Remittances, the central aspect of the study, received by the migrant households in the two villages surveyed in Gujarat and Kerala and its uses have been discussed in this chapter. Beginning with the quantum of remittances received by the migrant households in section 6.1, the modes of transfer of remittances used by the migrants, the duration for which the migrant households had been receiving remittances at the time of the survey, the frequency of the transfers including whether there had been any changes in the frequency of receipts over the period for any reason such as the recent recession period, the purposes for which the remittances were actually sent by the migrants, aspects related to preference of the households for formal and informal channels and primary receiver of remittances in the household has been presented in the subsequent sections. Section 6.6 discusses the end uses of remittances by the migrant households.

6.1 Quantum of Remittances

Size of remittances received by the migrant households, form an important aspect for analysis in any study on remittances, as observed in various earlier empirical studies, including Indian studies such as Zachariah and Rajan (2007), Banerjee (1984) and Oberai and Singh (1980). Detailed information on the size of remittances received was collected from the sample households. Table 6.1 presents the percentage distribution of size of remittances received by the migrant households.
Table 6.1: Percentage Distribution of Size of Remittances

<table>
<thead>
<tr>
<th>Size of Remittances (in Rs.)</th>
<th>Gujarat</th>
<th>Kerala</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>&lt;= ₹20,000</td>
<td>14.2 (17)</td>
<td>0.0 (0)</td>
<td>6.3 (17)</td>
</tr>
<tr>
<td>₹20,001-₹50,000</td>
<td>31.7 (38)</td>
<td>8.0 (12)</td>
<td>18.5 (50)</td>
</tr>
<tr>
<td>₹50,001-₹80,000</td>
<td>9.2 (11)</td>
<td>42.0 (63)</td>
<td>27.4 (74)</td>
</tr>
<tr>
<td>₹80,001-₹11,000</td>
<td>19.2 (23)</td>
<td>33.3 (50)</td>
<td>27.0 (73)</td>
</tr>
<tr>
<td>&gt;₹11,0001</td>
<td>25.8 (31)</td>
<td>16.7 (25)</td>
<td>20.7 (56)</td>
</tr>
<tr>
<td>Total</td>
<td>100 (120)</td>
<td>100 (150)</td>
<td>100 (270)</td>
</tr>
</tbody>
</table>

The mean size of remittances sent per year by the migrants as observed for the total number of households surveyed was ₹89796.30. In case of the sample households in Gujarat, the average size of remittances received by the migrant households per year was found to be ₹94291.67 and for Kerala it was found to be ₹86200.00. Hence, the mean size of remittances received by the migrant households did not show much difference. But variations in the size of remittances in terms of categories were observed in the households in Gujarat and Kerala. For instance, the maximum size of remittances (27.4%) fall within the range of ₹50,001-80,000, however, it is closely followed by the range ₹80,001-110,000 (27.0%). In case of Gujarat, the maximum size of remittances lies in a slightly lower category of ₹20,001-50,000 (31.7%), but it is followed by the category at a higher range ₹110,001 and above (25.8%). In case of Kerala, the maximum size of remittances, lie within the range ₹50,001-110,000, after which it falls. So, it can be said that the sample households in Gujarat received remittances that lie in both higher as well as lower categories whereas for Kerala, the range is more or less fixed to a moderate range.

T-test results for size of remittances, number of years of receipt of remittances by the households and total number of uses of remittances by the households in the two sample villages show that there are significant differences in the means of all the above selected variables other than the size of remittances, for the sample migrant households in Gujarat and Kerala (Table 6.2). Hence, it was found that there was no significant difference in the means of the size of remittances in the sample households in Gujarat and Kerala.
Table 6.2: Mean Differences in Some Remittance Related Variables

