

REMITTANCES AND HOUSEHOLD CONSUMPTION IN GEORGIA: EVIDENCE FROM HOUSEHOLD SURVEY DATA

PREPARED BY:

Elene Seturidze
Tatia Khidasheli

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BACKGROUND

Remittances constitute one of the most important external income sources for Georgian households, accounting for more than 10 percent of GDP in recent years. Large-scale emigration to countries such as Russia, Italy, Greece, Germany, and the United States has made remittance inflows a central component of household livelihoods, particularly for vulnerable and lower-income groups. Beyond their macroeconomic role, remittances are widely believed to influence household welfare and consumption behavior by supplementing income and easing liquidity constraints.

Despite their growing importance, empirical evidence on how remittances are associated with household-level outcomes in Georgia remains limited. In particular, it is not well understood whether remittances primarily support basic consumption and vulnerability reduction, or whether they are also reflected in higher expenditures on health, education, housing, and other welfare-enhancing categories. Moreover, the extent to which remittance-receiving households differ systematically from non-receiving households in terms of demographic composition and socio-economic characteristics has not been comprehensively documented.

This study provides a micro-level analysis of the relationship between remittance receipt and household welfare in Georgia, focusing on household consumption levels and expenditure composition. Using nationally representative household survey data, the analysis examines whether remittance-receiving households exhibit higher consumption and distinct spending patterns relative to non-receiving households, and whether these associations persist after accounting for household characteristics and regional differences. The analysis is guided by the following research questions:

- Do households receiving remittances exhibit higher levels of consumption than non-receiving households?
- How does remittance receipt relate to the composition of household expenditures, particularly spending on food, health, education, and other key categories?

- Are the observed differences in consumption associated with remittances robust to controlling for household demographic characteristics and regional variation?

DATA DESCRIPTION

This study uses microdata from the Integrated Household Survey (IHS) conducted by the National Statistics Office of Georgia (Geostat). The IHS is a nationally representative household survey that collects detailed information on income sources, consumption and expenditure, demographic characteristics, and living conditions. The unit of analysis is the household. Quarterly observations are aggregated to annual averages to smooth short-term fluctuations and ensure comparability across households. The analysis covers 2024 year.

Remittance receipt is measured using reported cash income received from abroad. Based on this information, households are classified as remittance-receiving or non-receiving using a dummy variable. Household welfare is proxied by total household consumption expenditure, which is widely regarded as a more reliable indicator of living standards than income. In addition, the dataset allows for a detailed decomposition of consumption into major expenditure categories, including food, health, education, housing and utilities, transport, and other non-food items.

DESCRIPTIVE STATISTICS

This section presents weighted descriptive statistics comparing remittance-receiving and non-receiving households. Table 1 highlights differences in household characteristics. Average household size is similar across the two groups; however, remittance-receiving households tend to have slightly more children and working-age adults, and fewer pension-age members, particularly pension-age women. These patterns are consistent with migration decisions that leave dependents behind and suggest that remittances play an important role in supporting households with higher dependency needs.

Table 2 documents substantial differences in household welfare and expenditure patterns. Remittance-receiving households exhibit markedly higher total consumption, averaging about GEL 1,535 monthly compared to GEL 1,302 among non-recipients, a difference of nearly 18 percent. In addition to higher overall consumption, remittance-receiving households spend more in absolute terms on food, health, education, energy, and transport. Notably, spending on health and education is considerably higher among remittance recipients, consistent with the hypothesis that remittances help relax liquidity constraints and enable greater investment in human capital and household well-being.

Overall, these descriptive patterns suggest that remittance-receiving households differ systematically from non-receiving households in both demographic composition and consumption behavior. While these descriptive differences are informative, remittance receipt is not random and may reflect household characteristics associated with both migration decisions and welfare outcomes. The next section therefore examines the relationship between remittances and household welfare using multivariate regression analysis.

