

# Pattern of Household Expenditure and Utilization of Remittances in Households with Rural Out-migrant in Balasore District of Odisha, India

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**Abstract**—Despite its abundant natural resources, Odisha is one of the poorest states of India with a high out-migration rate, where remittances can play a great role in the process of poverty reduction and changing consumption patterns in the rural areas. Over the years, there has been a substantial change in the pattern of household expenditure in India, which is considered to be a key measure of economic status or standard of living of the people. The current paper attempted to study the nature of expenditure in selected households in rural areas of Balasore district of Odisha and examine the receipt and utilization of remittances by the migrants' households in the study area. For the purpose, data were collected through a semi-structured interview schedule from 500 respondents selected through a multistage sampling process. The data suggested that both average annual spending on various items and money available among the households with out-migrants were much more than those without out-migrants. As such, the annual spending and cash in hand at the time of interview were 33% and 63% more respectively, for the migrants' households than their counterparts, which indicated an improvement in the socio-economic condition of the households, as a result of migration. Further, the proportion of non-food expenditure was more in case of households with out-migrant. Moreover, the pattern of receiving and utilizing the remittances also signified a positive change in the lives of left behind families in the rural areas of Odisha.

**Keywords**— Migration, Left behind, Expenditure, Remittances, Rural

## I. INTRODUCTION

Expenditure made by households is considered as the thrust of economic growth [1]. While household consumption expenditure is normally more than 50% of GDP (Gross Domestic Product) in majority of the developed countries [1], it could account for as high as 68 to 70 per cent of the GDP in case of developing countries [2]. Over the years, India has witnessed a sea change in the pattern of household expenditure, which is considered to be a key measure of economic status or standard of living of the people. In fact, with growing income levels, there has been a considerable change in the consumption pattern in the country, over the last few decades [3]. Recent studies clearly indicate that India has experienced a decline in absolute number of poor reflected through a rise in rural consumption and increasing share of expenditure in clothing and bedding, footwear, education, health care etc. in recent times [4], [5].

National Sample Survey Organization (NSSO) data from the 49<sup>th</sup> (1993) and 66<sup>th</sup> (2009-10) rounds suggested that there has been a significant increase in monthly per capita spending on food and health in India, which is quite

obvious with the increasing income and rise in price of various commodities and services over the years. However, the data suggested that while the share of monthly household spending on food had declined from 87.2 percent to 68.4 per cent in India that on healthcare substantially increased from 12.8 to 31.5 per cent, during the period [3].

As far as variation in the expenditure pattern is concerned, India has been experiencing a constant decline in the proportion of food expenses in total household expenditure during the last four to five decades and the tendency of increasing non-food expenditure was apparent in both rural and urban areas [6]. With economic development too, patterns of expenditure changes in rural as well as urban areas, with people spending more on non-food and costly items. As such, in rural areas of India and more so in places with greater infrastructural development, there has been a change in consumption pattern from conventional items to high-value articles [7]. Further, various studies carried in India have found association between monthly per capita consumption expenditure (MPCE) and income [7], educational level of the household head [8], Caste [9] and type of residence [6].

Rural-urban migration is viewed as a coping strategy of the increasing pressure of man-land ratio and unemployment in the rural areas [10]. Empirical studies reviewed by Mohanty et al. have indicated that migration by means of remittances, escalates income and prosperity of left-behind households and plays a positive role in household development and poverty reduction [11]. Remittance is one of the most vital components of the rural economy. They are usually considered as a direct private financial support for the household and help the vulnerable poor in income augmentation and smooth consumption [12]. Remittances contribute to household welfare by affecting consumption and asset accumulation patterns all over the globe [13], and in India too; it has played a key role in economic development through the investment in building human and physical capital [8]. Although the economic settings of households getting remittances from the internal migrants from their families were not essentially better than those of the households not receiving remittances in India, they were found to be spending more on health, education and consumer durables, than their counterparts [8]. On analyzing the 64<sup>th</sup> round NSS data, Mohanty et al. revealed that MPCE of remittance receiving households (internal migrants) was marginally higher than the non-receiving households across all educational categories except those who had an academic qualification of higher secondary or more. However, when qualification of the household head was controlled, households getting remittances in the country, as well as in all the selected states, were found to be economically healthier than those not getting any remittances [8].