<table>
<thead>
<tr>
<th>Remittance Related Variables</th>
<th>State</th>
<th>N</th>
<th>Mean</th>
<th>Standard Deviation</th>
<th>Standard Error of the Mean</th>
</tr>
</thead>
<tbody>
<tr>
<td>Size of remittances (Rs.)</td>
<td>Gujarat</td>
<td>120</td>
<td>94291.67</td>
<td>81451.57</td>
<td>7435.47</td>
</tr>
<tr>
<td></td>
<td>Kerala</td>
<td>150</td>
<td>86200.00</td>
<td>31845.89</td>
<td>2600.20</td>
</tr>
<tr>
<td>Duration of receipt of remittances by the households in years</td>
<td>Gujarat</td>
<td>120</td>
<td>6.05</td>
<td>3.73</td>
<td>0.34</td>
</tr>
<tr>
<td></td>
<td>Kerala</td>
<td>150</td>
<td>9.35</td>
<td>7.29</td>
<td>0.59</td>
</tr>
<tr>
<td>No. of uses of remittances</td>
<td>Gujarat</td>
<td>120</td>
<td>3.38</td>
<td>1.27</td>
<td>0.12</td>
</tr>
<tr>
<td></td>
<td>Kerala</td>
<td>150</td>
<td>4.51</td>
<td>1.24</td>
<td>0.10</td>
</tr>
</tbody>
</table>

Besides receiving remittances in the form of money, migrant households also received remittances in non monetary form. In Table 6.3, overall 47.4 per cent of households received remittances in kind. Out of the total migrant households surveyed in Gujarat, 53.3 per cent received remittances in the form of food items or clothes or mobile phones, etc. In Kerala, the percentage of households receiving remittances in kind was slightly lower at 42.7 per cent. However, the total money value of all such items that had been received in kind could not be obtained as the respondents were unsure about their monetary value.

6.2 Modes of Transfer and Currency

As we have seen in Chapter 3, modes of transfer of remittances form an essential part of any study on remittances. This also enables us to understand the financial structure of the villages. In the study, overall a majority (63.7%) of the sample households received remittances that were directly sent to the bank accounts owned by the family members that were situated in the village itself and 33.3 per cent of the households received remittances sent to the bank accounts of the family members that lied outside the village. A significant 27.4 per cent of the households received remittances via cheque/draft. This was in consonance with the RBI study (2006) that finds these two channels of transfer as the most preferred by the migrants. But additionally it needs to be mentioned that a significant 28 per cent of the total households received remittances via informal sources. This indicates that although at a lesser percentage compared to formal sources of transfer, informal sources also co exists including the hawala or hundi.
Remittances to the Migrant Households

Remittances to the Migrant Households

networks. State wise disaggregation shows that the usage of informal sources to be more prevalent for migrant households in Kerala (36.6%) compared (19.1%). It may be recalled that in the previous chapter (Chapter 5) better financial infrastructure in the village in Gujarat compared to that in Kerala was also observed. In this study we also see a lesser percentage of the migrants sent money to their homes via MTOs (15.9%).

In this context it needs to be mentioned that the cost of transfer and time taken for transfer play a major determinant in the choice of channels by the migrants (RBI, 2009; Singh, 2010). Additionally, financial literacy of the migrants as well as that of the members of their households at origin could also be a significant factor in determining the choice of channels. This leads to major policy implications. Also, in terms of procedure of collection of remittances by the household members, it was observed that members of the households locally withdrew money from the banks or picked up the money from the MTOs in most cases (91.8%) with a lesser percentage of cases where the remittance amount is delivered to the households (25.9%) with a few cases overlapping (18.5%). However, it was found that migrants do not use only one means of transfer.

During the interviews it was observed that some households received remittances via multiple sources. In this study, most interestingly, it was found that 13.9 per cent of the total sample households received remittances via both banks in the villages as well as the informal agents. Figure 6.1 illustrates the usage pattern of modes of transfer of remittances in the two states as well as for the total sample.
For the sample migrant households in Gujarat, it is observed that a majority (84.2%) of the households received the remittance money at their bank accounts that lied within the village from which they would withdraw money for their expenses, whereas, in case of Kerala, majority (58.0%) received the remittance money in their bank accounts that lied outside the village namely at Tirur town. However, in case of Kerala, the percentage of households receiving remittances via bank accounts outside village, bank accounts in village as well as draft/cheque is more or less equal, compared to that in Gujarat where the bulk of the share goes in favour of only bank accounts lying in the village. The usage of draft/cheque as a mode of transfer was more prevalent within the migrant households in Kerala. 26 per cent of households in Kerala reported that they receive remittances via draft/cheque as well as bank accounts in the village while 30.6 per cent have indicated that they receive via both draft/cheque as well as bank accounts outside village. Hence, it is observable that significant overlaps exist between the different modes of transfer used by the migrants for sending money.