Table 1. Household Characteristics by Remittance Status

Variable	Non-recipient households	Remittance-recipient households
Household size	3.21	3.25
Children	0.25	0.30
Adults	0.35	0.41
Working-age men	0.95	0.94
Working-age women	0.85	0.90
Pensioner men	0.26	0.23
Pensioner women	0.57	0.47

Table 2. Household welfare and expenditure by Remittance Status

Variable	Non-recipient households	Remittance-recipient households
Total consumption (GEL)	1,302	1,535
Food expenditure (GEL)	463	494
Health expenditure (GEL)	132	171
Education expenditure (GEL)	33	54
Energy expenditure (GEL)	140	175
Transport expenditure (GEL)	133	164

EMPIRICAL STRATEGY

This section examines the relationship between remittance receipt and household welfare using cross-sectional household-level data from the Integrated Household Survey (IHS). Given the observational nature of the data, the analysis focuses on estimating conditional associations between remittances and household consumption rather than causal effects.

Household welfare is proxied by total household consumption expenditure, expressed in logarithms. Consumption is commonly used as a welfare indicator in household surveys, as it better captures long-term living standards and smooths short-term income fluctuations relative to income measures.

The empirical specification is given by:

$$\ln(C_i) = \alpha + \beta \text{Remit}_i + X_i'\gamma + \delta_r + \varepsilon_i,$$

where $\ln(C_i)$ denotes the logarithm of total household consumption of household i ; $Remit_i$ is a binary indicator equal to one if the household reports receiving remittances from abroad and zero otherwise; X_i is a vector of household-level control variables; δ_r represents region fixed effects; and ε_i is an error term.

The selection of control variables is guided by the objective of reducing omitted-variable bias while avoiding conditioning on variables that may lie on the causal pathway between remittances and household welfare.

First, region fixed effects are included in all specifications to absorb time-invariant regional heterogeneity in migration networks, labor-market conditions, access to public services, and cost-of-living differences. These factors may jointly influence both the likelihood of receiving remittances and household consumption levels.

Second, the analysis controls household size and demographic composition, including household size, working-age adults, and pension-age members. These variables capture differences in household needs and lifecycle structure that are strongly correlated with consumption outcomes and may also be related to migration decisions.

Third, characteristics of the household head, age, gender, and educational attainment, are included as proxies for long-run human capital and baseline socio-economic status. Educational attainment is modeled as a categorical variable distinguishing low, medium, and high levels of education (low education level is regarded as a base group), allowing for non-linear effects of human capital on welfare while avoiding restrictive functional-form assumptions.

To assess the robustness of the estimated relationship between remittance receipt and household welfare, the analysis proceeds through a sequence of nested specifications. The first specification includes only the remittance indicator and region fixed effects, capturing the raw association between remittances and consumption after accounting for spatial heterogeneity. The second specification adds controls for household size and demographic composition, allowing the analysis to disentangle the association between remittances and consumption from differences in household needs and lifecycle characteristics. The third specification further incorporates household head characteristics and educational attainment, providing a more comprehensive adjustment for observable socio-economic differences across households. Stability of the estimated remittance

coefficient across specifications is interpreted as suggestive evidence that the association is not driven by a narrow set of observable confounders.

All regressions are estimated using ordinary least squares (OLS). Household sampling weights are applied to ensure national representativeness, and robust standard errors are used to account for heteroskedasticity.

EMPIRICAL RESULTS

Table 3 presents estimate from a series of ordinary least squares regressions examining the association between remittance receipt and household consumption. Column (1) reports the baseline specification, which controls only for region fixed effects. The estimated coefficient on remittance receipt is positive and statistically significant, indicating that households receiving remittances exhibit consumption levels approximately 22 percent higher than those of non-receiving households, after accounting for regional heterogeneity.

Column (2) augments the baseline specification by including controls for household size and demographic composition. The estimated remittance coefficient remains virtually unchanged in both magnitude and statistical significance, suggesting that differences in household needs and lifecycle structure do not account for the observed consumption gap between remittance-receiving and non-receiving households.

