Migration and Social Networks in Kyrgyzstan: Informal Transfers in the Sending Communities

Preliminary version (Please do not cite without authors' permission)

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Abstract:

Previous research investigating the link between social networks and migration pays little attention to the possibility that migration might affect the degree of informal exchanges within networks in sending communities. In this paper, we argue that remittances, which provide an uncorrelated source of income, could either strengthen or weaken the degree of informal transfers within social networks. We use data from a detailed household survey in Kyrgyzstan, designed by the authors, to empirically study the effect of migration and remittances on both financial and non-financial informal transfers. We find that migrant households provide more financial transfers and receive more non-financial transfers compared to non-migrant households, particularly in rural areas. Furthermore, we find that the transfer of non-financial help, in the form of labour, takes place only in the presence of labour constraints within the household. We argue that focusing only on monetary transfers, as is common in the previous literature, might lead to incorrect conclusion about the altruism versus self-interest motives of households.

Keywords: Migration, Informal Transfers, Mutual Help, Kyrgyzstan, Central Asia

JEL classification: D01, F22, O15

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1. Introduction

A large body of the literature on international migration is devoted to estimating the welfare implications of migration and remittances for the family members left behind. The main channels through which migration and remittances are believed to increase welfare and potentially alleviate poverty are increased incomes, higher investment in health care and education, better ability to smooth consumption, increased access to finance for starting a new business as well as knowledge transfer.[1]. Another channel through which migration or remittances may affect welfare is the possibility of increased private transfers (possibly in the form of risk sharing)between households in the migrant sending communities. If this involved non-migrant households, the welfare improvements would not be limited to households that send migrants abroad and/or receive remittances but would extend to the wider community. Even though the migration literature emphasizes that migration and remittances affect all households in migrant sending communities, and not only the migrant households (Ratha et al 2011), few investigate the extent to migration affects inter-household transfers in migrant sending communities. In this paper, we fill this gap in the literature.

Our paper also contributes to the literature on private transfers. Cox and Fafchamps (2008) emphasize the importance of help exchanges within informal social networks for the economic well-being of households belonging to the networks. They argue that social networks fill the absence of formal credit markets in poor countries and that autonomy is not a viable option for most households. Infact, a large body of evidence shows that social networks facilitate access to credit, or risk-sharing, within village economies in the absence of perfect insurance markets (for example, Ligon et al. 2002, Fafchamps and Lund 2003, Fafchamps and Gubert 2007). However, sending a household member abroad might make autonomy a more attractive option by increasing a households' income from uncorrelated sources. (Morten 2010). This would result in fewer private transfers between households. In contrast, households that receive remittances might transfer more money to households that do not receive remittances in order to insure them (Morten 2010). Hence, migration and remittances may weaken or strengthen mutual help and affect the welfare distribution within migrant sending communities. In this paper, we explore the extent to which migration and remittances influence private transfers in migrant communities. .

To our knowledge, only two studies attempt to answer a similar question - Gallego and Mendola (2011) and Morten (2010). Gallego and Mendola explore whether migration increases participation of the migrant sending households in social networks – both in

[1] See Ratha et al 2011 for a detailed discussion and review of this literature.

formalised groups as well as in informal mutual arrangements – in the context of Mozambique. They show that households with so-called successful migrants (those who receive remittances or have return migrants) participate more in social networks. In contrast, our focus is on the exchange of private transfers between households with and without current migrants. Morten investigates the role played by remittances in insuring migrant sending households and their networks in the context of India. She finds that remittances respond to aggregate shocks in households' networks and hence contribute to informal risk-sharing. Our paper departs from Morten's in that we do not restrict our analysis to risk-sharing but are interested in all private transfers , in times of risk and otherwise.

We argue that shocks are only one of several potential mechanisms that trigger private transfers. The mere need for help, especially in households where the elderly are left behind by their migrant children, is another possible reason. In line with the informal insurance literature, we assume that private transfers are made with the expectation of future reciprocity, regardless of the size and the form of the compensation (Fafchamps 1992, Coate and Ravallion 1993, Fafchamps and Gubert 2007). Furthermore, we distinguish between monetary private transfers and non-monetary private transfers, which further distinguishes our paper from Gallego and Mendola (2011) and Morten (2010). Non-monetary transfers are labour transfers in this paper. Some of the literature on private transfers recognizes that these can take a variety of forms –money, in-kind help, or labour assistance (Fafchamps 1992, Platteau YEAR?, Morten 2010). In fact, the empirical literature on inter-generational private transfers considers labour transfers as an important mechanism to repay or exchange for monetary transfers (SOURCES!!!). In contrast, the empirical literature on mutual insurance networks largely ignores the possibility of non-monetary transfers. We argue that it is important to consider more than just monetary transfers to get a complete picture of transfer patterns within social networks. In line with the literature on inter-generational transfers, it may be some households provide monetary transfers to which others return non-monetary help.

We depart from this previous literature by distinguishing sharply between monetary and non-monetary transfers. However, the aim of our study is not to identify possible transfer motives. Rather our findings emphasize the importance of including labor assistance to correctly identify the motive of transfers in mutual insurance networks. By focusing only on monetary transfers, we might fail to reject a theory of altruism more often, while reciprocity is the true underlying mechanism. To see why consider the case of migrant and non-migrant households in this study. If we only had information on monetary exchanges between households, and the data revealed that migrant households are more likely to provide monetary help to non-

migrant households, then we would infer altruism or patronage to be the underlying mechanism. However, there could be reciprocal transfer of labor assistance from non-migrant to migrant households which would render the above inference wrong. In fact, as we discuss below, using detailed information on monetary and non-monetary exchanges, our study reveals that within the solidarity networks of migrant communities exchange of monetary as well as non-monetary help is a common phenomenon.

Disentangling the effect of migration and remittances on private transfers demands detailed data on household migration and remittance history. Moreover, it requires information on household level participation in informal exchanges with members of their social networks. We conducted a detailed household survey covering 3,000 households in Kyrgyzstan, the Life in Kyrgyzstan (LiK) survey, which constitutes our main source of data for this analysis. Designed by the authors at the German Institute for Economic Research, the LiK has retrospective history of migration patterns for each member of the household along with information on monetary and non-monetary transfers of each household member to other members of their social network.