Informal agents such as remittances carried by friends or relatives of migrants visiting home or those carried by migrant themselves also play a major role as observed before, especially in Kerala. On further investigation, an interesting feature that was revealed was that 21.3 per cent of the migrant...
households in Kerala expressed that they preferred these informal agents for delivery of remittances as they delivered at their door steps without them having to go to the banks or MTOs and perceived the mode as ‘hassle free’. All of these cases were those households where the women were left behind with lots of household responsibilities so that they expressed lack of time to rush towards banks to withdraw money. The respondents expressed that, as this process (informal) was relatively inexpensive and quick, with delivery right at the doorsteps, the migrants as well as the households preferred these informal agents.

Table 6.3: Percentage Distribution of Some Remittance Related Aspects

<table>
<thead>
<tr>
<th>Remittances Related Aspects</th>
<th>Gujarat</th>
<th>Kerala</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Modes of transfer</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Draft/Cheque</td>
<td>0.0 (0)</td>
<td>49.3 (74)</td>
<td>27.4 (74)</td>
</tr>
<tr>
<td>Direct transfer to a/c in village</td>
<td>84.2 (101)</td>
<td>47.3 (71)</td>
<td>63.7 (172)</td>
</tr>
<tr>
<td>Direct transfer to a/c outside village</td>
<td>2.5 (3)</td>
<td>58.0 (87)</td>
<td>33.3 (90)</td>
</tr>
<tr>
<td>Carried by relatives/friends of migrant</td>
<td>10.8 (13)</td>
<td>25.3 (38)</td>
<td>18.9 (51)</td>
</tr>
<tr>
<td>MTO</td>
<td>19.2 (23)</td>
<td>13.3 (20)</td>
<td>15.9 (43)</td>
</tr>
<tr>
<td>Carried by migrant himself</td>
<td>8.3 (10)</td>
<td>11.3 (17)</td>
<td>10.0 (27)</td>
</tr>
<tr>
<td>Exchange houses</td>
<td>0.0 (0)</td>
<td>6.0 (9)</td>
<td>3.3 (9)</td>
</tr>
<tr>
<td>ATM</td>
<td>0.8 (1)</td>
<td>4.0 (6)</td>
<td>2.6 (7)</td>
</tr>
<tr>
<td><strong>Frequency of transfer</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Monthly</td>
<td>20.8 (25)</td>
<td>48.7 (73)</td>
<td>36.3 (98)</td>
</tr>
<tr>
<td>Quarterly</td>
<td>21.7 (26)</td>
<td>16.0 (24)</td>
<td>18.5 (50)</td>
</tr>
<tr>
<td>Biannually</td>
<td>21.7 (26)</td>
<td>0.0 (0)</td>
<td>9.6 (26)</td>
</tr>
<tr>
<td>Annually</td>
<td>25.8 (31)</td>
<td>0.0 (0)</td>
<td>11.5 (31)</td>
</tr>
<tr>
<td>Infrequent</td>
<td>10.0 (12)</td>
<td>35.3 (53)</td>
<td>24.1 (65)</td>
</tr>
<tr>
<td><strong>Currency in which Remittances are Received</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>INR(₹)</td>
<td>87.5 (105)</td>
<td>100.0 (150)</td>
<td>94.4 (255)</td>
</tr>
<tr>
<td>INR(₹)/US Dollars($)</td>
<td>3.3 (4)</td>
<td>0.0 (0)</td>
<td>1.5 (4)</td>
</tr>
<tr>
<td>US Dollars ($)</td>
<td>9.2 (11)</td>
<td>0.0 (0)</td>
<td>4.1 (11)</td>
</tr>
<tr>
