

**THE IMPACT OF FOREIGN REMITTANCES ON THE
SOCIO-ECONOMIC CONDITIONS OF HOUSEHOLDS
(A CASE STUDY OF RURAL AREAS IN DIR LOWER, NWFP)**

ANIAZ MUHAMMAD*, MUSHTAQ AHMAD*, NISAR AHMAD**, MUSAWAR SHAH***,
INTIKHAB ALAM*** and MUHAMMAD JAWAD***

* *Department of Sociology, University of Peshawar, Peshawar – Pakistan.*

** *Government Post Graduate College, Timergarah, Dir (Lower) – Pakistan.*

*** *Department of Rural Sociology, NWFP Agricultural University, Peshawar – Pakistan.*

ABSTRACT

This study examines the role of remittances of overseas emigrants in strengthening the ability of their left behind families to protect against socio-economic discomforts of life. One hundred emigrants' families were accessed for interview through snowball sampling method in four villages of Dir (Lower) district i.e. Haji Abad, Sher Khaney, Mulyano Banda and Takatak, in year 2008. The major findings of the study reveal that remittances have impacted the social status of emigrants' families by improving their life style, furnishing them with the opportunity to send children to standard educational institutions, and changing the behaviour of relatives/ friends towards the recipient families. The recipient families generated different forms of economic activities such as micro level business, investment in real estate, and purchase of agricultural land etc. The study recommends that the government and other concerned departments should provide a secure and conducive environment to the emigrants' families to utilize remittances at national level.

Key Words: *Remittances, households' socio-economic conditions, and Dir (Lower) in Pakistan*

Citation: Muhammad, N., N. Ahmad, M. Shah, I. Alam and M. Jawad. 2010. The impact of foreign remittances on the socio-economic conditions of households. *Sarhad J. Agric.* 26(1): 141-145.

INTRODUCTION

Emigration has been a practice in human history for a long time. The movement of emigrants from under developed and backward regions to advanced countries usually takes place for better economic gains, employment opportunities, higher living standard, and other kinds of social development. Migration acts as a private or informal social protection strategy both at the individual and household levels ensuring income transfer to disadvantaged household, furnishing an opportunity of risk diversification and initiating investment (Sabets *et al.* 2003). By increasing the GNP of a country, remittances also ensure the balance of payment, promoting the process of import both in non-essential and luxury items (INSTRAW, 2007). It indicates that the migrants' remittances have a bridging role in linking migration and social protection, and even in fueling the policy initiatives of many countries through the largest sources of foreign exchange. The history is evident that for the last few decades there has been a steady stream of emigration from Asia to various developed countries across the globe and the most significant example of this type of emigration was the flow of Turks to West Germany (Knerr, 1997).

Pakistan is included in the list of those countries from where a great number of manpower has flowed into different countries of the Gulf region. Since 1970, such migration has paved the way for millions of international labour migrants from Pakistan, and the workers' remittances have become a major pillar of the national economy apart from protecting their families against the social and economic risks/hazards of life. To get share in the remittances, the then Premier of Pakistan, late Zulfikar Ali Bhutto, started sending manpower to the Persian Gulf since 1973. The number of registered Pakistanis proceeded abroad for employment is 3,314,668 (Bureau of Emigration, 2006). The share of Punjab, NWFP, Sindh and Balochistan in the total export of manpower through the overseas employment promoters was 50%, 25%, 11% and 01% respectively; and approximately the total amount of transfer in 1996-97 was Rs.71.1 billion (Siddiqui, 2002). In fiscal year 2007, the amount of 5.5 billion USD was the second largest source of foreign exchange after the head of exports in Pakistan (State Bank of Pakistan, 2007).

A brief view of international scenario on the issue is inevitable to be given here.

According to a survey conducted by IOM, every 35th person is an international emigrant and the total number of the emigrants in the world is about 175 million that stands 2.9% of the world population. The United States of America (35 million) and Russia (13.3 million) were at the top of the list of 15 countries having the largest international emigrants force by the year 2000 (Mughal, 2003). The remittances of the international emigrants, using the official channels, have risen from \$49 billion to \$105 billion in 1998-99 and in the year 2003 it reached to \$150 billion. This amount is more than the annual GDP of some countries like Finland (\$121 billion), Egypt (\$98 billion), Singapore (\$92 billion) and Chile (\$70 billion). The remittances flowing into the developing countries are estimatedly \$65 billion and the greater share of this goes to India (\$10 billion), Philippines (\$ 6.4 billion) Morocco (\$ 3.3 billion) and Turkey (\$2.9 billion) (Ibid, 2003).

The study findings of Soto (2008) in Fiji and Tonga conclude that remittances contribute to the provision of social protection coverage, poverty alleviation and welfare improvement of the economically low placed households in the remittances-receiving countries. Wu (2006) observed that remittances are of greater social benefit to the elderly parents and widowed mothers followed by the workers' wives and children. Orozco (2008) assessed the intersection between remittances and local economies in five cities of Latin America and the Caribbean where the volume of remittance increased to over sixty billion dollars in year 2006. He observed the fragility of local economies and their high costs of living, creating a confused state of mind of the remittances recipients that how to save and mobilize it. In each community it was found that the entrepreneurial class catered little to the demands of the remittance recipients. Moreover, the study also found that governments and civil society did not provide recipient families with adequate support networks to help them cope with the realities of migration.

