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Is Remittance Changing the Consumption Patterns of Migrant Families?

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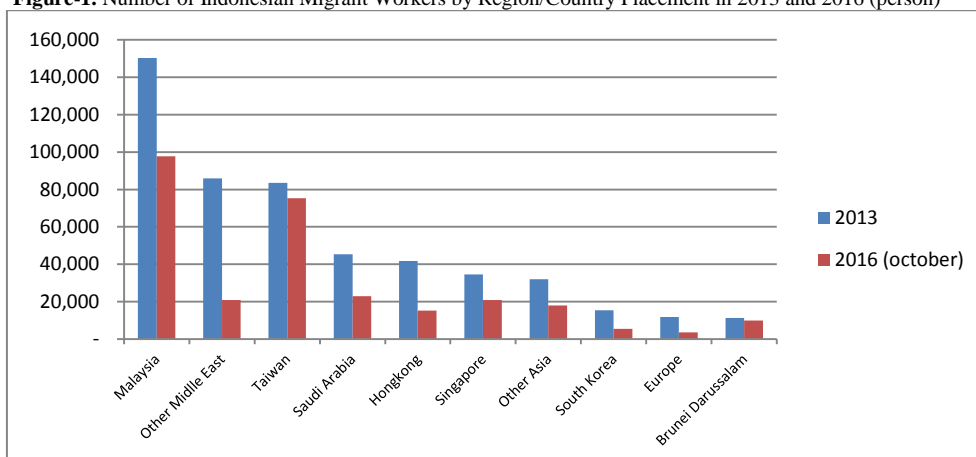
Abstract: The existence of migrants abroad can increase family income and create capital, which can be used in productive economic activities, through their remittances. This presumption needs to be examined from an economic perspective to determine whether differences exist in their consumption patterns, which result in the productive behavior of migrants upon their return from abroad. To test this hypothesis, a survey was conducted among migrant families in Cirebon Regency, Indonesia. In-depth interviews and observations were conducted to determine the changes in household expenses. Results suggest that migrants and their families consume more, lack concern about human investment, and exert minimal effort toward capital accumulation.

Keywords: Migrant workers; Consumption patterns; Productive behavior; Socio-economic phenomenon; Cirebon.

1. Introduction

In many countries, such as Indonesia, migration as a form of human resource mobility occurs in the form of interprovincial and international migration; migration is motivated by economic, social, and cultural factors (Boswell, 2008). Moreover, push and pull factors explain the occurrence of migration (King, 2012). One of the pull factors is a higher salary because these migrants usually head to developed countries (Iqbal and Gusman, 2015). Thus, migrants from Indonesia attempt to alleviate poverty in light of the high unemployment in their area of origin (Orange et al., 2012). Migrants transferring from south to north, are usually absorbed by the informal sector due to their lack of skills and education (Pramanik and Mukherjee, 2013). As a result, this condition affects the emergence of social problems faced by migrants. Considering the social impact of this situation, especially for international migration, migration should be able to have an impact on the increase in savings. Such effect can be monitored through remittances from migrants to their families back home. Monitoring can be done by observing the expenditure pattern of migrant families, whether for consumptive or productive spending (Démurger and Wang, 2016). Empirical data reveal that Indonesian workers throughout several destinations are highly motivated to migrate, as indicated in Figure 1.

Figure-1. Number of Indonesian Migrant Workers by Region/Country Placement in 2013 and 2016 (person)



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Malaysia, Taiwan, Saudi Arabia, and Hong Kong remain as the main destinations for Indonesian migrant workers. Workers who migrate to these countries are mostly those who lack skills and work with minimal protection. Revenues of workers are not consumed entirely in the country of destination, because they transfer parts of their earnings to their families back home, which are referred to as remittances. Table 1 presents data on the remittances of migrant workers from various countries.

Table-1. Top 10 Destination Countries with the Highest Amounts of Remittances from Indonesian Migrant Workers (2016)

No.	Country	Remittance (USD)
1	Saudi Arabia	2,327,489,146
2	Malaysia	1,946,720,079
3	Taiwan	739,472,878
4	China (Hong Kong)	575,667,078
5	Singapore	244,811,481
6	South Korea	171,624,378
7	Japan	139,188,616
8	Brunei	56,283,243
9	China (Macao)	35,311,590
10	Australia	23,070,496

Source: Adapted from BNP2TKI (2016)

These remittances received by the families of migrant workers are spread throughout several cities/regencies in Indonesia. In the short term, these remittances will increase their income and influence the spending of migrants and their families.