<td><strong>Whether the household ever received any transfer through Informal sources</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Yes</td>
<td>10.0 (12)</td>
<td>51.3 (77)</td>
<td>33.0 (89)</td>
</tr>
<tr>
<td>No</td>
<td>90.0 (108)</td>
<td>48.7 (73)</td>
<td>67.0 (181)</td>
</tr>
<tr>
<td><strong>Preferred Source</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Formal</td>
<td>96.7 (116)</td>
<td>78.7 (118)</td>
<td>86.7 (234)</td>
</tr>
<tr>
<td>Informal</td>
<td>3.3 (4)</td>
<td>21.3 (32)</td>
<td>13.3 (36)</td>
</tr>
<tr>
<td><strong>Remittances in Kind</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Yes</td>
<td>53.3 (64)</td>
<td>42.7 (64)</td>
<td>47.4 (128)</td>
</tr>
<tr>
<td>No</td>
<td>46.7 (56)</td>
<td>57.3 (86)</td>
<td>52.6 (142)</td>
</tr>
<tr>
<td><strong>Impact of Recession on Remittances</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Yes</td>
<td>1.7 (2)</td>
<td>5.4 (8)</td>
<td>3.7 (10)</td>
</tr>
<tr>
<td>Yes, but not significant</td>
<td>6.7 (8)</td>
<td>11.3 (17)</td>
<td>8.1 (22)</td>
</tr>
<tr>
<td>No</td>
<td>91.7 (110)</td>
<td>83.3 (125)</td>
<td>88.1 (238)</td>
</tr>
</tbody>
</table>
The respondents were asked about the currency in which they recipient received the remittances (Table 6.3). It is obvious that formal channels of transfer involve receipts of money in the local currency. However, informal channels might involve transfers of money in foreign currencies as well. As Singh (2010) in his study highlights that ‘small remittance transactions for family maintenance, are offered less favourable exchange rates’ and also points out that the existing fee structures for lower value transactions tends to be ‘steeper’, hence a possibility of transferring foreign currencies through informal networks existed. In this study, overall an overwhelming proportion (94.4%) of the recipient households received remitted money in the form of INR (₹) that had been transferred through proper formal channels, only 1.5 per cent of the recipient households received remittances in the form of USD ($), and 4.1 per cent reported that they usually received in INR (₹) as well as USD ($) depending on whether the money was carried by migrant themselves or transferred via other modes. The variation was observed more in case of households in Gujarat with 87.5 per cent receiving in INR (₹), 3.3 per cent receiving in both INR (₹) as well as USD ($). In case of Kerala however, almost all (99%) of the recipient households reported to have been receiving remittances in INR (₹) with only 1 per cent receiving in both currencies depending on formal or informal sources. This also indicates a possibility of migrants or their families selling the foreign currencies in INR (₹) in the local market and earning a profit. However, the magnitude of such kind of a trade in the study area appeared to be negligible.
6.3 Duration of Remittance Receipts, Frequency and Change