While migration is a common feature of many developing countries, the case of Kyrgyzstan is particularly interesting because of its high incidence of labour migration, typically leaving behind the women, children and elderly members of the household. Based on the LiK data, we estimate that close to 4 percent of the total population are temporary migrants. In the south of the country, the share of migrants is substantially higher at around 9 percent. Moreover, providing private transfers and mutual help within social networks is an essential feature of the Kyrgyz society. Informal social networks based on kinship and neighbourhood have played an important role in Kyrgyzstan, in pre-Soviet times, during the Soviet period, and still today (Coudouel et al. 1997, Kuehnast and Dudwick 2002). Anecdotal evidence from Howell (1996) also suggests that borrowing food and money from their relatives and neighbours in times of economic stress is a common practice in southern Kyrgyzstan. For the case of Kazakhs, which are culturally very close to Kyrgyz, Werner (1998) explains that social networks are usually maintained through the exchange of hospitality and gifts as well as through the reciprocal exchange of labour and social services.

Empirically, identifying the effect of migration on transfer behaviour within sending communities could be confounded by simultaneity and unobserved heterogeneity. Simultaneity can be a problem if communities experience more out-migration in response to a greater role of social networks in these communities which enhances information sharing. To address this issue, we look at the effect of past migration on current decisions to make

informal transfers. Unobserved heterogeneity might drive migration decisions as well as the decisions to make transfers at the community level. Hence, we look across households within each community (defined at the rayon level), using community fixed effects, to estimate the effect of migration on the decision to cooperate for a migrant sending household.

Our preliminary findings (without controlling for self-selection of migration) indicate that migrant households make more financial transfers than non-migrant households, at least in urban areas. This is reasonable as most migrant households in our sample receive remittances. In terms of non-financial transfers, however, we do not observe differences in the transfer behaviour between migrant and non-migrant households. Only when we take time constraints into account, we find that rural households without migrant members provide more non-financial help relative to households with migrants when they are less constrained by time (i.e. when they have few dependents). In urban areas, in contrast, it is migrant households who provide more non-financial help when they are not time constrained.

The rest of the paper is organized as follows. We discuss alternative mechanisms for the relationship between migration and households' transfer behaviour in the Analytical Framework in the next section. Section 3 discusses our empirical strategy. Section 4 introduces the LiKdata. Section 5 presents the estimation results. We conclude our paper by summarizing our findings and discussing their policy implications in section 6.

2. Analytical Framework

In the following, we provide an overview of mechanisms by which migration and remittances may have an effect on households' transfer behaviour. We distinguish the potential effect of migration from the potential effect of remittances, as having a migrant abroad does not necessarily have the same consequences as receiving remittances.

On the one hand, migration may strengthen the extent of private transfers within social networks if there is a co-insurance scheme between the migrant and the household left behind (Stark and Lucas, 1988) and the social network provides part of the insurance that flows to the migrant. In addition, in contexts where the young adults migrate leaving the old and possibly their own children behind, it seems reasonable to expect more help in the form of labour flowing to households that have migrants abroad. For example, grandparents are likely to rely more on outside labour - help with repairing the house or accompanying the grandchildren to school -in the absence of adult children at home. On the other hand, migration may weaken the extent of private transfers because a high rate of migration at the community level increases the level of limited commitment in mutual transfer arrangements. This is because a

high probability of people migrating decreases the credibility of future reciprocation, which is necessary in order to sustain non-enforceable transfer arrangements (Ligon et al., 2002).[2] In other words, people might choose not to provide transfers to other people who they think are likely to migrate, as reciprocity may not be possible in the future.

Analogous to migration, remittances might also enhance or reduce the extent of private transfers in migrant sending communities. Remittances may increase the extent of private transfers because they provide access to uncorrelated income processes. Remittance-receiving households are thus better able to provide transfers to their networks in order to insure them against aggregate shocks (Morten 2010).[3] This argument builds on Foster and Rosenzweig (2001) who study the effect of different degrees of altruism and income variance between individuals on the size of transfers. They show that risk-sharing is achieved at high degrees of altruism and low levels of income correlation. Even at a zero level of altruism, some risk-sharing takes place, if incomes are either independent or negatively correlated. Alternatively, remittances may be positively related to private transfers because they may provide more stable income to the household, which implies a lower risk to default in mutual transfer arrangements. In other words, remittance-receiving households become more appealing partners within networks, as they exhibit a higher income credibility (Gallego and Mendola 2011). In contrast, receiving remittances may reduce the extent of private transfers in the sending community because remittances make the outside option of autarky more attractive for remittance-receiving households. In other words, risk sharing is likely to fall whenever the value of autarky increases relative to the value of being in the contract (Albarran and Attanasio 2003:80). The remittance-receiving households can use remittances to insure against shocks and do not need to engage in mutual transfer arrangements within the community(Morten 2010).

In sum, it is not clear at the outset whether migration has a positive or a negative impact on households' transfer behaviour. The same is true for remittances. If the positive effect dominates, then we are more likely to observe transfers being made by the remittance receiving households who are in a better position to provide monetary help compared to households that do not receive remittances. Monetary transfers in this form, flowing from

[2]Ligon et al. (2002) assume that informal insurance arrangements are sustained by means of direct penalties of breach, such as peer group pressure or being brought before a village council, and the threat of future exclusion from insurance.

[3]Remittances have been shown to respond to income shocks and hence to have an insurance motive (Rosenzweig 1988, Yang and Choi 2007). Giesbert et al. (2011) show that households, that receive remittances, are less likely to have formal insurance which also speaks for an insurance function of remittances. What has not been studied much is whether remittances sent with such a motive are shared with the social network. Yang and Choi (2007) study how remittances from the migrant to his/her origin households change in response to income shocks.

better off to worse off households, function like public income redistribution mechanisms (Cox and Fafchamps 2008: 3733).

However, even while we observe a net flow of monetary private transfers from richer to poorer households, they could be made with the expectation of future reciprocity, regardless of the size of the compensation and whether the compensation will be in terms of money or labour. In fact, Fafchamps(1992) argues that „labor invitations and other forms of manpower assistance are an opportunity for relatives and friends to help the sick and the old". In addition, Cox and Fafchamps (2008) note that while most of the economic literature on private transfers is concerned with income effects, demographic aspects appear to be important as well. Analogous to monetary help therefore, whether or not households provide or receive non-monetary transfers is likely to depend on the resources in terms of labour and time within the household. Households that have migrants abroad are short of domestic labour within the household because they lack one or more (usually physically able) household members. They are therefore more likely to receive more non-monetary transfers compared with households without migrants.A testable hypothesis that follows from this line of argument is whether household composition matters with regard to households' transfer behaviour, especially when non-monetary transfers are considered.

3. Empirical strategy

Our aim is to understand whether migration and remittances help or hinder the degree of cooperation in the form of private transfers between households in the absence of formal credit markets. Thus, we investigate the extent to which migrant households differ from non-migrant households in their transfer behaviour. Particularly, we test whether migrant households provide more monetary or non-monetary help to other members of the community than non-migrants households. Analogously, we test whether remittance-receiving households provide more monetary or non-monetary transfers to other members of the community than households, which do not receive remittances.