Previous studies on migration and variables affecting or affected by migration have been extensively conducted in the context of various countries. This research focus indicates that migration exists in various parts of the world and is characterized by different patterns, structures, and impacts.

King (2012) developed a theory and empirical typology based on the phenomenon of migration. His first explanation is about the attractiveness and thrust of migration (push-pull theory). King made the following assertions: (i) Migration occurs mostly within a relatively close distance, whereas long-distance migration is usually pursued to seek industrial and trade centers, (ii) Migration typically occurs from agricultural areas to industrial areas, (iii) The cities where migrants flock, can develop more rapidly, (iv) Migration increases in industrial, trade, and transport sectors, (v) Each migration flow creates a reverse flow of migration, (vi) The number of female migrants are usually greater than the number of male migrants, especially for short-distance migration, (vii) Migration is largely motivated by economic factors.

Iqbal and Gusman (2015) stated that push and pull factors influence overseas migration. He claimed that three driving factors motivate female workers to migrate. The first is economic factors, namely, poverty and the difficulty of finding a good-paying job. The second is a social factor, that is, public acknowledgment of social status. The third is culture; their parents have worked abroad for a long time. On the other hand, a pull factor of migration is that the types of work abroad are considered easier and provide salaries higher than those of domestic jobs.

Pramanik and Mukherjee (2013) identified the pull factors of urbanization in West Bengal, India. These factors are industrialization, commercialization, and modernization, which transform the region as a center for job seekers. He also confirmed Todaro-Lewis theory, which states that migration is brought about by differences in wage rates between rural and urban areas, the unlimited supply of labor, and the lack of job opportunities in rural areas. Migrants from rural areas usually live in informal settlements. They are usually absorbed in the informal sector due to their lack of skills and education. The integration of these groups into the market economy are usually through low wages and the absence of labor protection. Thus, the urban informal sector has become an indispensable source of economic livelihood opportunities, especially in urban slums. Their consumption is sensitive to income and prices. Socio-economic factors, culture, and religious beliefs influence their consumption patterns. Based Engel's Law, Pramanik also declared that the expenditure elasticity of migrants to the need for food is inelastic.

Démurger and Wang (2016) studied the transfer of migrants in urban areas in China, which was found to influence the consumption behavior of their families living in rural areas. The data used came from a survey that calculates the statistical agency transfers from urban to rural areas. He divided utilization and these remittances into two types of consumption and investment use. His research revealed that remittances to families in rural areas tend to make recipients consume more. His findings show a negative correlation between remittances for educational expenses, which indicates a lack of investment in human capital in rural areas. Moreover, Salifu *et al.* (2016) using secondary data to analyze the relationship between remittances from migrants abroad and consumption patterns in Ghana. Mubarik compared the level of consumption and investment of households that receive remittances with those households that do not receive remittances. Their findings show that families who receive remittances tend to decrease their expenditures to invest but their household consumption increases. Gofere (2014) conducted a study similar to that of Mubarik, in the Ethiopian context. He found no significant correlation between remittances to investment. By contrast, remittances adversely affect their consumption expenditure. In addition, (Castaldo and Reilly, 2007) conducted a similar study in the case of Albania. However, Castaldo compared the

remittances of migrants abroad with those of migrants transferring to different cities in the country. The results obtained by Castaldo are almost similar to those of previous studies. Both types produce remittance migrants who do not have an impact on the increase in investment spending. A similar study was also conducted by [Davis and Carr \(2010\)](#) in the case of the Highlands of Guatemala. Davis examined the impact of remittances not only on the level of consumption or investment but rather to rural development and environmental change. His findings reveal that the migrants successfully achieved their goals, primarily in buying a house. Only a fraction of these migrants increased their spending on education and health. [Andersen and Christensen \(2009\)](#) examined the impact of remittances in the case of Nicaragua. He claimed that emigration provides benefits to the community only in the form of employment. Furthermore, Andersen stated that migrants not only remit money but bring with them business ideas, value systems, and social interaction. [Maltoni \(2010\)](#) examined the case of Cambodian migrants in Thailand, highlighting the knowledge gap between the income generated by migrants with consumption on remittances from migrant families back home. [Augustine and Sunday \(2015\)](#) investigated the impact of remittances from migrants from southern Nigeria working in Europe. Augustine found that the existence of migrants in Europe has an impact on the influx of remittances to Nigeria. He stated that at the microscale, the impact of increased income from remittances to the families of migrants, varies.

