



Mariam Lobjanidze, ISET Policy Institute

Elene Seturidze, ISET Policy Institute

February 2026

Do Remittances Keep Households Out of Poverty? Evidence from Georgia

Remittances play an important role in household living standards in Georgia, alongside labor income and public transfers. Using 2024 household data, this brief estimates the contribution of remittances to poverty reduction by simulating household welfare in their absence. The results indicate that removing remittance income would raise the share of households below the subsistence level by more than four percentage points, with smaller increases in relative poverty and inequality. Income composition patterns further show that poorer and rural households rely more heavily on remittances. Overall, the findings underscore the significant role of private transfers in shaping household welfare and vulnerability in Georgia.

Introduction

Despite notable progress in recent years, poverty reduction remains a central development challenge in Georgia. An important policy concern is whether recent poverty reductions are sustainable or leave households vulnerable to economic shocks.

Assessing this vulnerability requires understanding what keeps households above the poverty line. In Georgia, household consumption is financed not only by labor earnings but also by non-labor income sources. Many households rely heavily on remittances from family members working abroad as well as public transfers such as pensions and social assistance.

While official poverty indicators track overall trends in household welfare, they do not reveal how different income sources contribute to keeping households above the poverty line. Understanding whether poverty reduction is primarily driven by labor income, private transfers, or public support is essential for assessing household vulnerability and the sustainability of poverty reduction.

This question is especially salient in Georgia, where remittance inflows amounted to around 10 percent of GDP in 2024. Such dependence raises concerns about the resilience of household welfare to external shocks that could disrupt migration or remittance flows.

Recent World Bank analysis of fiscal incidence in Georgia highlights that transfers and social expenditures have played a significant role in reducing poverty and inequality, with overall taxes and benefits lowering the share of the population in poverty and compressing the distribution of

income (World Bank, 2025). Evidence from studies on international migration and remittances also suggests that private transfers help smooth household consumption and provide critical support to low-income families in contexts with high migration and remittance flows (World Bank, 2023).

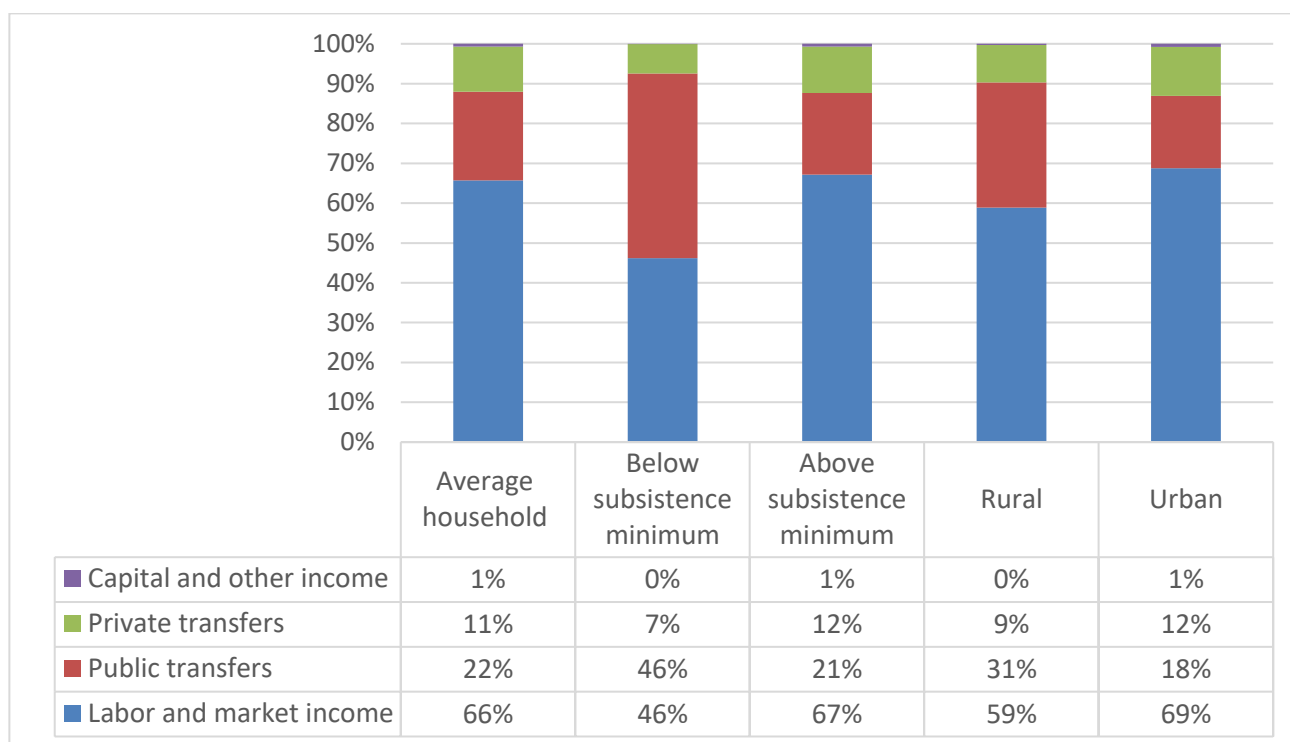
Building on this body of evidence, this brief quantifies the short-run welfare impact of remittances in Georgia by simulating household consumption in the absence of remittance income. Comparing observed outcomes with the counterfactual scenario provides clear evidence on the contribution of private transfers to household living standards and the vulnerability of households to changes in remittance flows.