Empirically, we estimate a probit model of the form:

$$Y_{ij} = \alpha + \beta_1 M_{ij} + \beta_2 X_{ij} + \beta_3 D_j + \varepsilon_{ij} \qquad (1)$$

whereY_{ij} is an indicator for transfers given or provided by household i residing in community j. We estimate separate regressions for monetary and non-monetary transfers, as well as for providing and receiving transfers. In other words, equation (1) is estimated for four alternative dependent variables. M_{ij} is a dummy variable indicating whether household i in community j has a migrant member. In a second step, M_{ij} indicates whether a household receives

remittances.We control for other household level variables, X_{ij}, that may potentially generate differential transfer behaviour between migrant and non-migrant households, or remittance and non-remittance households. For instance, X_{ij} comprises of demographic variables, like age, gender, education, and ethnicity of the household head. In addition, it is possible that involvement in social networks drives both the migration decision and transfer behaviour. To address this concern, we control for membership in a number of social groups at the community level.

Since our aim is to find out the extent to which migration affects private transfers within social networks, we need to define the network of households. We determine the potential network for a household to be the rayon (district). The average rayon in Kyrgyzstan consists of 45 villages[4] with a population of 18,384households. Cities are treated like rayons. We control for community (i.e. rayon) fixed effects, D_j, which allows us to compare the behaviour of migrant and non-migrant households, or remittance and non-remittance households, within each community or potential network.β_1 is the coefficient of interest to us.

One problem with the above model is the possibility that transfers made to a household might affect migration decisions. For instance, households that receive transfers might be less likely to send a migrant abroad. If this was the case, our estimates from the above model would be downward biased. To ameliorate such concerns of simultaneity, we exploit the panel structure of our data and run a lagged model where the migration decision is taken ahead of transfer decision by a household. Specifically, we estimate the effect of migration status of a household in period 2010 on transfer behaviour in 2011. Similarly, we also estimate the effect of remittances received in 2010 on transfer behaviour in 2011 in the following model:

$$Y_{ij2011} = \alpha + \beta_1 M_{ij2010} + \beta_2 X_{ij2011} + \beta_3 D_j + \epsilon_{ij} (2)$$

One problem with equation (1) is the potential endogeneity of migration (McKenzie et al. 2010). Even after controlling for observed differences between migrant and non-migrant households, or remittance and non-remittance households, they might have other unobserved differences that also drive differential transfer behaviour. To reduce the possibility of unobserved differences between migrant and non-migrant households, we resort to the richness of our data and match migrant and non-migrant households on a wide range of variables....

[4]The minimum number of villages in a rayon is 9, the maximum 123.

4. Data and Descriptive Statistics

The data we use in our empirical analysis comes from the Life in Kyrgyzstan (LIK) survey. This is a panel survey conducted annually between 2010 and 2012 by the German Institute for Economic Research in collaboration with Humboldt University of Berlin, The Centre for Social and Economic Research (CASE-Kyrgyzstan) and the American University of Central Asia. The LIK collects data in all seven Kyrgyz regions (oblasts) and the two cities of Bishkek and Osh. The data is representative at the national, urban/rural, and North/South levels. Households were selected by stratified two-stage random sampling based on the 2009 Census with probabilities proportional to size. The strata are formed by the regions and cities. Data is collected at the community, household, and individual levels of the sampled households. At the time of data analysis, the first two waves(2010-2011) of the LIK had been finalised. We mainly use data from the second wave in this paper because this provides more information on informal transfers compared with the data from the first wave. In the second wave, 2,863 households in 120 urban and rural communities were interviewed and 8,066 adult individuals within these households.

The interviewed households were asked whether any of their regular members were living abroad for more than one month (excluding business trips, vacations, and visits) at the time of the survey.[5] Out of the 2,863 households, 400 reported to have one or more migrants according to this definition, and 569 migrants were reported in total. This translates into 4.15percent of the total population (13,693 individuals) observed in our sample. Based on the total resident population of 5,362,816 people counted in the 2009 Census, this would mean that there were approximately 223,000 international migrants in autumn of 2011. Given the range of estimates for the number of migrants mentioned above, this number is clearly at the lower bound. It is, however, very close to the estimate of the 2009 Census, which stood at 190,000 migrants. This does not necessarily mean that the larger estimates (of up to one million migrants) mentioned above are invalid. Surveys, such as ours as well as the census, are usually unable to identify those migrants that have moved abroad with their entire families or have moved a long time ago and are hence no longer considered to be regular members of a resident household. In other words, the number of 223,000 migrants should be interpreted as an estimate of the number of temporary labour migrants.

[5] Based on the survey data, we are also able to estimate the number of internal migrants. We identify 264 internal migrants in 189 households. This translates into 1.92percent of the sample population. This estimate appears to be low given that some people consider internal migration to be at least as important as international migration (Ablezova et al. 2009). It could be that, when people move internally, they often take their families with them. In that case, we would not be able to observe them as migrants in our survey.

Table 1 provides some information on the characteristics of the observed migrants.[6]The average age of a migrant is 29 years. Two thirds of the migrants are male, and almost half are married. Three quarters of the migrants are of Kyrgyz ethnicity, and the majority of them come from the South (i.e. Osh city, Osh, Jalalabad, and Batken oblasts)[7] of the country. Ninety percent of the migrants have obtained a secondary education degree or higher. They usually go to Russia and work in either construction or trade and repair.

From the total of 2,863 households, we drop those households that have missing information on our key variables. In addition, we also drop households that had migrants in the 12 months preceding the survey but not at the time of the survey. We decided to do so because we cannot be sure whether households with a recent migration experience behave more like migrant households or, rather, like non-migrant households. This leaves us with a sample of 2,611 households, of which 382 are migrant households and 2,228 are non-migrant households. From among the 382 migrant households, 339 (i.e. 88.7percent) report to receive remittances. This is a very high share and essentially implies that the effects of migration are not easily distinguishable from the effects of remittances. We observe that there are also 82 non-migrant households that receive remittances, presumably from more extended family members or even non-relatives. So, what we do in the estimations below is to compare the transfer behaviour of a) households that have a migrant abroad with households that do not have a migrant abroad (382 vs. 2,228 households), and b) households that receive remittances – regardless of whether or not these come from migrant household members – with households that do not receive remittances (421 vs. 2,190 households). Given that these categories overlap to a large extent, we do not expect the results to deviate from each other by much.

With regard to transfer behaviour, the following questions are asked in the individual questionnaire:[8]

- *To how many people did you give any financial help during the last 12 months?*

[6]About 10 percent of the migrants are reported to be the head of the household. We then re-defined the head to be the second oldest person in the household (if the head was the oldest, which is most often the case) in order to compute the head's characteristics that we control for in the regressions.