Coming to the state of Odisha, despite its abundant natural resources, Odisha is one of the poorest states of India with a high out-migration rate. In fact, monthly per capita consumption expenditure (MPCE) in rural households has been found to be the lowest in Odisha in comparison to other major states of the country [14]. NSSO data suggested that while rural unemployment rate rose from 1.3% to 3.4% during the first decade of the 21st century (1999-2000 to 2007-2008), rural out-migration rate increased from 22.75 to 29% during the period [5]. In view of the high rate of out migration in the agriculture dependent and relatively poor state like Odisha, remittance is considered to be vital for the process of poverty reduction and changing consumption patterns in the rural areas [5].

Considering the above, the study aims at analyzing the pattern of overall expenditure of the households having at least one male out-migrant from it and to draw a comparison with the expenditure pattern of those households having no migrants from them, in few selected rural areas of Odisha. Further, the study also intends to analyze the pattern of receipt and utilization of remittances among the migrant households.

This manuscript is arranged as below:

Section I contains the introduction of the paper including previous works on the theme and objectives of the study

and Section II elucidates the methodology adopted for the study. While section III depicts the results of the study, section IV is devoted towards a discussion on its major findings. Section V contains the concluding remarks including future scope of research on the topic.

## II. METHODOLOGY

### Study Area and Sampling:

The present study is based on data collected from 500 households from selected villages of Khaira Community Development Block of Balasore, a coastal district located towards the north-eastern boundary of the state of Odisha in India. The district was selected for the study as it is well known for its better literacy level and agricultural activities, yet having a high out-migration rate. There are 12 Blocks in the district, out of which Khaira was selected purposively because of the availability of large numbers of households having out-migrants in different villages of the C. D. Block. In the next stage, four Gram Panchayats of Khaira Block, namely Khaira, Kupari, Palasa and Dungura were selected randomly followed by a random selection of 20 villages (Five from each selected GPs) from those GPs, using the list of villages as per Census 2011 record. A house listing operation was then carried out in each of the selected villages to identify the households with and without any outmigrant. Finally, 500 households in total (400 households with at least one male out-migrant and 100 households without any migrant), proportionate to the size of each village, were selected randomly from the list.

### Data Collection and Analysis:

For fulfilling the objectives, data were collected using a semi-structured interview schedule having two sections. While, the first part i.e. the household schedule was administered on the household head or any other responsible household member, for the core section, face to face interviews were conducted with the wives of the male migrants in 400 households selected through a multistage sampling process. In addition, for drawing a comparison, information was also obtained from 100 sample households from the same locality, having no out-migrant. Using the obtained data, category wise annual average expenditure was calculated and compared between households with and without outmigrant. Comparison was also done with respect to the savings and purchasing power of the households. Further, the pattern of receipt and utilization of remittances were analyzed for the households with out-migrant.

## III. RESULTS

### Expenditure Pattern of Households with and without out-migrants:

Table I presents the mean annual household expenditure in different items and its percentage share for households with and without out-migrants. As some data on spending was obtained on annual basis (e.g. Festival) and some other on a monthly basis (e.g. Food), to bring parity, we calculated the annual expenditure for each item. From the

table, it is evident that the mean spending of households with migrants (MHH) was 33.38 per cent more than those without migrants (NMHH), which clearly suggested that migrant households enjoyed a better economic condition than their counterparts in the rural areas of Balasore. Surprisingly, more than 90 percent of such households had Below Poverty Line (BPL) Cards, indicating their lower socio-economic status in the village in comparison to the non-migrant households, for whom the corresponding figure was 79 percent. Yet, annual spending in all categories of items and obviously, the total spending was remarkably higher for the households with migrants.

Table 1: Pattern of annual household expenditure across different items in case of households with and without out-migrants

Item	Mean Annual Exp (In Rs.)		Percentage of Expenditure	
	NMHH	MHH	NMHH	MHH
Food	14484	16863	37.1	32.4
General Needs	7896	8652	20.2	16.6
Education	4236	5607	10.8	10.8
Health	3792	4113	09.7	07.9
Recreation/ Entertainment/ Festival	4056	8232	10.4	15.8
Development/ Investment	4608	8646	11.8	16.6
<b>Total</b>	<b>39072</b>	<b>52113</b>	<b>100.0</b>	<b>100.0</b>

It has been well documented that migration not only leads to an increase in household expenditure of the left behinds but also brings a change in the pattern of expenditure. An analysis of NSSO data had found the shares of expenditure on food, health and consumer durables to be higher among the households receiving remittances from internal migrants in comparison to the non-receiving households [8]. Earlier studies have also found a gradual reduction in expenditure on food items with rising income. And, as expected, the share of non-food expenditure was higher among the left behind households than that of those without any out-migrant. As such, while the percentage of spending on food was lower among the left behinds, that on recreation/ entertainment/ festival was significantly higher in those households and so also, the money invested for development. Surprisingly both categories of households had an equal share of spending on education of children and share of spending on health was higher in case of households without out-migrants, which indicated towards the higher utilization of public education and health care delivery systems by most of the households in the study area.