In this section, characteristics pertaining to receipts of remittances such as duration of receipts of remittances by the migrant households, frequency of receipts per year, currency in which remittances are received, purpose for which remittances are sent, primary receiver of remittances, whether there has been any changes in the size or frequency of receipts of remittances due to the impact of the recent economic downturn or otherwise and preference for formal or informal sources by the migrant households have been studied. In the sample households we find that 52.6 per cent of the total households have been receiving remittances since 2-5 years, while 25.2 per cent of the households have been receiving remittances from 6-7 years. While it has been observed in Gujarat, that the percentage of households receiving remittances beyond 11-15 years was much lesser, in Kerala, significant percentage of households have been receiving remittances for longer periods between 16-20 years or more. Hence, an interesting observation here is that as earlier studies such as Dustmann and Mestres (2008) indicate that as the permanency of residence increases, the frequency or amount of remittances fall. This can be true for these two villages as more contract labourer moved to the gulf from Kerala, even though the migrants live longer periods, they continue to remit, but with the permanency of settlement at the destination, remittances fall.

Table 6.4: Percentage Distribution of Duration of Receipts of Remittances

<table>
<thead>
<tr>
<th>Duration of Receiving Remittances</th>
<th>Gujarat</th>
<th>Kerala</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>&lt;= 5</td>
<td>64.2 (77)</td>
<td>43.3 (65)</td>
<td>52.6 (142)</td>
</tr>
<tr>
<td>6 - 10</td>
<td>28.3 (34)</td>
<td>22.7 (34)</td>
<td>25.2 (68)</td>
</tr>
<tr>
<td>11 - 15</td>
<td>5.0 (6)</td>
<td>16.0 (24)</td>
<td>11.1 (30)</td>
</tr>
<tr>
<td>16 - 20</td>
<td>2.5 (3)</td>
<td>9.3 (14)</td>
<td>6.3 (17)</td>
</tr>
<tr>
<td>21+</td>
<td>0.0 (0)</td>
<td>8.7 (13)</td>
<td>4.8 (13)</td>
</tr>
<tr>
<td>Total</td>
<td>100 (120)</td>
<td>100 (150)</td>
<td>100 (270)</td>
</tr>
</tbody>
</table>

Along with the duration of receipts, frequency of receipts is also an important determinant of impact of remittances. Figure 6.2 illustrates the frequency of receipts of remittances by the migrant households. Out of the total
sample households, 36.3 per cent of the households received remittances monthly and 24.1 per cent of the households receive them infrequently, that is, it varied between years which may be monthly or quarterly or annually depending on the financial position of the migrant at the destination. For the total sample, 18.5 per cent of the households received remittances quarterly. In Gujarat, 25.8 per cent of the households received remittances on a yearly basis while 20.8 per cent of them received monthly. In Kerala, 48.7 per cent of the households received remittances monthly, which was much higher compared to that in Gujarat while for 35.3 per cent of the households received remittances infrequently. Figure 6.2 illustrates the frequency of receipts of remittances by the households surveyed.

Figure 6.2: Percentage Distribution of Frequency of Sending remittances

The respondents were also asked whether there have been any changes in the frequency of remittances since they began receiving them. Overall, 54.8 per cent of the households reported that the frequency of sending money increased over time and this was more in case of the households in Gujarat (80.8%) compared to that of Kerala (34.0%). While 41.5 per cent of the total households indicated that the frequency remained same, in Gujarat (17.5%) this percentage was much lower compared to that of Kerala (60.7%). This indicates that in Kerala the frequency as well as amount of remittances more or less remained same with
no drastic improvements compared to those in Gujarat where over time migrants tended to increase the frequency and hence the amount. This may be attributed to the type of occupations the migrants are involved in at the destination. Although only a few such cases (3.7%) were observed with more cases in Kerala (5.3%), yet the respondents mentioned that the frequency of receiving remittances had recently decreased, the major reason cited for this was the recession in the Gulf just prior to the period of the survey.

Impact of the recession

The effects of the economic downturn as well as the Gulf recession was already felt globally during the time of the survey, hence, it was important to understand whether remittances received by these households were affected in any way. Overall, 87 per cent of the households mentioned that the size of remittances was not affected in recent times for any reason. However, 8.1 per cent of the households did mention that there was a slight impact but which was not significant. And 3.7 per cent of the households mentioned that the current recession did have an impact on the size of remittances sent. As stated, the amount was either reduced or the households had to wait longer for the migrant to remit as some of them faced job losses and was in a period of wait to acquire another job. However, such cases were only a few. In case of Gujarat they were even fewer, as 91.7 per cent of the households mentioned that the recession did not affect the size of remittances. For Kerala though, 11.3 per cent of the households mentioned that the recession did affect the size of remittances sent due to job losses or non payment of salaries/wages to the migrants at the destination. Hence, although the overall impact of the current economic downturn appears to have a negligible impact, yet for those migrants involved especially in the construction sectors or low skilled jobs in the Gulf countries did get affected to a certain extent. However, as stated by the respondents, these migrants tried to send money in spite of their crisis at the destination through either borrowing from others or through employment in some other jobs at the destination in the event of job losses. This, to some extent, explains for the counter cyclicality of remittances.


