

Remittances, Household Consumption, and Financial Resilience During Economic Shocks

Shahan Shah

MSc Economics and Finance, UK

Abstract

This paper examines how international remittance flows influence household consumption smoothing and financial resilience during periods of macroeconomic stress, using household survey data from remittance-dependent economies across two recent shock periods: the COVID-19 pandemic (2020–2021) and the subsequent global inflationary episode (2021–2023). Comparing consumption volatility between remittance-receiving and non-receiving households, the analysis employs a difference-in-differences framework alongside household fixed-effects regression to identify the causal effect of remittances on consumption stability and savings recovery. Results indicate that remittance-receiving households exhibit significantly lower consumption volatility and faster recovery in savings rates, suggesting remittances act as an informal insurance mechanism. The paper discusses policy implications for leveraging remittance channels as a complement to formal social safety nets in shock-prone economies.

Keywords: remittances, household consumption, financial resilience, economic shocks, consumption smoothing, informal insurance, difference-in-differences