By contrast, [Amuedo-Dorantes \(2006\)](#), achieved results different from those obtained by other scholars, on the impact of remittances on the development in the countries of origin of migrant workers. He studied this topic in the context of migrants from Latin American countries, i.e., Costa Rica, the Dominican Republic, Haiti, Mexico, Nicaragua, and Peru, who migrated to the USA. According to him, remittances sent to families may affect investment in human capital accumulation, especially in education and health.

In addition to remittances, previous studies also examined consumption patterns. [Fasoranti \(2012\)](#) provided a brief review of theories explaining the factors affecting consumption: Keynes' absolute income hypothesis, Duesenberry's relative income hypothesis, Milton Friedman's permanent income hypothesis, and Modigliani's life cycle hypothesis. All of these views explain and predict the effect of income on consumption. Aside from the level of consumption, the theory also indirectly implies that the types of consumption expenditures are influenced by income. Consumption pattern refers to the distribution of consumer spending on various types of purposes.

Based on the theoretical and empirical phenomenon of migration, remittances, and the impact of these two constructs on the economy, the current study will focus on the impact of remittances on the consumption patterns of migrant families. The locus of this study is migrant families residing in Cirebon Regency. Cirebon Regency was chosen because it ranks fourth among the places of origin of emigrants from Indonesia.

[Table 2](#) shows the number of cities/regencies in Indonesia considered as the central area of origin of migrant workers.

Table-2. Top 10 Regencies/Cities of Origin of Indonesian Migrant Workers (2016)

No.	Regency/City	Number of Migrants	Percentage
1	East Lombok	18,139	20.42%
2	Indramayu	15,128	17.03%
3	Center Lombok	10,135	11.41%
4	Cirebon Regency	9,144	10.29%
5	Cilacap	8,488	9.55%
6	Ponorogo	5,971	6.72%
7	Subang	5,897	6.64%
8	Kendal	5,749	6.47%
9	East Lampung	5,325	5.99%
10	West Lombok	4,868	5.48%

Source: Adapted from [BNP2TKI \(2016\)](#)

This study, therefore, aims to develop an overview of the consumption patterns of migrant families, as well as the possibility of changes in consumption patterns, before and after the presence of remittances. This study also reveals the motivations and the reasons underlying the consumption patterns of migrant families who became informants to enrich the quantitative information obtained in this study.

2. Research Method

This study employed mixed methods suggested by [Boswell \(2008\)](#). Aside from testing the hypotheses about changes in the consumption patterns of migrant families, before and after remittance, the current study also obtained the informants' responses.

2.1. Population and Sample

The target population are the heads of the families of migrant workers, or those who used to be migrant workers and are currently waiting for an opportunity to re-migrate. They lived in Losari District in Cirebon Regency,

particularly in 10 villages, namely, Astanalanggar, Barisan, Losari Kidul, Losari Lor, Panggangsari, Mulyasari, Kalirahayu, Kalisari, Ambulu, and Tawangasari.

Samples were selected through purposive sampling, and the search process was stopped upon information saturation. For statistical reasons, the data on consumption patterns were obtained from 30 families.

2.2. Actor, Informant, Place, and Time

Actor. The actors observed in this study were the families of migrant workers, consisting of the head of the household and the rest of the family members.

Informant. The informants included former migrant workers, the family members of migrant workers, heads of villages (10 villages), and sub-district community leaders.

Table-3. Type and Informant Codes.

No.	Informant	Code
1	Migrant	A
2	Migrant's family member	B
3	Heads of villages (Astanalanggar, Barisan, Losari Kidul, Losari Lor, Mulyasari, Kalirahayu, Tawangasari, Ambulu, Kalisari, Panggangsari)	C
4	Head of Losari District	D
5	Community leaders	E

Place. The physical settings observed were the migrant workers' houses, particularly those areas reflecting the families' consumption patterns.