6.4 Purpose of Sending Remittances and the Main Recipients

Purpose of sending remittances is also an important variable that enables us to understand the main reasons for which remittances are required in the households and hence forms an important determinant of the size of remittances. The respondents, in the study, were asked on the specific multi response reasons why the migrants would sent money to the households. Figures 6.3a and 6.3b illustrate the different purposes for which the migrants sent money to the households in order of importance, as reported by the respondents. Figure 6.3a illustrates the most important purpose for which the remittances are sent. For the total sample we see that the most important purpose of sending money was basic minimum needs of the family including food and other daily requirements (69.3%). In this respect a substantial difference between the households in Gujarat (34.2%) and that in Kerala (97.3%) was observed. But while other purposes of sending remittances by the migrants from Kerala seemed insignificant (for most important purpose), for the households in Gujarat the responses were variable between other purposes for instance, 18.3% of the sample households stated that remittances were sent for loan repayments, again 18 per cent indicated that they were sent for medical needs. But what is noticeable is that a substantial 22.5 per cent mentioned that they were sent mainly for investment purposes. This finding is again, significantly different from that of Kerala households.
Figure 6.3a: Percentage Distribution of Most Important Purpose for Which Remittances are Sent

Figure 6.3b: Percentage Distribution of Second Most Important Purpose for Which Remittances are Sent

However, when it comes to second most important purposes (Figure 6.3b) for which remittances are sent, it is observed that for households in Kerala, loan repayment was the most cited purpose (45.3%), followed by education of children (32.7%) and medical needs (16%). Sending remittances for the purpose of investment in land, business venture, etc. hardly featured in case of households in Kerala. Loan repayment, medical needs and investment still featured almost equally as the second most important purposes of sending remittances by the migrants from the sample households in Gujarat.
6.5 Other Aspects Related to Receipts of Remittances

An aspect relatively unexplored in previous studies on remittances in the receiving households has been ‘which family member was the main receiver of the money’. This question was expected to throw some light on which household members, the migrant perceives as the most reliable as well as responsible member of the family. In the study for the total sample, 77 per cent of the respondents were themselves the primary receiver of remittances in the households, 9.3 per cent of the main receivers were the wives of the migrants and 11.5 per cent were other members in the households who received the remittances. In case of the migrant households in Gujarat, 70.8 per cent and in case of Kerala 82 per cent were the respondents themselves who received. In case of Kerala, however, there was more number of respondents who were themselves wives of the migrants. Out of 49 such respondents, 45 received remittances from their husbands while in only 4 cases, the remittance money was received by other members in the households other than the wives of the migrants, who were the respondents.

In terms of receipts of remittances through formal or informal sources, it was observed that overall, 33.7 per cent of the households received remittances through informal sources and 66.3 per cent reported to have received remittances through only informal sources. In case of Gujarat, the number of households reported to have received remittances through informal sources was much lower at 10 per cent only and this may be attributed to the advanced financial infrastructure in the village compared to that of Kerala as discussed before in this chapter, where 51.3 per cent of the households reported to have used the informal sources. The informal sources mainly comprised of friends and relatives (19.6%) or carried by the migrant themselves (6.7%). 7.8 per cent of the respondents have reported to have been receiving remittances through other informal agents (possibly hawala). Hence, it is again clearly seen that use of informal sources is more prevalent in Kerala. Further investigation on which of these sources are preferred by the recipients revealed that although overall 86.7 per cent of the receiving households preferred the formal sources, a low but significant 13.3 per cent favoured informal
sources to formal sources. The percentage was much more in case of Kerala (21.3%) compared to Gujarat (3.3%). Most of these households were female headed who more household responsibilities and prefer home delivered remittances than going to banks or MTOs. Hence, most of these agents who deliver remittances at home are informal and reportedly ‘efficient’.

6.6 End Uses of Remittances

In this section, one of the most important aspects related to remittances has been discussed, which is the end uses of remittances by the households that receive them. This important aspect forms the basis of many contemporary studies on remittances that are perceived by previous studies to be related to developmental aspects at the origin areas. The respondents in the study have been asked about the uses of remittances for a variety of purposes that have been compiled from previous studies and were asked to rank them in order of importance. Though recent studies indicate considerable overlaps between consumption and investment uses, such as spending on education and health, which was earlier considered to be for consumption is eventually recognized as investment in human capital (Mendola, 2006 and Acosta, 2006), in this study the multiple uses of remittances were segregated in terms of purely consumption uses, investment uses and savings uses.