[7] See the Appendix for a map of Kyrgyzstan.

[8]The LIK contains some information about the partners in these transfer arrangements. Individuals were asked what group their transfer partners mainly belonged to. Partners are mostly relatives, and this is true for all forms of informal transfers. Conditional on having made or received a transfer, in between 60 percent (for giving non-monetary transfers as well as receiving non-monetary transfers) and 73 percent (for receiving financial transfers) of the cases, individuals report to have made transfers to or received transfers from relatives. Other relevant groups are neighbours and friends, with neighbours being more important in the case of non-monetary transfers. This is in line with previous research, which has found that family and kinship networks are most important to households (Fafchamps and Lund, 2003).

- *From how many people did you receive any financial help during the last 12 months?*

- *To how many people did you give any non-financial help (e.g. repairing house, preparing celebrations, homework help) during the last 12 months?*

- *From how many people did you receive any non-financial help (e.g. repairing house, preparing celebrations, homework help)during the last 12 months?*

Based on these questions, we compute four alternative household-level dummy variables (our dependent variable in the below estimations) indicating whether or not any household member provided transfers to others or received transfers from others.[9]The first two variables (*give_financial* and *receive_financial*) take on the value of 1, if any member of a particular household reported to have made or received a monetary transfer in the last year, and 0 otherwise.[10] Accordingly, the other two variables (*give_nonfinancial* and *receive_nonfinancial*) take on the value of 1, if any member of a particular household reported to have made or received a non-monetary transfer in the last year, and 0 otherwise. Out of the total number of households, half provided monetary transfers to others (Table 2).Again, half provided non-monetary transfers to others. About two fifths of the households received monetary transfers, and again two fifths received non-monetary transfers.[11]Households are not necessarily either pure givers or receivers. Of all those households that give or receive monetary transfers, 48 percent both give and receive. 31 percent only give and 21 percent only receive. Among those that give or receive non-monetary transfers, 67 percent both give and receive, while 24 percent only give and 9 only receive.

Figure 1sheds some light on the difference between migrant and non-migrant households in terms of transfers made and received. Whereas the shares of migrant and non-migrant households that provide monetary transfers and that receive non-monetary transfers are almost identical and not statistically significantly different from each other, the shares differ significantly in the cases of receiving monetary transfers and giving non-monetary transfers. Significantly more non-migrant households receive monetary transfers (44 percent compared with 36 percent for migrant households), and more non-migrant households provide non-monetary transfers (53 percent compared with 42 percent for migrant households). Figure 2 illustrates differences in transfer behaviour between remittance and non-remittance

[9]This is necessary as transfers are assumed to be made between households, not between individuals. This means that even if an individual provides the help physically to someone else, it is a household level decision to do so.
[10]It has to be noted that financial transfers may include loans as well as gifts. In the third wave of the LIK, we ask the households to distinguish between loans that contain an interest, interest-free loans, and gifts.
[11]Cox et al. (1998) studied informal transfers in Kyrgyzstan in the early 1990s. They find that only 12 percent of all surveyed households were net recipients and 9 percent net givers. However, their reference period is only the last 30 days.

households. As expected, this pattern is very similar to the one for distinguishing the households by their migrant status. Yet, the difference between the two groups is now statistically significantly different only for receiving non-monetary transfers (46 percent for remittance households compared with 52 percent for non-remittance households).

In Table 3, we illustrate the definition of all right-hand side variables that we use in the below estimation of equation (1). Table 4 presents descriptive statistics for the control variables, separately for migrant and non-migrant households. As is evident, migrant households differ from non-migrant families in many respects, such as age, marital status, ethnicity as well as educational attainment of the household head. Migrant households have also more wealth and are larger. This latter aspect is surprising and raises doubts about our second hypothesis. We expected migrant households to be smaller than non-migrant households because they "loose" household members – under the condition, of course, that both were similar in size pre-migration. That migrant households are in fact larger than non-migrant households can be due to the fact that only very large households send migrants abroad or that household members left behind by migrants join other households. The second option seems likely in the Central Asian context where the wife of a migrant would be expected to live with her parents-in-law when her husband is abroad. Comparing the means of the control variables for remittance and non-remittance households shows a very similar pattern and is therefore not reported.

5. Estimation results

The results of estimating equation (1) for migrant vs. non-migrant households are shown in Tables 5 and 6. Including only the migration variable as a potential correlate does not lead to significant results. However, adding control variables makes the migration variable statistically significant in some cases. Keeping all other explanatory variables at their mean, migrant households are 7.5 percent more likely to make a financial transfer than non-migrant households. They are also 7 percent less likely to provide non-financial help than non-migrant households, but this result is only marginally significant. At the same time, migrant households do not differ from non-migrant households in terms of receiving either type of help. We included results for both the total sample of households as well as for households in rural and urban areas separately. As becomes clear, the difference between migrant and non-migrant households in providing financial help to others is driven by rural areas. Here, migrant households are 10 percent more likely to provide such help, whereas there is no difference between migrant and non-migrant households in urban areas. We argue that this

finding makes much sense and is in line with much of the literature on informal insurance that usually focuses on rural areas.[12] This is because credit markets are much less developed in rural areas so that households depend more on transfers from their social networks and because social networks are likely to be more intensive in the less anonymous settings of rural areas.

In Table 7, we repeat the same analysis but, here, our variable of interest is not an indicator for whether or not a household has a migrant abroad but whether or not a household receives remittances (irrespective of the relationship to the sender). The results are similar to the above. Households receiving remittances are 6 percent more likely than their counterparts without remittances to make financial transfers to people in their social networks. Again, this is driven by rural areas (not reported). The other models do not deliver significant results. Given that the receipt of remittances may intuitively seem a stronger predictor of making financial transfers to others – because they relax the financial budget constraint of households – compared with having a migrant abroad, the lower marginal effect here compared to Table 5 seems somewhat surprising. Yet, it could be that there are some measurement issues with regard to the reference periods in the data. In the questionnaire, both questions, i.e. on remittance receipt and on making transfers, refer to the last 12 months. In principle, it would, hence, be possible that households started to receive remittances only in the last month. It is reasonable to assume that they do not start making financial transfers to others immediately after receiving remittances for the first time.

To shed some light onto this possibility, we repeat the analysis with a time lag, using data on migration status and remittance receipt from the first wave of the LIK (Tables 8 and 9). Households that had a migrant abroad one year ago turn out to be 7 percent more likely than households that had no migrant abroad at that time. The marginal effect has decreased slightly compared with that in Table 5. Households that received remittances one year ago are now 9 percent more likely than households that did not receive remittances. This marginal effect has increased and essentially supports the expectation that households make transfers to others with some time lag. For the other dependent variables, there are significant results for neither migration status nor remittance receipt.

