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## Rural Urban Migration and Agricultural Investment

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### Abstract

Out-migration of younger family members from remote rural areas to urban industrial centres in emerging South East Asian market economies is a process which has been going on for several decades already. This has led to changes in the resource endowment of agricultural households especially for labour. Generally the role of land as a source of wealth has decreased and livelihoods strategies have changed. This has resulted in the emergence of multi-location households where remittances have become an important source of rural income. While the role of remittances in supporting consumption of the rural poor has been subject of many studies it is less clear to what extent migrant purposively engage in agricultural investment in their natal villages.

This paper is based on a representative panel data set on one of the poorest provinces in Northeast Thailand. Following a 3-stage cluster sampling design, a panel data set has been established with some 386 households in 2007 and 2008 from the province of Nakhon Phanom, one of the poorest provinces in Thailand. The data were collected within the framework of the DFG FOR 756 at the University of Hannover. Expanding on rural household theory a model is developed that captures the role of the urban sub-locations of rural households. Applying a difference in difference model using matching techniques for establishing efficient counterfactuals a household investment function is estimated with changes in agricultural asset endowments as a proxy variable. Results show that migrants' remittances are a major source of agricultural investments which suggests that livelihood strategies of household member who migrated to urban areas are still geared towards their natal base. A third panel wave is underway in 2010 with an investment module incorporated in the survey instrument. This will allow a more direct estimation of the investment function.

**Keywords:** Investment, migration, poverty, rural development