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# Migration and rural development: The impact of remittance

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**Abstract.** In Indonesia rural society, remittance sent to families is more economical and routine since it is used to meet the families' life necessities, education, and health, as well as to support the life necessities of whom are taking care of the family during the migrants are in destination areas. Remittances sent to families in migrants' homelands are ideally using for production and investment activities. This usage of remittances gives a positive impact on homelands development, especially can be seen clearly in rural areas. This research will consider the relationship of remittance and rural development. The data collected included qualitative data from in-depth interviews and supported by study works of literature. Expectations of this research are remittances from migrants will improve rural development. This research showed that remittance is not only eagerly by migrants' families, but also giving advantages for their homelands. Improvement of rural economy will strengthen the national economy and development.

## 1. Introduction

The orientation of migration is an act at crossing territorial, social, and economic boundaries, for which there is one family member who lives in another area [1,2]. The pattern of remittance is one part of a series of interactions and levels of obligation, the reciprocal relationship between interdependent relationships and the dependencies that exist between individuals widely or separately in an environment to maintain the relationship socially and economically. This paper explains the role of remittances in a variety of migrant conditions trace the changing pattern of remittances and evaluate the importance of remittance payments to individual interests or the interests of the national economy. It considers that the concept of 'remittance-society' in the South Pacific and elsewhere, and in short in determining various forms of this occurrence including remittances originating from migrants, also includes expectations and relationships of mutual need that maintained between migrants and the area of origin of relatives/family and sacrifice are also difficulties often experienced by many migrants to fulfil their obligations back to the area of origin.

Remittance is one of the income sources of countries, especially of developing countries which plays an essential role in term of equalization of the countries' development. Migration is as a process supporting the equalization of countries development by refining the results of production factors which are unbalanced [3]. The recent studies showed that there was a positive impact of rural-urban migration in the form of remittance flow from migrants to their homelands [4,5,6].

The World Bank stated that remittance was an important source to support finance, which was increasing migrants' incomes directly [7]. Remittance supports household investments in health, education and small home businesses. Migration through remittance, in turn, will affect the prosperity of migrant families and the development of their homeland. Initially, remittance defined as money or goods sent by labors to their homelands, while they still stay at destination areas. However, that definition had expanded to that remittance was not only money and goods but also including skills and new ideas. Skills and new ideas have a significant favorable influence on rural developments such as work methods, methods of how to build houses, pleasant environment and healthy life.



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Recent research tries to understand the role of remittance towards the progress of rural developments. On the one hand, there are many studies state that remittance offers a positive impact on the advance and development of rural areas. Through remittance, migrant families staying in the village can manage the remittances, mainly in the form of money, by using it in productive activities which can increase their prosperity, and in the enormous scope, they can advance the development in villages. However, there are remittances used only for consumptive activities which do not increase their living standards.

This research uses qualitative studies with in-depth interview and literature reviews from our sample location in Kulon Progo, Bantul and Gunung Kidul (Daerah Istimewa Yogyakarta), Lamongan and Malang (Jawa Timur), Indramayu (Jawa Barat), Cilacap, Sukoharjo (Jawa Tengah), Soe (Nusa Tenggara Timur), Pangkajene Kepulauan (Sulawesi Selatan), Lombok Utara and Lombok Timur (Nusa Tenggara Barat), Bangka Belitung, Batam and Tanjung Pinang (Kepulauan Riau), Pontianak (Kalimantan Barat) and Fak-fak (Papua Barat). Expectations of this research is remittances from migrant will improve their family status (micro level) and rural development (meso level).

## **2. The Relationship of Migrants and Their Left Behind**

In the migration process, communication technology is a tool to maintain social ties of migrant. Dekker and Engbers argue that new communication channels opened by social media can transform migrant networks and thus facilitate migration through four essential functions: (1) by strengthening strong ties with family and friends; (2) by creating weak ties to individuals that can assist in the process of migration (and integration); (3) by creating a network of latent ties; and (4) by creating a rich source of 'insider knowledge' on migration. Information from social media has an advantage because there are sure of various parties [8].

The advances in communications technology have opened up opportunities for people to migrate and make it easier. Interactions within communications technologies make migration easier by reducing the costs and risks of moving and also strengthen the family ties. With social media, communication and interaction in the virtual world become more interactive. The development of internet technology has minimized geographical boundaries from country to country and sensitized people to move.

The revolution in communications technology is vital for migrants and non-migrants, which has separated geographically from the area of origin. Technology makes it possible to access a broader range of individuals to whom we are weakly tied, if at all and can serve to bridge activities [9]. The migrants still have a connection with their family left behind in transnational networks [10]. Through the internet and social media technology, physical distance becomes smaller. This media has lowered the cost and risk of migration [11].