Overall, we have obtained supportive evidence for our first hypothesis but no evidence for our second hypothesis. It does not seem to be the case that migrant households receive more labour services than non-migrant households. Possibly, this is because migrant

[12]For example, Albarran and Attanasio (2003: C77) write: "Models with imperfect enforceability seem to be particularly apt at describing small village economies characterised by repeated interactions and good information flows within the village."

households are not labour constrained compared with non-migrant households on average. As shown in Table 4, they have an even larger household size. In order to examine the relevance of household composition, we additionally control for having dependants in the households. We define dependants to be members of the household that are younger than 6 or older than 69 years.[13] If fewer dependants imply less time constraints, then receiving non-financial transfers is less likely to be observed in such households. Re-running the regression for receiving non-financial help with a dummy variable for having dependants included does not lead to any significant results (not reported). As a next step, we interact the dependant dummy with migration status (Table 10).We find the interaction term to have a positive and statistically significant marginal effect, which implies that those migrant households with dependants are more likely than all other households to receive non-financial help. In a nutshell, this is a sign that having a migrant abroad is not sufficient to receive help and having dependants in the household is also not sufficient. Only if both conditions are fulfilled will households be helped by others.

6. Conclusion and Further Research

In this paper, we study how migration and remittances affect informal transfers within social networks in the communities of the migrants' origin. We use data from a detailed household survey that we conducted in Kyrgyzstan to empirically investigate this question. Our preliminary results show that migrant households make more financial transfers than non-migrant households, particularly in rural areas. The same is true when we compare households that receive remittances with households that do not receive remittances. The fact that there is no large difference in the effect of migration and the effect of remittances comes from the large analogy between these two aspects. Most households with migrants abroad receive remittances in Kyrgyzstan. We also find that the receipt of non-financial help in the form of labour appears to be driven by the neediness of households. Only those migrant households with dependants receive more non-financial help than others. Having said this, our results are no more than preliminary and need to be treated with caution. In the current version of the paper, we have not yet been able to control for self-selection into migration (by running instrumental variables regression), which makes it very likely that the findings shown here are biased. We will address this issue in the coming weeks.

[13]We chose these limits because 1) children officially enter school at the age of seven and 2) 63 is the official qualifying age for obtaining old-age and social pensions for men in Kyrgyzstan (Falkingham and Vlachantoni 2010). The age limit for women is 58 years.

Nevertheless, we already see several lines along which further research seems promising. First, it would be important to know more about the transfer partners as well as the motives to make transfers. Even though we are able to show that households that receive remittances (or, households with migrants) are more inclined to make monetary transfers than other households, we have very little information to whom exactly they make these transfers. In principle, they may choose to provide money to those households that are best able to return it in the future, namely other remittance-receiving households. Alternatively, they may insure financially constrained households (i.e. those that do not receive remittances) in return for non-monetary transfers. In other words, non-remittance households may respond to monetary transfers by providing services. Or the money may simply flow those households that are most needy because the remittance-receiving households care about their well-being. Whereas the first two options imply that mutual insurance and exchange may be the main motives underlying the transfer process, the third option would speak more in favour of altruism as the driving force. We argue that knowing more about these motives is critical in order to understand the otherwise counterintuitive finding that households give up part of their remittances and share it with other households.

Further research:

- what is the labour response of those who receive transfers,
- knowing more about potential transfers (who is ready to help me if it is needed) as these may affect households' savings and investment decisions – and maybe even labour efforts (Cox and Fafchamps, 2008)

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Appendix

Map of Kyrgyzstan

Source: http://www.nationsonline.org/oneworld/map/kyrgyzstan-administrative-map.htm

Table 1

Characteristics of current migrants

	Share of all migrants (in %)
Age	29
Male	67.5
Married	41.8
Kyrgyz	75.4
Uzbek	17.6
Russian	1.8
Other ethnicity	5.2
Basic education or below	9.7
Secondary education	76.8
University degree	13.5
In Russia	91.9
In Kazakhstan	6
In another country	2.1
Comes from the South of Kyrgyzstan	84.5
Comes from rural area	69.1
Works in construction sector	40.2
Works in trade and repair	23.1
Works in hotels and restaurants	10.7
Works in another sector	26

Note: Only migrants aged 15 and above are considered.
Source: Authors' illustration based on LIK survey data.

Table 2

Prevalence of informal transfers

	Monetarytransfer	Non-monetarytransfer
How many households provided help?		
Yes, provided help	1,268 (48.6%)	1,332 (51.0%)
No, did not provide help	1,342 (51.4%)	1,278 (49.0%)
Total	2,610 (100%)	2,610 (100%)
How many households received help?		
Yes, received help	1,115 (42.7%)	1,102 (42.2%)
No, did not receive help	1,495 (57.3%)	1,508 (57.8%)
Total	2,624 (100%)	2,610 (100%)

Source: Authors' illustration based on LIK survey data.

Table 3

Characteristics of current migrants

Variable	Definition	Obs.	Mean	Min.	Max.
migrant_hh	1=currently having a migrant in the household, 0=otherwise	2610	0.15	0	1
remitt_hh	1=receiving remittances, 0=otherwise	2610	0.13	0	1
headage	Age of household head in years	2610	51.2	18	99
headmale	1=household head is male, 0=otherwise	2610	0.72	0	1
headmarried	1=household head is married, 0=otherwise	2610	0.71	0	1
headkyrgyz	1=household head is Kyrgyz, 0=otherwise	2610	0.68	0	1
headuzbek	1=household head is Uzbek, 0=otherwise	2610	0.11	0	1
headrussian	1=household head is Russian, 0=otherwise	2610	0.11	0	1
headother	1=household head is of another ethnicity, 0=otherwise	2610	0.09	0	1
yrs_schooling	Years of schooling of household head in years	2610	10.97	0	20
hhsize	Household size (# of individuals currently in the HH)	2610	4.62	1	15
wealth_index	Household's wealth index based on PCA (household assets)	2610	0.05	-3.04	2.79
anygroupmem	1=household has any group member, 0=otherwise	2610	0.06	0	1
rural	1=household resides in rural area, 0=otherwise	2610	0.6	0	1

Source: Authors' illustration based on LIK survey data.

