

## **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. Although international labour migration has gained more attention than rural-to-urban labour migration 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 migration has contributed immensely to household poverty reduction and income diversification strategies in rural communities in Sri Lanka, there is dearth of attempt in the literature to identify and quantify these impacts. The research question address in this study here is what are the factors affecting remittance and its usage in the rural communities?

Data for this analysis were obtained from a questionnaire based survey conducted by the author between January and April 2011 in Sri Lanka. The survey 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 as usual, as migrants who remit and who do not remit were included in the sample. Due to the nature of this type of data (censored regression), a Tobit regression model was applied to identify the determinants of remittance in Sri Lanka. Tobit estimations have the limitation of making the signs of both the determinants of remittances and the magnitude of the remittances the same. Therefore, a probit model was also employed to examine the decision to remit. Consequently, probit estimations 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.