Descriptive statistics

Household incomes in Georgia are composed of labor earnings, public transfers, and private transfers. Labor and market income, including wages, self-employment, and agricultural sales, accounts for roughly two-thirds of total household resources on average. Transfers nonetheless play a substantial role in household welfare: public transfers such as pensions and social assistance represent over one-fifth of total income, while private transfers, largely driven by remittances from abroad, contribute more than one-tenth. Capital and other income sources remain marginal. In level terms, average monthly cash income and transfers amount to GEL 1,714 per household but fall to GEL 971 among households below the subsistence minimum and rise to GEL 1,814 among those above it. Rural households report lower average cash resources (GEL 1,434) than urban households (GEL 1,877), underscoring both welfare



Figure 1. Income composition by source and household group



Source: Household Incomes and Expenditures survey, Geostat, 2024.

gaps and the differing reliance on income sources across population groups.

Income composition differs markedly across household groups, indicating that transfer flows play a particularly important role for households at the lower end of the welfare distribution and in rural areas. Among households below the subsistence minimum, public transfers account for nearly half of total cash resources - roughly equal to labor and market income - highlighting a strong reliance on transfer income for meeting basic living standards. In contrast, households above the subsistence minimum derive over two-thirds of their income from labor earnings, with transfers playing a much smaller role. Rural households are also substantially more dependent on public transfers than urban households, where labor income dominates. Private transfers, largely driven by remittances, constitute a meaningful but

secondary income source, particularly among urban and better-off households.

Data and methodology

The analysis uses microdata from Georgia's Integrated Household Survey (IHS) for 2024. Household welfare is measured using total consumption expenditure per equivalent adult, which is widely regarded as a reliable indicator of living standards than income, as it better reflects households' ability to smooth temporary income fluctuations. All results are weighted using survey weights adjusted for household size to reflect population-level outcomes.

Absolute poverty is assessed using the national subsistence level, which varies by quarter to account for seasonal price changes. Relative poverty is defined as consumption expenditure below 60 percent of the median within each



quarter. Inequality is measured using the **Gini coefficient**, and **Lorenz curves** are used to illustrate changes in the consumption distribution.

To quantify the role of remittances, a counterfactual welfare scenario is constructed by simulating household consumption in the absence of remittance income from abroad. The simulation subtracts the estimated consumption-financed portion of remittances from observed household consumption, while allowing for the share of remittances saved or used for non-consumption purposes. Poverty and inequality indicators are then recalculated under this counterfactual scenario. The approach captures the short-run direct impact of remittances.

As with any short-run simulations, this analysis assumes no behavioral adjustment by households following the removal of remittance income. In practice, households may respond through changes in labor supply, borrowing, or expenditure patterns, which are not captured. In addition, the estimation of the consumption-financed share of remittances is based on observed saving behavior and may vary across households and over time. Despite these limitations, the approach provides a transparent and relevant estimate of the direct welfare role of remittances.

Results

Remittances from abroad play a substantial role in sustaining household living standards in Georgia. In 2024, 13.7 percent of households lived below the subsistence minimum. Simulating household welfare in the absence of remittance income shows that the poverty rate would rise to 18.1 percent, an increase of more than four percentage points. This implies that remittance inflows keep a significant

share of households above the minimum living standard threshold.

Table 1. Poverty and inequality indicators with and without remittance income

Indicator	Baseline	Without remittances	Change
Absolute poverty	13.68	18.11	+4.43
Relative poverty	18.72	21.40	+2.68
Gini	32.39	32.84	+0.45

Source: Author's calculations based on Geostat data, 2024. Note: The Gini coefficient is a numerical measure of income or wealth inequality that summarizes how evenly income or wealth is distributed across a population. It ranges from 0, indicating perfect equality where everyone has the same income or wealth, to 100, indicating perfect inequality where all income or wealth is concentrated in a single individual.

Relative poverty also increases in the counterfactual scenario, rising from 18.7 to 21.4 percent, though the magnitude is smaller than for absolute poverty. This reflects the stronger role of remittances in preventing extreme vulnerability rather than reshaping the overall income distribution.