In the study, as expected, multiple uses of remittances have been observed in the migrant households in both the study villages in Gujarat and Kerala. Hence, the uses of remittances were asked in order of importance to take note of the main needs of the households which were supported by remittance money and further how this money was used when the basic needs of the households and the main purposes, for which they were sent, were met. The percentage distribution of remittances is presented in Table 6.5. As far as the most important uses of remittances are concerned, it was found that for the total sample, majority of the households had stated that the most important use of remittances was satisfying the basic minimum needs of the family including food, clothing and other household amenities (65.9%). Although this figure for the households in Gujarat
was found to be a moderate 29.2 per cent, for Kerala it was unanimous at 95.3 per cent. In case of Gujarat, medical expenses (23.3%) and especially investment in business and microenterprises (11.7%), was found to be quite high as the most important use.

Now, for the second most important use, it was found to be divided between improvement of house (15.2%), schooling and education of children (13.7%) and medical expenses (12.1%). In case of the sample households in Gujarat when it came to the second most important use of remittances, deposits/savings at banks (16.7%), improvement of land (8.3%) and loan repayment for expenses incurred due to migration (7.5%) scored more apart from medical expenses again at 15.0 per cent. As expected, in Kerala, the second most important use of remittances was found to be improvement and purchase of house related (39.4%, together).

When it came to the third most important use of remittances, a diverse pattern was observed. Medical expenses were the most cited use by 24.1 per cent for the total sample, with 28 per cent of the sample households in Kerala and 19.2 per cent of the households in Gujarat citing this use. Purchase of gold jewellery, especially in Kerala, has been significantly high in terms of third most important use (12%). The jewellery was stated to have been mainly bought for marriages of the women in the household.
Table 6.5: Percentage Distribution of End Uses of Remittances (Most Important-MI, Second Most Important-2MI and Third Most Important-3MI)

<table>
<thead>
<tr>
<th>End Uses of Remittances</th>
<th>Gujarat</th>
<th>Kerala</th>
<th>Total Sample</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>MI</td>
<td>2MI</td>
<td>3MI</td>
</tr>
<tr>
<td>Daily Needs/Consumption</td>
<td>29.2 (35)</td>
<td>8.3 (10)</td>
<td>2.5 (143)</td>
</tr>
<tr>
<td>Purchase of Land</td>
<td>0.8 (1)</td>
<td>5.8 (7)</td>
<td>2.5 (3)</td>
</tr>
<tr>
<td>Improvement of Land</td>
<td>0.0 (0)</td>
<td>8.3 (4)</td>
<td>3.3 (1)</td>
</tr>
<tr>
<td>Purchase of Agri. Equipments</td>
<td>- 0.8 (1)</td>
<td>0.8 (1)</td>
<td>- 0.7 (1)</td>
</tr>
<tr>
<td>Purchase of House</td>
<td>2.5 (3)</td>
<td>1.7 (2)</td>
<td>0.8 (1)</td>
</tr>
<tr>
<td>Improvement of House</td>
<td>0.0 (0)</td>
<td>3.3 (4)</td>
<td>2.5 (3)</td>
</tr>
<tr>
<td>Purchase of Gold</td>
<td>0.8 (1)</td>
<td>0.8 (1)</td>
<td>5.0 (6)</td>
</tr>
<tr>
<td>Schooling/Education</td>
<td>5.0 (6)</td>
<td>7.5 (9)</td>
<td>4.2 (5)</td>
</tr>
<tr>
<td>Medical Expenses</td>
<td>23.3 (28)</td>
<td>15.0 (18)</td>
<td>19.2 (23)</td>
</tr>
<tr>
<td>Micro Enterprises</td>
<td>11.7 (14)</td>
<td>5.0 (6)</td>
<td>7.5 (9)</td>
</tr>
<tr>
<td>Deposit in Banks/Savings</td>
<td>6.7 (8)</td>
<td>16.7 (20)</td>
<td>6.7 (8)</td>
</tr>
<tr>
<td>Social and Religious Ceremonies</td>
<td>- 4.2 (5)</td>
<td>6.7 (8)</td>
<td>- 0.0 (0)</td>
</tr>
<tr>
<td>Loan Repayment for Family Debts</td>
<td>2.5 (3)</td>
<td>3.3 (4)</td>
<td>1.7 (2)</td>
</tr>
<tr>
<td>Loan Repayment for Migration Expenses</td>
<td>5.0 (6)</td>
<td>7.5 (9)</td>
<td>6.7 (8)</td>
</tr>
<tr>
<td>Loan Repayment for Education</td>
<td>10.8 (13)</td>
<td>1.7 (2)</td>
<td>0.8 (1)</td>
</tr>
<tr>
<td>Financial Assistance to Family/Friends</td>
<td>- 4.2 (5)</td>
<td>4.2 (5)</td>
<td>- 0.0 (0)</td>
</tr>
<tr>
<td>Financial Assistance for Community Development</td>
<td>1.7 (2)</td>
<td>2.5 (3)</td>
<td>10.0 (12)</td>
</tr>
<tr>
<td>Total</td>
<td>100 (120)</td>
<td>100 (120)</td>
<td>100 (120)</td>
</tr>
</tbody>
</table>
Uses of remittances were further segregated in terms of consumption uses, investment uses and savings uses. Studies on uses of remittances in India state that remittances were mainly used for consumption purposes (RBI, 2006 for example), but more recent discourses on uses of remittances argue that schooling and health related expenditure of remittances are basically also an investment for future (Acosta, 2006 for instance). Uses of remittances are also differentiated in terms of productive and unproductive uses (for instance, Prakash, 1978 and 1998; Mathew and Nair, 1978; Sasikumar and Hussain, 2007). Uses of remittances for basic needs and building of houses and purchase of gold (though a kind of an investment), are perceived by researchers and policymakers as ‘unproductive’. Also, as Sasikumar and Hussain (2007) strongly indicate an existence of differential pattern of uses of remittances region wise, ‘after’ the basic minimum requirements of the household are met, especially pointing to differences in the states of Kerala and Gujarat. Hence, in the study an attempt has been made to categorize the uses of remittances into consumption, investment and savings, where uses for basic minimum needs, repayment of any kind of loans and spending for either construction or repair of houses as well as purchase of gold jewellery are categorized as consumption uses. Uses of remittances for purchase or improvement of land, investment in any micro enterprise and in education and health are categorized as investment uses. Uses of remittance money for deposit in banks or savings in banks or similar uses are categorized as savings uses.