Time. The observation time was three months, from April to May 2016.

2.3. Question, Observation, and Informants

The questions were given to the informants. Afterward, the answers were cross-checked through observation. In other words, technique and source triangulations were performed. Table 4 presents the pairs of questions and informants.

Table-4. Questions and Informants

No.	Questions	Informant Codes
1	Occupation (before becoming an migrant)	A, B, C
2	Job opportunities (in the region of origin)	C and D
3	Motive for migrating	A, B, C, and D
4	Activities when he/she was a migrant worker abroad	A
5	Excesses of migrant households	C, D, and E
6	Income	A and B
7	Remittances	A, B, C, and D
8	Consumption	A and B
9	Savings	A and B
10	Job after not being an migrant	A and B
11	Skills brought by migrants to their homeland	A and B
12	Values brought by migrants to their homeland	C, D, and E

2.3. Data Analysis

Differences in consumption patterns were tested through the statistical test for equal means. The qualitative data were processed in three stages, that is, data reduction, data presentation, and data analysis.

3. Research Findings and Discussion

3.1. Differences in Consumption Pattern

Three magnitudes were derived from the informants, i.e., income, expenses, and savings. Income refers to the average revenue per month of migrant families. As with the two other magnitudes, this study compared the average income, before, and after the informant became a migrant worker.

From the in-depth interviews, observations, and triangulation, the average monthly income of migrant families before they went abroad was Rp 1.0915 million. This number increased significantly to Rp 3.513 million per month, which is remitted to their families. The results of the mean different test reveal that the difference between two levels of income were significant at 95% level. This finding reveals a significant difference on the revenue earned when migrants send remittances to their families back home.

Table-5. Summary of Results of the Test for Equal Means for Income, Spending, and Savings

Income/Spending/Savings	Before	After	P Value
Income and Remittances	1,091,500	3,513,000	0.04
Expenditure For Food	554,000	1,693,500	0.00
Expenditure For Education	187,500	237,000	0.38
Expenditure For Health	15,500	61,000	0.00
Expenditure For Clothes	42,000	240,000	0.00
Expenditure For Energy (Electricity, Gas, and Fuel)	85,400	211,000	0.00
Expenditure For Luxury Goods	64,900	886,900	0.00
Savings	94,500	190,500	0.32

Furthermore, expenditure is divided into several types: expenditures for food, education, health, clothing, energy, and luxury goods. Expenditure on luxury goods refers to spending on items other than food, education, health, clothing, and energy. The definition of luxury good expenditure may be subjective; however, the previously mentioned spending on luxury items are excluded because these expenses are not directly related to the productivity of individual family members. The third magnitude is savings, which is the difference between the income received and the total expenditure of the family.

First, information on income, expenses, and savings were asked from heads of households and family members. Furthermore, the figures were triangulated with data obtained from other family members as well as the surveillance of lifestyle and the items in the house at the time of the interview.

The result of the test of equal means reveal that the differences between expenditure on education and savings are insignificant. These findings do not necessarily correspond with the hypotheses. In the human investment framework, revenue increase can be accompanied by increased expenditure on education. Similarly, a significant increase in revenue may be followed by a significant increase in savings as well. The increase in savings, even when doubled, is insignificant. On the other hand, the increase in spending on luxury goods is more than tenfold and significant.

4. Discussion

The analysis of the consumption patterns of migrants in the current study is divided into three phases: before the departure of migrant workers, when the workers are overseas, and when migrant workers return home. Referring to [Table 4](#), the questions corresponding to these phases are Questions 1–3, 4–9, and 10–12, respectively.

4.1. Before Departure

Before leaving for abroad, most of the migrant workers worked as farm laborers or temporary workers. This situation can be explained by the limited job opportunities in rural areas. This observation is in accordance with the conditions described by [King \(2012\)](#) and [Pramanik and Mukherjee \(2013\)](#), who stated that one of the movement patterns of migrants is from rural-based agriculture to the industrial area. The primary motivation of potential migrants is that they expect salaries that are three to four times higher those they earn in the countryside. In addition, the departure of migrants is motivated by the desire to own a house, meet the needs of their families, and pay the family's debts, as described by [Iqbal and Gusman \(2015\)](#). According to the migrants, all of these considerations are benchmarks of success. Furthermore, parents of migrants believe that going abroad for work raises the family's dignity compared with working as a household help in the country. Along with that, potential migrants are not required to possess a special skill when looking for a job abroad.