Column (3) presents the preferred specification, which further controls for household head characteristics and educational attainment. In this fully specified model, remittance-receiving households exhibit consumption levels approximately 24 percent higher than comparable households that do not receive remittances. The stability of the remittance coefficient across all specifications, together with its consistently large magnitude, points to a robust positive association between remittances and household welfare.

The estimated coefficients on the control variables are largely consistent with economic intuition. Households with a greater number of working-age members display significantly higher consumption levels, reflecting higher earning capacity. In contrast, the age of the household head is negatively associated with consumption, potentially capturing lifecycle effects or declining labor-market

attachment at older ages. Educational attainment of the household head exhibits a strong positive gradient, with households headed by individuals with medium and high levels of education displaying substantially higher consumption, underscoring the importance of human capital in shaping household welfare outcomes.

Table 3. Regression results

	(1)	(2)	(3)
	ln_cons	ln_cons	ln_cons
Receives remittances	0.215*** (0.034)	0.216*** (0.030)	0.238*** (0.029)
Household size		0.112*** (0.010)	0.093*** (0.009)
Working-age adults		0.134*** (0.014)	0.150*** (0.014)
Pensioners		0.069*** (0.016)	0.174*** (0.020)
Age of household head			-0.007*** (0.001)
Female household head			-0.107*** (0.021)
Medium education			0.100*** (0.033)
High education			0.354*** (0.036)
Observations	7667.000	7667.000	7589.000
R-squared	0.066	0.327	0.381

Standard errors in parentheses

* $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$

CONCLUSION

The empirical results reveal a strong and robust positive association between remittance receipt and household consumption in Georgia. Across all specifications, households receiving remittances from abroad exhibit substantially higher consumption levels than otherwise comparable non-receiving households, even after controlling for household composition, household head characteristics, educational attainment, and regional fixed effects. The stability of the estimated remittance coefficient across increasingly rich model specifications suggests that the observed relationship is not driven by a narrow set of observable household characteristics.

Beyond overall consumption levels, the results point to meaningful differences in the composition of household welfare among remittance-receiving households. Combined descriptive and regression evidence indicates that these households tend to allocate relatively more resources to expenditure categories such as food, health, education, energy, and transport. This pattern is consistent with the interpretation of remittances as an important income-smoothing mechanism that supports both basic consumption needs and human-capital-related expenditures. In this sense, remittances appear to play a stabilizing role in household welfare, potentially buffering households against income volatility and liquidity constraints.

Several limitations of the analysis warrant careful consideration. First, the reliance on cross-sectional data restricts the ability to identify causal effects of remittance receipt on household welfare. Unobserved household characteristics, such as migration ability, risk preferences, social capital, or unmeasured pre-migration wealth, may simultaneously influence both the likelihood of receiving remittances and observed consumption outcomes. Although the inclusion of detailed household-level controls and region fixed effects helps address observable selection, residual unobserved heterogeneity cannot be ruled out.

Second, remittance receipt is measured using self-reported survey information, which may be subject to reporting error or under-reporting, particularly for informal transfer channels. Such measurement error could attenuate estimated coefficients or introduce additional noise into the analysis. Moreover, the binary

treatment of remittance receipt abstracts from potentially important dimensions of remittance flows, including transfer amounts, frequency, regularity, and long-term predictability, all of which may shape household consumption and investment behavior.

Third, the analysis focuses on contemporaneous household consumption and does not directly examine longer-term outcomes such as asset accumulation, productive investment, labor-supply responses, or intergenerational effects. Consequently, the findings should be interpreted as reflecting short-run or contemporaneous welfare associations rather than long-run impacts of migration and remittance dynamics.

Despite these limitations, the analysis provides systematic micro-level evidence on the relationship between remittance receipt and household welfare in Georgia. Using nationally representative household survey data, the study documents robust and economically meaningful associations between remittances and consumption-based measures of welfare, contributing to a clearer empirical understanding of how international migration and remittance flows are reflected in household living standards. While the findings should not be interpreted as causal, they underscore the relevance of remittances for household resilience, social protection, and inclusive economic development.

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www.iset-pi.ge

iset-pi@iset.ge

+995 322 507 177