**Status of Savings:**

Migration usually leads to increases in income through remittances and therefore, brings a positive change in the purchasing power of the left behind households. Consumption pattern as well as saving in the rural

households depends on factors like assets, level of education, occupation and demographic characteristics [15]. In this context, the amount of savings as well as cash in hand available at the time of interview was collected from each of the sample households and its mean values for households with and without out-migrants are portrayed through table 2.

Table 2: Status of savings and cash in hand in households with and without out-migrants

Category	Amount (In Rs.)	
	NMHH	MHH
Bank Saving	322	5493
Post Office Saving	354	6949
Cash in Hand	4190	6828

The results suggested that households with migrants not only had more money to spend on their daily needs, but also managed to save money for future requirements. In fact, while households with migrants possessed around 63% more cash for spending at the time of interview than their counterparts, they had a mean saving of Rs.12442, which was much higher than that of the households without out-migrants (Rs.676 only).

Despite an increase in income and purchasing power of the households with out-migrants, 62% households were of the opinion that the income was not enough to cater their overall requirement. However, at the same time all such households perceived that there was an improvement in their socio-economic condition after migration. In fact, nearly 53 percent of the respondents reported about some improvement in their conditions whereas for the rest 47 percent the improvement was reported to be significant after migration.

**Pattern of Remittance Receipt:**

Remittance has always played a major role in the economic escalation of rural households in Odisha. While the percentage of households reporting internal migration was slightly low in Odisha (22.6%) as compared to the national average (25.5%), those receiving remittances was much higher in the state (38.9%) than the country as a whole (24.6%) [5]. In this study, all 400 sample households reported about receiving some remittances from their out-migrated kin. The pattern of remittance receipt in terms of frequency of receiving remittances, amount of remittances received during the previous year and the person receiving remittances is depicted through table 3.

Table 3: Pattern of remittances received by the migrants' households with out-migrants

Sl.	Variables/ Category	Percentage of households
01	<b>Frequency of receiving remittances</b>	
	Monthly	50.25
	Quarterly	16.75
	Annually	15.25

	Occasionally/ During Festivals	17.75
02	<b>Amount of remittances received (In Rs.)</b>	
	less than 6000	53.75
	6000-10000	32.25
	More Than 10000	14.00
03	<b>Person receiving remittances</b>	
	Wife of the Migrant	42.75
	Father/ Mother of the Migrant	31.75
	Brother of the Migrant	25.50

The data revealed that more than half of the households received remittances every month, while less than one third of the households were receiving remittances either annually or quarterly. Although all the households reported to have received some remittances from their kin, around 18 percent of the households were found to be receiving remittances only occasionally/ during festivals. As far as amount of remittances was concerned, nearly 54 percent of the households received merely Rs.6000 as remittances, whereas 14 percent of the households reported to have received above Rs.10000 as remittances during the previous year. In the majority of the households, it was the wife of the migrant to whom the remittances were sent. Besides the wives, remittances were also sent to the parents of the migrant in case of 31.75 percent of the households and brother of the migrant in case of 25.5 percent of the households. Previous studies have found a link between the process of migration and increasing autonomy/ status of women in India [16]. In this study too, the scenario with women being the primary receiver of remittances in majority of the households could be considered as a sign of increasing status of women in the rural households having out-migrants.

#### Utilization of Remittances:

For households having out-migrants in rural areas, remittances constitute a vital part of the overall income and support to a significant extent in their expenditure. NSSO data suggested that around 48 per cent of the annual expenditure in case of households with internal migrants in Odisha was contributed by remittances [5]. There are three ways in which remittances are usually spent – either spending it like income from any other source, or spending more on consumption rather than investment goods, or on making investment, which directly and positively contribute to economic development [5], [17]. In this study, the households were found to be having a diversified spending pattern as regard to the remittances received by them. Percentage of households reporting about different uses of remittances is presented through table 4, which suggested that most of the households spent the remittances for various uses, including purchase of land, repayment of loan, saving for future, education and health etc. From the analysis, it was clear that although there was not much variation in the spending pattern, rural households could utilize the remittance for their overall development.

