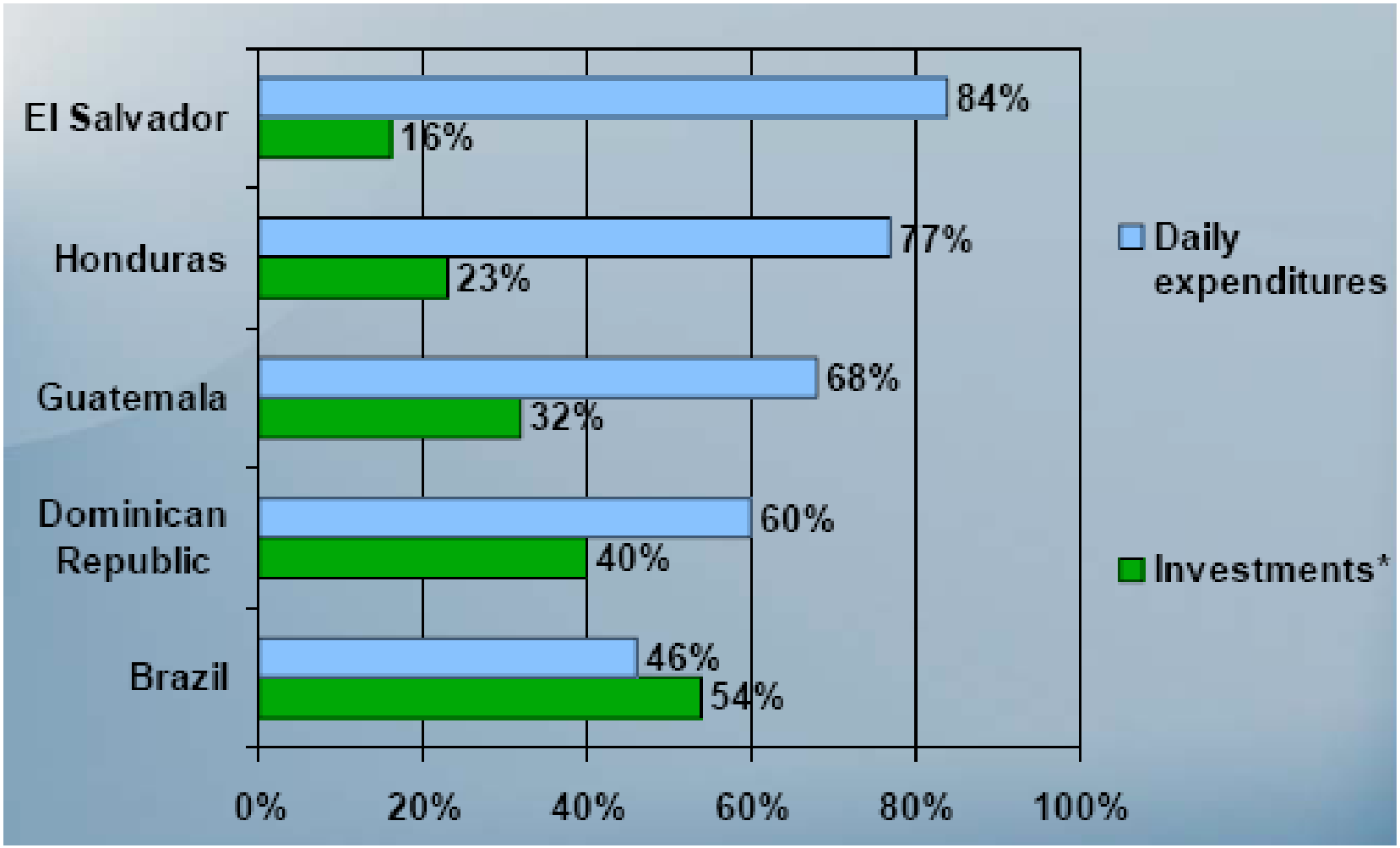
Source: De La Garza, Lowell 2000.

Remittances and development

REMITTANCES			
	Colombia	Ecuador	Mexico
Uses of Remittances:			
Basic Necessities	62%	70%	78%
Health or Medicine	50%	51%	65%
Education	45%	54%	43%
Debt Repayment	15%	16%	13%
Housing	11%	10%	9%
Investment	6%	7%	7%

Source: ***Making Remittances Work for Development: Levering Remittances to the Housing Market.*** Final powerpoint presentation of SIPA MPA Workshop Spring 2006.

Remittances and development



Source: Bendixen and Associates. *Sending Money to Latin America: The Human Face Of Remittances.* Presented at the *Global Forum on Remittances, IDB June 2005*.

Remittances and development

So what are the priorities for investment?

- Education?
- Capital?
- Technology?
- Infrastructure?

Do migration and remittances accelerate or decelerate these processes?

Who is better off? Who is worse off? How?

Does it matter?