Rename Table headers to reflect financial and non-fin transfers

Table 4
Descriptive statistics for migrant and non-migrant households

	Non-migrant households		Migrant households		Difference
	Mean	***SD***	***Mean***	***SD***	
headage	*50.76*	*14.56*	*53.79*	*11.52*	*-3.03****
					(-3.87)
headmale	*0.72*	*0.45*	*0.71*	*0.46*	*0.01*
					(0.49)
headmarried	*0.70*	*0.46*	*0.77*	*0.42*	*-0.07****
					(-3.01)
headkyrgyz	*0.67*	*0.47*	*0.73*	*0.44*	*-0.06****
					(-2.58)
headuzbek	*0.10*	*0.30*	*0.19*	*0.39*	*-0.09****
					(-5.07)
headrussian	*0.13*	*0.34*	*0.02*	*0.13*	*0.11****
					(6.41)
headother	*0.10*	*0.30*	*0.06*	*0.23*	*0.04****
					(2.72)
yrs_schooling	*11.04*	*2.76*	*10.60*	*2.52*	*0.44****
					(2.89)
hhsize	*4.54*	*2.15*	*5.06*	*2.21*	*-0.52****
					(-4.32)
wealth_index	*-0.03*	*0.99*	*0.51*	*0.62*	*-0.54****
					(10.32)
anygroupmem	*0.06*	*0.23*	*0.06*	*0.24*	*0.00*
					(0.21)
rural	*0.59*	*0.49*	*0.71*	*0.45*	*-0.12****
					(-4.76)
Observations	*2,228*		*382*		

t-statistics in parentheses. $^{*}p<0.10$, $^{**}p<0.05$, $^{***}p<0.01$
Source: Authors' illustration based on LIK survey data.

Table 5

Impact of current migration on informal transfers

Probit models, reported are marginal effects (standard errors in parentheses)

	Give Financial Help						Receive Financial Help					
	Full Sample		*Urban Sample*		*Rural Sample*		*Full Sample*		*Urban Sample*		*Rural Sample*	
	(1)	*(2)*	*(1)*	*(2)*	*(1)*	*(2)*	*(1)*	*(2)*	*(1)*	*(2)*	*(1)*	*(2)*
migrant_hh	*0.0411*	*0.0753***	*0.0456*	*-0.0107*	*0.0442*	*0.0990****	*-0.0773*	*-0.0076*	*-0.0061*	*0.0216*	*-0.0948*	*-0.0356*
	(0.1955)	*(0.0305)*	*(0.2877)*	*(0.0611)*	*(0.2060)*	*(0.0322)*	*(0.2081)*	*(0.0357)*	*(0.3099)*	*(0.0679)*	*(0.2113)*	*(0.0395)*
headage		*0.0027****		*0.0011*		*0.0040****		*0.0011*		*0.0016*		*0.0010*
		(0.0009)		*(0.0014)*		*(0.0012)*		*(0.0009)*		*(0.0016)*		*(0.0011)*
headmale		*0.0686***		*0.0908***		*0.0612*		*0.0305*		*0.0203*		*0.0329*
		(0.0336)		*(0.0451)*		*(0.0507)*		*(0.0333)*		*(0.0492)*		*(0.0447)*
headmarried		*0.1295****		*0.1253****		*0.1122***		*0.0086*		*-0.0042*		*0.0043*
		(0.0311)		*(0.0459)*		*(0.0446)*		*(0.0352)*		*(0.0574)*		*(0.0462)*
headkyrgyz		*-0.0327*		*-0.1205*		*0.0475*		*0.0104*		*-0.0185*		*0.0530*
		(0.0543)		*(0.0778)*		*(0.0634)*		*(0.0513)*		*(0.0820)*		*(0.0602)*
headuzbek		*-0.0206*		*-0.2301***		*0.2158***		*0.0510*		*-0.0625*		*0.2297***
		(0.0884)		*(0.1065)*		*(0.1027)*		*(0.0898)*		*(0.1193)*		*(0.0989)*
headrussian		*-0.1104***		*-0.1945****		*0.0093*		*-0.1208***		*-0.1397***		*-0.1579**
		(0.0515)		*(0.0612)*		*(0.0778)*		*(0.0498)*		*(0.0627)*		*(0.0880)*
hhsize		*0.0249****		*0.0463****		*0.0188***		*-0.0054*		*-0.0011*		*-0.0052*
		(0.0073)		*(0.0141)*		*(0.0085)*		*(0.0068)*		*(0.0146)*		*(0.0073)*
yrs_schooling		*0.0145****		*0.0173***		*0.0137***		*-0.0074*		*-0.0116**		*-0.0040*
		(0.0048)		*(0.0080)*		*(0.0057)*		*(0.0048)*		*(0.0066)*		*(0.0067)*
anygroupmem		*0.1735****		*0.3036****		*0.0715*		*0.1460***		*0.1339*		*0.1455**
		(0.0526)		*(0.0510)*		*(0.0665)*		*(0.0676)*		*(0.1139)*		*(0.0828)*
wealth_index		*-0.0433**		*-0.0625**		*0.0055*		*0.0156*		*0.0016*		*0.0431*
		(0.0252)		*(0.0319)*		*(0.0411)*		*(0.0304)*		*(0.0401)*		*(0.0446)*
rural		*-0.0990*						*0.0152*				
		(0.0943)						*(0.1081)*				
Observations	2,610	2,561	1,031	1,006	1,579	1,555	2,610	2,536	1,031	981	1,579	1,555
Pseudo R-squared	0.001	0.139	0.001	0.183	0.001	0.136	0.002	0.148	0.000	0.106	0.004	0.185

Standard errors are clustered at community level in parentheses; *** p<0.01, ** p<0.05, * p<0.1.

Note: Rayon fixed effects are included in all (2)-column regressions.

Table 6

Impact of current migration on informal transfers

Probit models, reported are marginal effects (standard errors in parentheses)