Table 4: Percentage of households utilizing remittances for various purposes in the study area

Use	Percentage of HH
Repayment of loan	67.75
Education of the children	67.50
Purchase of agricultural land	69.00
Spending on health care	64.00
Purchases of other goods	64.00
Purchases of agricultural goods	66.25
Hiring of labour	66.25
Purchase of food items	65.75
Saving for future	67.25
Investing in small business	67.00
Purchase of commercial land	65.50

#### IV. DISCUSSION

Most of the available literature have demonstrated the association between migration and rising income as well as improving well-being of left-behinds, through remittances [11]. In this study too, mean annual spending on various items were found to be more for the households with out-migrants than those without out-migrants. Further, both cash available in hand and savings available in the bank/ post office was much higher for the households with out-migrant, suggesting a higher purchasing power of the families. A study conducted in some selected villages of Sundargarh district of Odisha revealed that although the levels of living in the rural households had improved, so also the prices of goods and services in the market, ultimately resulting in a negligible improvement in the consumption pattern [15]. In contrast, most of the households in the current study reported that there was significant improvement in their socio-economic condition after migration, which was also evident from the expenditure and savings statistics obtained from the analysis. Nevertheless, there were a good number of households who perceived that their incomes were not enough, which pointed out the need for policy intervention in this regard. Further, the share of non-food expenditure was higher for the households with out-migrants than that of those without out-migrants.

Migration plays an important role in economic growth of the sending regions through remittances. In this study, all the households received some remittances and most of them received the same frequently. However, the majority of the households received a meager amount of remittances, which was not enough to fulfill all their requirements. Interestingly, for most of the sample households, remittances were received by the wife of the migrant, which indicated towards the increasing status of women in the households having out-migrants in rural areas.

Reviewing available literature, Ahmed et al opined that remittances usually lead to increasing household income, which is often spent on consumption goods rather than on

saving or investment [18]. In this study, although the remittance amount was not found to be very high, it could support the households in their economic escalation. Most of the households utilized the remittances for different positive purposes including purchase of land, health, education and investing/ saving for the future. As such, it can be mentioned that the studied households made a transitory type of using remittances, giving less importance to consumption goods, which contradicted the statement of Ahmed et al.

## V. CONCLUSION AND FUTURE SCOPE

The present study attempted to analyze the pattern of overall expenditure of the households having at least one male out-migrant in the rural areas of Balasore district in Odisha, in comparison to those households having no migrant from them. The study revealed that households with domestic out-migrants spent more on each item than their counterparts and the cash in hand and amount of savings were also more for those households. Further, the share of non-food expenditure as well as savings was higher for the households with out-migrants than that of those without out-migrants. In view of the lower economic status of such families before migration, the higher purchasing power can be attributed to the process of migration. Although many households perceived their income to be insufficient, most of them agreed that their socio-economic condition had improved significantly after migration.

The paper also analyzed the pattern of receipt and utilization of remittances among the migrant households in the study area, from which it was evident that though of small amounts, migrant households received remittances frequently from their kin staying at the place of destination, which was definitely a huge support for the poor. Interestingly, the wife of the migrant was found to be the primary recipient of remittances for the majority of the households, which was a positive sign of women empowerment in rural areas. Another positive feature was observed in utilization of remittances, where the left behind households utilized the remittances for different positive purposes like purchase of land, health, education, investing in business, and saving for the future etc.

In this study, migration was found to play an important role in enhancing income and raising the purchasing power of the left behind. However, mediocre spending by households without migrants, lack of sufficient income and other problems associated with male out migration asked for some policy intervention towards safeguarding the interest of rural poor and strengthening the village economy through a well-designed livelihood support system.

The limitation of the current study lies in the categorization of items considered for studying expenditure and limited background variables included for the analysis. Future scope of research on the issue can include a detailed study

of the pattern of spending on specific items in food, health and other expenditure in rural Odisha and incorporation of additional, relevant socio-economic and demographic characteristics as explanatory variables, which would help in getting a better picture of expenditure pattern and its transition in recent times.

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**Author Contribution:** NRR and MKP designed the study. MKP collected the data. NRR and MKP tabulated the findings and analyzed the data. NRR prepared the manuscript. NRR and MKP read the manuscript and approved the same.

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