## **3. Remittance and Rural Development**

The development is a massive social change of state of one lead to the new circumstances better [12]. These changes include all areas of human life. The planned development of man to man himself. So that development can take place and be successful, not only required considerable capital and technical knowledge but also preferably of human or citizens with a sense of responsibility. The development will not succeed only with capital and technical course without being followed by human development.

All development involves even intended for the public, but as a method, the development community has its character [12]. Community development does not only mean to foster relationships, and the lives of everyone to build a society for every unit of society has its strengths example of harmony, intimacy, solidarity and togetherness. Previous study suggested that the factors that influence the development are

economic factors, socio-cultural factors that include demographic factors, the structure of society, mental education, structural poverty and motivation [13]. All of these factors have a clear link with each other and can be strengthening the development process.

Remittance is the transfer of money, goods and developmental ideas from urban to rural areas which act as an essential instrument of socio-economic life of the society. Remittance is money or goods sent by migrants from destination areas to homelands. Remittance is divided into two are remittance from international migration and remittance from internal migration. On the economic view, the existence of remittance is fundamental since it can increase family incomes and increase the advance of the receiving society. Besides of being an instrument of economic change, remittance is also having a tremendous impact on the social and cultural life of family, receiving society and the homelands.

Remittance in the context of migration in developing countries was an effort of migrants to maintain the continuity of their socio-economic bond with their homelands, though they were far apart geographically [14,15]. Besides, migrants sent remittances since morally and socially; they had shared responsibility on their families they left. The society would appreciate the migrants who are routinely sending remittances to their homelands, and contrarily they would demean migrants who are unable to meet their obligations and responsibilities. The society gave better appreciation to migrants who send remittances to their families routinely. Generally, the remittances referred to are in the form of money, which can directly increase the incomes of migrants' families and as essential sources to meet their daily needs [16].

Remittance is a part of migrant's income reserved to send to the homeland [17]. Thus, it stated that the more the income of migrant, the more the remittance to send to the homeland. A remittance is a form of relationship between migrants, and they are left behind. Remittance is an essential indicator in the socio-economic life of receiving society since it can increase the economy of families in homelands. In a broader perspective, remittances from migrants are considered as instruments to refine the balance of payments, to stimulate savings and investments in homelands. Therefore, remittance is a crucial component to aligning labors mobility with the homelands development process.

Money transfer done by migrants is a primary indicator that can be used to assess the relationship between migration and development. Money transfer done by labours to their families in their home countries becomes an essential source of foreign exchange of developing countries. Remittance was a money transfer, which became considerable cash worldwide [18]. In many countries with substantial internal mobility, money transfer is also abundant at the national level. Remittance often is a big part of incomes obtained from migrants, and it is expected to be migrants' obligation to transfer money for families they left which give a contribution to the prosperity of the families and to rural development advance.

#### **4. Remittance for Consumptive Use**

In Indonesia rural social life, remittance is an economic routinely between migrant and their family left behind. Remittance besides being sent to migrant families, is also sent to members of village society and for the village's needs. Remittance sent to families is more economical and routine since it is used to meet the families' life necessities, education and health, as well as to support the life necessities of whom are taking care of the family during the migrants are in destination areas.

Related to daily needs of families, a large number of remittances sent by migrants are for supporting their relatives/families in homelands. Migrants have a duty and responsibility to send money/goods to support their every-day life costs, mainly for children and elders. These were found by Cadwell in Manta) in a study in Ghana, Africa. Which isn't this area, 73% of the total remittance sent by migrants were to meet the daily needs of families in homelands [19].

The remittance used for daily needs sometimes has just a little positive impact on the development process. Migrants' families who use remittance tend to use it for consumable things like less urgent consumptions or goods like handphone, television, radio, or other consumable goods. Migration from rural to urban areas had significant role towards asset ownership (including motor vehicles and lands) in migrants' homelands (Case study in Lamongan, Kulon Progo, Indramayu, Lombok Timur, Cilacap, and Sukoharjo). The use of remittance for daily needs is perceived to have less impact on development, especially in rural areas. It will be more give positive impact if the remittance used for production processes like purchasing agricultural land, which will undoubtedly give measurable economic impact on both progress of rural developments and economic condition of migrants families themselves.

### **5. Remittances Encourage Rural Development**

Money transfer from labours to homelands considered as an indicator of an economy which is relevant to the migrations. The purpose of remittance transfer will determine the impact of remittance on homelands development. In economic analysis, remittance may affect both microeconomic and macroeconomic. In terms of macroeconomic, remittance: 1) contributes to the prosperity of receiving families and provides temporary emergency money stock; 2) tends to increase during the economic crisis and natural disasters; 3) increases the living standards through human investment and capital investment (health, nutrition, education) and builds assets (e.g. real estate, business, saving); 4) generates effects influencing families and society beyond the receiving families, among others, due to the increase of consumptions. In terms of macroeconomic, remittance provides a stable flow of funds, gives an essential source of foreign exchange for the country, and addresses the pressure on the value of the local currency in the case of high remittance flow [20].