In the Figure 6.4a, uses of remittances for different categories (consumption, investment and savings) are presented as a percentage of total most important uses of remittances for total households, households in Gujarat and those in Kerala. From the figure, it is evident that for all cases (total samples, sample households in Gujarat as well as those in Kerala), most important uses of remittances are definitely for consumption purposes with the maximum percentage in Kerala (95.3%) which has almost no savings uses and very small investment uses (4.6%), compared to the households in Gujarat which have more investment uses as the most important use of remittances (41.8%). In a similar way, Figure 6.4b shows the uses of remittances for different categories (consumption, investment and savings), presented as a percentage of the total
second most important uses of remittances for total households, households in Gujarat and those in Kerala, respectively.

**Figure 6.4a: Percentage Share of Consumption, Investment and Savings Components of Most Important Uses of Remittances**

![Graph showing percentage share of consumption, investment and savings for remittances in total, Gujarat, and Kerala.]

**Figure 6.4b: Percentage Share of Consumption, Investment and Savings Components of Most Important Uses of Remittances**

![Graph showing percentage share of consumption, investment and savings for remittances in total, Gujarat, and Kerala.]

What is noticeable in the figures 6.4a and 6.4b is that as the most important requirements, that is, the basic minimum needs of the family are satisfied by the migrant households receiving remittances, that is, once the consumption purposes of remittances are met, remittances are further gradually used for investment purposes. Hence, the importance for investment and savings purposes rise as the basic minimum requirements are met, which is clearly evident in the figures (6.4a and 6.4b) that the investment and saving component of bars
rise with decreasing order of importance. This important finding also leads to policy implications on how remittances can be more effectively channelized for development purposes depending on the differential usage pattern existing in the states. Hence, from the uses of remittances for various purposes in this study, it is clearly evident that remittances do reduce poverty and minimize credit constraints of households receiving them.