4.2. When Abroad

Most of the respondents worked as maids. The rest of the respondents either worked as factory workers or became nurses in nursing homes. Most respondents said that they worked in the informal sector at first to prevent the government of their destination country from officially recording their presence in the workplace. Thus, in the first 1 to 2 years, these migrants were in the most vulnerable conditions because they did not have adequate legal protection. Some of them were only able to enter the formal sector in the following year. Nevertheless, while abroad, they were highly motivated to survive in conditions that made them vulnerable to unfair treatment. Most of them, since their early years abroad, have been able to reduce their purchases to send more remittances to their families. The conditions of migrant families are usually not as good as expected, In particular, when the wife migrates, the husband is left to take on two roles at home.

The survey results reveal a significant increase in income. Before migrating, the family income earned by the husband and wife is commonly around Rp 1 million. Migrants usually send remittances amounting to Rp 3,5 million, which becomes the family income. Income is usually spent on the daily needs of the family members. The results of the test for equal means show that all spending had increased significantly, except for expenditure on education. [Démurger and Wang \(2016\)](#) stated that this condition reflects the increasingly consumptive migrant families back home. Furthermore, migrant families do not spend the remittances of migrants on human investment. This observation is consistent with the findings of [Démurger and Wang \(2016\)](#), [Davis and Carr \(2010\)](#), [Amuedo-Dorantes](#)

(2006), Salifu *et al.* (2016), Gofere (2014), and Castaldo and Reilly (2007). Ironically, the rest of the remittances that are not spent (i.e., savings) did not significantly increase. This finding is in contrast to the findings of Meng *et al.* (2016), who argued that the savings of migrant families in China increased.

4.3. Return from Abroad

After working for a certain period (e.g., five years), migrants usually return to their hometown. Migrants return because of various reasons, such as when their employment contract expires or when they find that their savings are sufficient to bring home. Upon returning to their area of origin, migrants usually become reluctant to return to their original work, because they earn less from such work compared with their earnings abroad. Moreover, migrants do not possess specific skills from overseas that could be a capital for them to find a high-paying job. Furthermore, the level and pattern of consumption while abroad is already instilled and difficult to change. With these conditions, the migrant will eventually attempt to return abroad to find a job.

Thus, the current research confirms the findings of Andersen and Christensen (2009), who stated that the departure of migrants working abroad affects the economy in the context of employment, their remittances coming into the country as family income (Augustine and Sunday, 2015), and foreign exchange. At the household level, in the short term, the increase in income (from remittances) is accompanied by increased expenditures, which reflects the growth in family welfare from an economic perspective. The majority of migrant families clearly have a trade-off with the emergence of social problems, which are often unsolvable. In the long term, their capitals do not accumulate. Thus, the migrant families return into the cycle of poverty. The children in these families may potentially follow the work patterns of their parents and become migrant workers.

5. Conclusion

This study investigated the benefits of migration from the perspective of migrants and their families as well as its benefits for the economy. Migration benefits migrants, in the short term, in the form of remittances to their families. In the long run, such benefits are reflected in the consumption patterns of the migrants and their families. The survey was conducted by collecting detailed information on the income, expenditure, and savings of migrant families from remittances. The results of the test for equal means revealed that their income significantly increased, followed by an increase in other types of spending. However, expenditure on luxury goods also increased, whereas expenditure on education and the savings rate did not increase significantly.

In addition, this study revealed the underlying reasons of the migrant's decision to work abroad, migrant conditions when working abroad, and their consumption patterns when they are abroad and upon their return to their country of origin. This study did not fully expose the social conditions of migrants and their families. However, performing an economic analysis may provide more meaning to their in-depth explanations. In addition, the in-depth interviews with several informants focused more on profound research questions.

Future research on this topic can use secondary data and econometric models to ensure extensive coverage and to reduce the perception bias, which comes as a result of employing qualitative methods. However, such an approach is limited by the availability of detailed data about economic variables on migration at the city or state level.

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