Remittances sent to families in migrants' homelands used for productive and investment activities. This usage of remittances gives a positive impact on homelands development, especially can be seen clearly in rural areas. Remittances used for productive investments refer to the activities which are increasing the household's capacity to generate more money. A case study performed in Indonesia showed that migration from rural to urban areas had a significant role in asset ownership (including motor vehicles and lands) in migrants' homelands. Migrant's family with agricultural land, were tending to use the remittance for investment purpose. That proved that the rural-urban migration and remittance were not only for consumption but also for investment purpose [21]. Another study in Botswana showed that remittance usually is invested in the forms of fixed capital like lands, livestock, or houses [22].

The impact of remittance investment can be seen clearly in rural areas, especially in agricultural areas where the remittance becomes capital of investment. The capital flow of remittance can increase investment by giving credits and or reducing credit costs. In areas where the credit markets are minimal, remittance becomes an alternative to substitute the credit role. A study was done by Gonzales [23] in the Philippines showed that international migration and remittance had changed the productive practices in agriculture. Remittance had increased capital availability so that agricultural families might have opportunities to increase their production using advanced technology. Furthermore, this study had found that an increase of remittance of 10% could increase the probability of agricultural lands to produce 2-3% more using hand tractors and 4-5% more using threshers. A small number of paddy land which used self-irrigation was growing up to 2% more. In Indonesia, international migration and remittance changes the agriculture's method in Jawa Timur, Jawa Tengah and Daerah Istimewa Yogyakarta from traditional to mechanic method with new technology.

Another study by Atamanov and van den Berg on agricultural families in the Republic of Kyrgyz showed that migration could reduce the harvests along with the reduced number of labours in villages due to their migration to outside areas [24]. However, the money transferred (remittance) to homelands could alleviate the obstacles like barriers of credit disbursement in rural areas and encouraged agricultural production through productivity increase. These favourable impacts were different amongst the

farmers with different land areas while the positive influence of remittance would be lower for farmers who had more massive land.

Migrants from Pleret, a small rural in Kulon Progo Daerah Istimewa Yogyakarta, also routinely sent money for their hometown via their community. The migrant has been contributing funds to their homeland since 17 years ago. It is due to them their village has a 2 kilometres paved road. This activity shows that remittances is not just for consumptive of their family, but gave contribution or small-scale village development. Based on an in-depth interview with the member of the community, they have plans to start a charity program to assist with the students who need help with funding for the school. They believed education is fundamental to development and economic growth in their village.

The impact of remittances on rural development also seen in Siman, Lamongan. Migrants from this village joined “Paguyuban Siman Jaya”, and this community is raising and managing donations from remittances. Migrants from Lamongan known as food dealers of *Soto Lamongan* and *Pecel Lele* in Jakarta, Surabaya, Bandung and another city. Migrant routinely sends money through the community for their village. The contribution of these migrants allows the village to have the grandest mosque, paved road, and many more.

The rural-urban migration and remittance were not only for the purpose of consumption, but also for investment purpose (case study in Pontianak, Batam, Bangka Belitung, Fak-fak). Using remittance for productive activities/investments can encourage development progress, especially the development of the economy in rural areas. Economic development initially started by investment, which encouraged economic growth. Economic growth in migrants’ homelands can be perceived as an impact of remittance if the remittance is not used to consume final goods directly, but invested to work, physical and human capital formation.

## 6. Conclusion

Migration, remittances and development in a country are closely related to one another. Migration of the population is an integral part of the overall development process. In the case of Indonesia, migration and remittances can be a solution and economic development, especially in rural development. The rural area is an essential part of planning and development. Most of the people in developing countries live in rural areas, but ironically, it is directly proportional to the condition of poverty, where pockets of poverty are also in rural areas. Rural communities are mostly subsistence farmers; it is challenging to climb out of poverty. The resilience of a nation should be built from the village. Improvement of rural economy will strengthen the national economy and development.

Remittance is an important thing which cannot be separated from the migration process. Remittance is also a product generated by migrants as very desirable rewards and very eagerly by migrants’ families in homelands. However, remittance is not only eagerly by migrants’ families, but also giving advantages for their homelands. Thus, remittance can be defined as a process migration which is sent to homeland both in the form of materials like goods or money and immaterial like the increase of skills and developmental ideas which have advantages for migrants’ homeland.

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