	Give Non - Financial Help						Receive Non - Financial Help					
	Full Sample		*Urban Sample*		*Rural Sample*		*Full Sample*		*Urban Sample*		*Rural Sample*	
	(1)	*(2)*	*(1)*	*(2)*	*(1)*	*(2)*	*(1)*	*(2)*	*(1)*	*(2)*	*(1)*	*(2)*
migrant_hh	*-0.1041*	*-0.0681**	*-0.0926*	*-0.0623*	*-0.1149*	*-0.0644*	*-0.0254*	*0.0025*	*0.0225*	*0.0233*	*-0.0611*	*-0.0074*
	(0.2093)	*(0.0407)*	*(0.3223)*	*(0.0866)*	*(0.2154)*	*(0.0472)*	*(0.2150)*	*(0.0434)*	*(0.3203)*	*(0.0785)*	*(0.2261)*	*(0.0531)*
headage		*-0.0008*		*-0.0027*		*0.0004*		*0.0034****		*0.0026*		*0.0037****
		(0.0010)		*(0.0016)*		*(0.0012)*		*(0.0011)*		*(0.0017)*		*(0.0013)*
headmale		*-0.0191*		*-0.0220*		*-0.0171*		*-0.0570*		*-0.0032*		*-0.1250***
		(0.0339)		*(0.0466)*		*(0.0491)*		*(0.0356)*		*(0.0477)*		*(0.0499)*
headmarried		*0.0854***		*0.0810*		*0.0874**		*0.1498****		*0.0845**		*0.2215****
		(0.0358)		*(0.0530)*		*(0.0522)*		*(0.0331)*		*(0.0463)*		*(0.0447)*
headkyrgyz		*0.0256*		*-0.0933*		*0.0910*		*-0.0006*		*-0.0743*		*0.0718*
		(0.0742)		*(0.0877)*		*(0.1095)*		*(0.0651)*		*(0.0775)*		*(0.0910)*
headuzbek		*0.0134*		*-0.1811*		*0.0988*		*-0.0186*		*-0.0157*		*0.0272*
		(0.1099)		*(0.1485)*		*(0.1492)*		*(0.1058)*		*(0.1418)*		*(0.1507)*
headrussian		*-0.1438***		*-0.1894****		*-0.1493*		*-0.1446***		*-0.1338***		*-0.2411***
		(0.0674)		*(0.0636)*		*(0.1247)*		*(0.0619)*		*(0.0605)*		*(0.1056)*
hhsize		*0.0349****		*0.0487****		*0.0260****		*0.0076*		*0.0068*		*0.0067*
		(0.0082)		*(0.0147)*		*(0.0092)*		*(0.0074)*		*(0.0120)*		*(0.0092)*
yrs_schooling		*0.0099***		*0.0165***		*0.0076*		*0.0011*		*0.0026*		*0.0020*
		(0.0046)		*(0.0074)*		*(0.0056)*		*(0.0047)*		*(0.0074)*		*(0.0061)*
anygroupmem		*0.0431*		*0.1048*		*-0.0218*		*-0.0279*		*-0.0980*		*0.0296*
		(0.0608)		*(0.0713)*		*(0.0946)*		*(0.0644)*		*(0.0662)*		*(0.0900)*
wealth_index		*0.0214*		*0.0182*		*0.0637*		*0.0322*		*0.0079*		*0.0856**
		(0.0354)		*(0.0452)*		*(0.0495)*		*(0.0366)*		*(0.0422)*		*(0.0486)*
rural		*0.1237*						*0.1697**				
		(0.0977)						*(0.0960)*				
Observations	2,610	2,535	1,031	1,006	1,579	1,529	2,610	2,510	1,031	981	1,579	1,529
Pseudo R-squared	0.004	0.197	0.002	0.212	0.005	0.199	0.000	0.173	0.000	0.124	0.002	0.206

Standard errors are clustered at community level in parentheses; *** p<0.01, ** p<0.05, * p<0.1.

Note: Rayon fixed effects are included in all (2)-column regressions.

Table 7

Impact of remittances on informal transfers

Probit models, reported are marginal effects (standard errors in parentheses)

	Give Financial Help		Receive Financial Help		Give Non - Financial Help		Receive Non - Financial Help	
	Full Sample		*Full Sample*		*Full Sample*		*Full Sample*	
	(1)	*(2)*	*(1)*	*(2)*	*(1)*	*(2)*	*(1)*	*(2)*
remittance_hh	*0.0226*	*0.0612**	*-0.0398*	*0.0346*	*-0.0812*	*-0.0213*	*-0.0224*	*0.0077*
	(0.1951)	*(0.0328)*	*(0.2055)*	*(0.0340)*	*(0.2052)*	*(0.0379)*	*(0.2108)*	*(0.0381)*
headage		*0.0027****		*0.0010*		*-0.0009*		*0.0033****
		(0.0009)		*(0.0009)*		*(0.0010)*		*(0.0011)*
headmale		*0.0663***		*0.0350*		*-0.0140*		*-0.0564*
		(0.0337)		*(0.0335)*		*(0.0340)*		*(0.0356)*
headmarried		*0.1319****		*0.0052*		*0.0811***		*0.1495****
		(0.0309)		*(0.0354)*		*(0.0358)*		*(0.0328)*
headkyrgyz		*-0.0317*		*0.0108*		*0.0257*		*-0.0005*
		(0.0544)		*(0.0514)*		*(0.0743)*		*(0.0651)*
headuzbek		*-0.0163*		*0.0556*		*0.0144*		*-0.0179*
		(0.0882)		*(0.0897)*		*(0.1110)*		*(0.1058)*
headrussian		*-0.1118***		*-0.1195***		*-0.1411***		*-0.1445***
		(0.0517)		*(0.0498)*		*(0.0676)*		*(0.0619)*
hhsize		*0.0251****		*-0.0052*		*0.0347****		*0.0076*
		(0.0074)		*(0.0068)*		*(0.0082)*		*(0.0074)*
yrs_schooling		*0.0146****		*-0.0076*		*0.0097***		*0.0011*
		(0.0047)		*(0.0048)*		*(0.0046)*		*(0.0047)*
anygroupmem		*0.1727****		*0.1445***		*0.0431*		*-0.0281*
		(0.0529)		*(0.0680)*		*(0.0614)*		*(0.0645)*
wealth_index		*-0.0427**		*0.0150*		*0.0207*		*0.0322*
		(0.0251)		*(0.0304)*		*(0.0355)*		*(0.0366)*
rural		*-0.0993*		*0.0147*		*0.1222*		*0.1696**
		(0.0952)		*(0.1070)*		*(0.0995)*		*(0.0960)*
Observations	2,610	2,561	2,610	2,536	2,610	2,535	2,610	2,510
Pseudo R-squared	0.000	0.139	0.001	0.148	0.003	0.196	0.000	0.173

Standard errors are clustered at community level in parentheses; *** p<0.01, ** p<0.05, * p<0.1.

Note: Rayon fixed effects are included in all (2)-column regressions.

Table 8

Impact of (lagged) migration on informal transfers

Probit models, reported are marginal effects (standard errors in parentheses)

	Full Sample			
	Give Fin. Help	**Receive Fin. Help**	**Give Non - Fin. Help**	**Receive Non - Fin. Help**
migrant_hh_lag	*0.0823***	*0.0189*	*-0.0058*	*0.0251*
	(0.0386)	*(0.0414)*	*(0.0416)*	*(0.0415)*
HH Controls	*yes*	*yes*	*yes*	*yes*
Observations	2,173	2,158	2,117	2,138
Pseudo R-squared	0.156	0.148	0.200	0.188

Standard errors are clustered at community level in parentheses; *** p<0.01, ** p<0.05, * p<0.1.