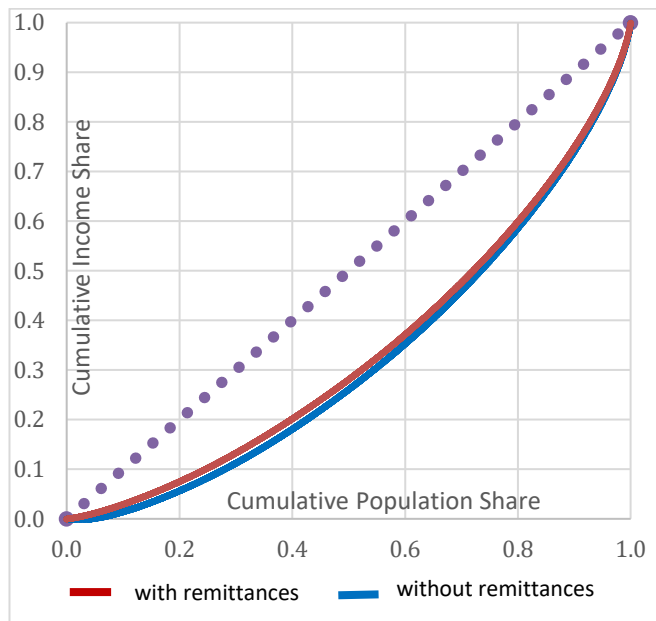
Inequality, measured by the Gini coefficient of consumption expenditure, increases modestly from 32.4 to 32.8 in the absence of remittances. The corresponding shift in the Lorenz curve confirms that remittances slightly compress the lower tail of the distribution, benefiting poorer households disproportionately.

Conclusion

The results indicate that remittances from abroad play a substantial role in sustaining household living standards in Georgia. In 2024, removing



Figure 2. Lorenz curves with and without remittances



Source: Author’s calculations based on Geostat data, 2024.
 Note: A Lorenz curve is a graphical representation of income or wealth distribution that plots the cumulative share of the population (ordered from poorest to richest) against the cumulative share of total income or wealth they receive, illustrating the degree of inequality in a society.

remittance income would increase the share of households living below the subsistence minimum by more than four percentage points, with a smaller but noticeable rise in relative poverty. The persistence of this pattern under both absolute

and relative poverty definitions confirms the robust poverty-reducing role of remittances. Inequality, measured by the Gini coefficient, also increases modestly in the counterfactual scenario, consistent with remittances disproportionately supporting lower-income households.

Income composition patterns further show that poorer and rural households rely more heavily on transfer income than better-off and urban households, underscoring the importance of remittances as a buffer against economic vulnerability. Overall, the findings highlight the significant contribution of private transfers to poverty reduction and the sensitivity of household welfare to changes in remittance flows.

As reliance on external income sources remains high, diversifying income opportunities and improving domestic labor market conditions will be essential for sustainable poverty reduction in the long term.

References

World Bank, 2023. *Migrants, Refugees, and Societies*.
 World Bank, 2025. *Navigating Fiscal Realities for Equitable Growth in Georgia*





Mariam Lobjanidze

ISET Policy Institute (ISET-PI)
m.lobjanidze@iset.ge
www.iset-pi.ge

Mariam Lobjanidze joined ISET Policy Institute in September 2018, where she is currently a Lead Economist. She received her master's degree in economics (Summa cum Laude) from ISET. She has been actively involved in conducting Regulatory Impact Assessments (RIA) since 2019. Since 2020, she has been actively working on elaborating gender impact assessments (GIA) methodology for Georgia, conducting GIAs, and delivering Gender Impact Assessment Trainings. Her research interests include Labor Markets, Gender Economics and Social Issues, Social Policy, Energy Security, and Climate Change.

Along with her research, she works as an invited lecturer at ISET, teaching Econometrics to second-year BA students.



Elene Seturidze

ISET Policy Institute (ISET-PI)
elene.seturidze @iset.ge
www.iset-pi.ge

Elene Seturidze is the Deputy Practice Head of the Agriculture and Rural Policy Center. She joined the ISET Policy Institute in August 2020. She earned her master's degree in economics from ISET, graduating in 2020, and holds a bachelor's degree in economics from Tbilisi State University, obtained in 2018.

She has contributed to a variety of projects covering diverse directions, including impact assessments, capacity-building activities for CSOs and PSAs, and local economic development processes. In addition to her role at ISET, she serves as a Teaching Assistant in the bachelor's program, specifically for the Mathematics for Economists courses I and II.

freepolicybriefs.com

The Forum for Research on Eastern Europe and Emerging Economies is a network of academic experts on economic issues in Eastern Europe and the former Soviet Union at BERO (Vilnius), BICEPS (Riga), CenEA (Szczecin), KEI (Kiev) and SITE (Stockholm). The weekly FREE Network Policy Brief Series provides research-based analyses of economic policy issues relevant to Eastern Europe and emerging markets. Opinions expressed in policy briefs and other publications are those of the authors; they do not necessarily reflect those of the FREE Network and its research institutes.