Note: Rayon fixed effects are included in all regressions.

Table 9

Impact of (lagged) remittances on informal transfers

Probit models, reported are marginal effects (standard errors in parentheses)

	Full Sample			
	Give Fin. Help	**Receive Fin. Help**	**Give Non - Fin. Help**	**Receive Non - Fin. Help**
remittance_hh_lag	*0.1014****	*0.0268*	*-0.0160*	*0.0153*
	(0.0320)	*(0.0338)*	*(0.0333)*	*(0.0381)*
HH Controls	*yes*	*yes*	*yes*	*yes*
Observations	2,411	2,391	2,386	2,363
Pseudo R-squared	0.147	0.147	0.203	0.181

Standard errors are clustered at community level in parentheses; *** p<0.01, ** p<0.05, * p<0.1.

Note: Rayon fixed effects are included in all regressions.

Table 10

Impact of migration and dependency on informal transfers

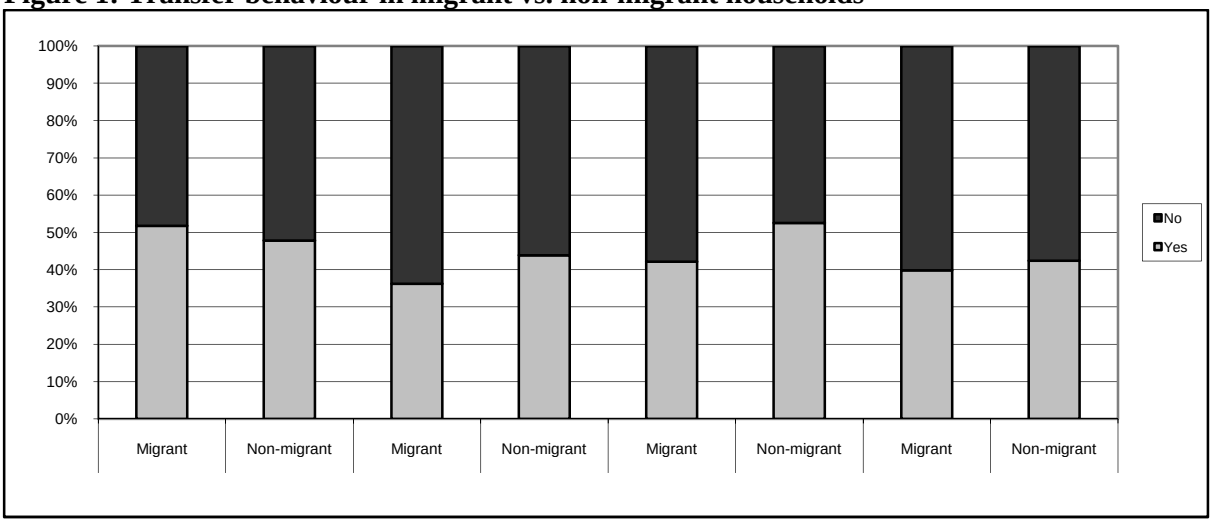
Different models, reported are coefficients (standard errors in parentheses)

	Full Sample		
	Receive Non - Fin. Help		
	(1)	(2)	(3)
	Probit	Probit (marg. effects)	OLS
migrant_hh	*-0.1656*	*-0.0634*	*-0.0489*
	(0.1534)	*(0.0579)*	*(0.0463)*
dependents (<6, >69)	*-0.0632*	*-0.0246*	*-0.0193*
	(0.0588)	*(0.0229)*	*(0.0191)*
migrant * dependent	*0.3012**	*0.1192**	*0.0917**
	(0.1692)	*(0.0673)*	*(0.0532)*
HH Controls	*yes*	*yes*	*yes*
Observations	2,510	2,510	2,610
Pseudo R-squared	0.174	0.174	0.221

Standard errors are clustered at community level in parentheses; *** p<0.01, ** p<0.05, * p<0.1.

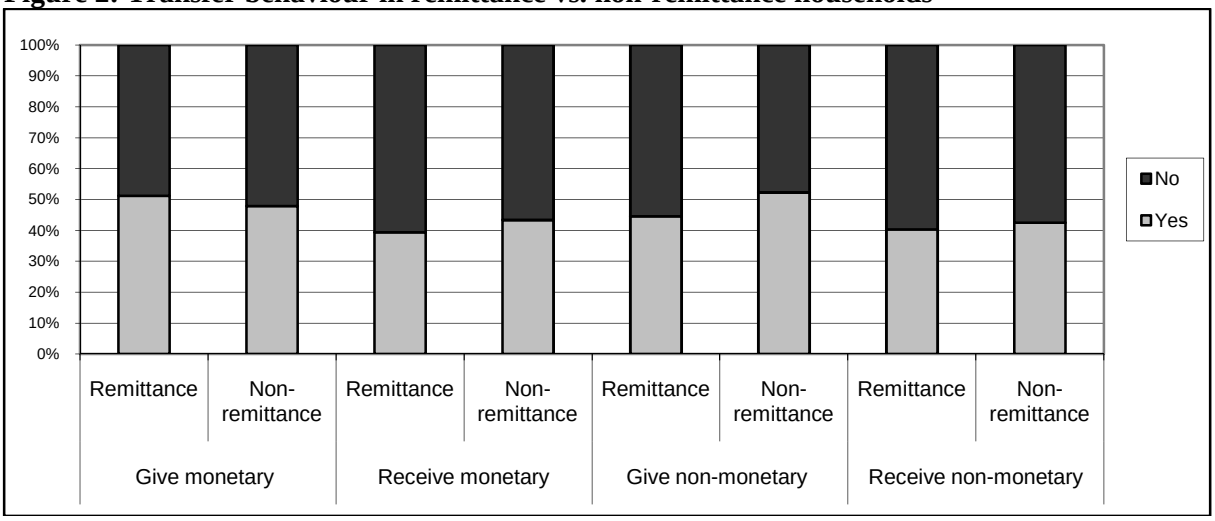
Note: Rayon fixed effects are included in all regressions.

Figure 1: Transfer behaviour in migrant vs. non-migrant households



Source: Authors' illustration based on LIK survey data.

Figure 2: Transfer behaviour in remittance vs. non-remittance households



Source: Authors' illustration based on LIK survey data.

Table: Decision making pattern (whether to lend money to others)

	Observations	Share
myself	1,550	19.28
my spouse	831	10.34
i together with my spouse	2,192	27.27
my parents or my parents-in-law	1,306	16.25
all male household members	182	2.26
all female household members	80	1.00
all household members together	1,376	17.12
children (under 18)	2	0.02
not applicable	519	6.46