Abbasi and Irfan (1983) have observed the major effects of emigration on the left behind family members in enhancing their children's schooling and reducing the high level of consumption. Bushra (1983) found that remittances have changed the lifestyle, housing pattern, consumption expenditure and extravagancies on different social occasions of the families left behind. Burki (1984) observed three times more increase in the income of migrants' families in NWFP. Muhammad Ahmad Khan (1990) found that the people of Kohat utilized remittances in debt repayments, repair and construction of houses, investment in real estate and business, ceremonies and buying vehicles. Ballard (2003) found that the people of Mirpur in Pakistan received huge remittances from abroad. However, he also referred to the negative impacts of remittances in shooting the inflation in the form of high costs of different valuables. Apart from numerous benefits of remittances, some negative impacts of emigration have also been noticed which include children's education, socialization, sense of insecurity and frustration among such families. The present study focuses on identifying the role of remittances in socio-economic protection of the families left behind in Dir Lower district of the North West Frontier Province.

MATERIALS AND METHODS

Malakand Division has the status of the highest trans-national labour-sending region in the Northern part of Pakistan (Bureau of Emigration and Overseas Employment 1971-2007). Among seven districts of the region, Dir Lower district stands on the top in emigration. To see the relevance between emigrants' remittances and social protection on the selected parameters, four villages namely Haji Abad, Sher Khaney, Mulyano Banda and Takatak were selected for the purpose of data collection. A total of 100 respondents from the sampled villages were accessed for interview through snowball sampling method. They were investigated through both open ended and closed ended questions on the study parameter such as number of emigrants per household, age composition of the emigrants, reasons behind emigration, monthly income of the emigrants' families and socio-economic impact of remittances on the recipient families. The data were analyzed through Statistical Package for Social Sciences (SPSS). Qualitative data were collected through Focus Group Discussion (FGD), which contained the following thematic questions.

- i. To observe various factors pushing the workers of sampled areas to go abroad in search of livelihood and better future for tomorrow.
- ii. To comparatively analyze the pre and post emigration socio-economic conditions of the emigrant's families.

RESULTS AND DISCUSSION

Data obtained from the heads or responsible members of the emigrants' families are presented in the following tables. The number of sampled respondents is 100 whereas the percentage standard has also the same numerical value, making an easy understanding of data given in different tables. Qualitative data obtained from the FGD has been mixed in with the analysis made on the quantitative data.

Table I indicates that 87.5 % households had one male individual working overseas, whereas 7.5% families had two emigrants, 03 % families had three and 02% families had above three persons working abroad the country. It is evident from the data that a big majority had just one working member abroad and the reason for this was the smaller number of male members in their families. The livelihood opportunities in sampled villages were scarce and the local families thought to send at least one member abroad for improvement of their socio-economic conditions through remittances.

Table I *Percent of households with various numbers of emigrants*

| Village | 01 Person | 02 Persons | 03 Persons | Above |
|---------------|-----------|------------|------------|-------|
| Haji Abad | 80 | 12 | 4 | 4 |
| Sher Khanay | 94 | 4 | - | 2 |
| Mulyano Banda | 86 | 8 | 6 | - |
| Takatak | 90 | 6 | 2 | 2 |
| Average | 87.5 | 7.5 | 3 | 2 |

Source: Field Survey, 2008

Table II presents that emigrants of 52.5 % sampled families migrated outside Pakistan because of poor economic conditions, 33 % left the country for their jobless status and 14.5 % moved for the purpose to earn more to allow the family to acquire various modern conveniences. It is worth noting that all the emigrants' families are Pukhtun by their origin, and no one in their community digests the socio-economic boom of agnates (Tarboors). This is why that the above mentioned percent of families sent their members abroad for the same purpose. However, the major reason behind migration was the poor economic conditions of their households. It indicates that economic factor and migration are closely associated with each other because majority of the emigrants moved from their motherland in wake of their critical economic conditions.

Table II *Reasons behind emigration*

| Village | Poor economic conditions (%) | Unemployment (%) | Competition (%) |
|---------------|------------------------------|------------------|-----------------|
| Haji Abad | 40 | 50 | 10 |
| Sher Khanay | 56 | 30 | 14 |
| Mulyano Banda | 60 | 24 | 16 |
| Takatak | 54 | 28 | 18 |
| Average | 52.5 | 33 | 14.5 |

Source: Field Survey, 2008

Table III is in two sections presenting a comparative economic position of emigrants' families on the basis of pre and post migration scenario. Section 'A' is about the pre-emigration economic status of such families having 33% and 29.75% with upto Rs.10, 000 and upto Rs.20, 000 per month income from all sources respectively. 15.75 % families had upto Rs. 30, 000, 10.5 % upto Rs. 40,000, 08% had upto Rs. 50,000 and 03% families had monthly income exceeding Rs.50, 000 in any of the sampled village. It is pertinent to mention that families in the range of Rs. 50, 000 had agricultural lands. However, they had to fulfill the needs and requirements of a large number of members living with them in joint families. Section 'B' shows the post migration status of these families with clear distinction from the data of the preceding section of Table III. According to the obtained data, 20% families had upto 40,000 rupees monthly income, 23.5% had upto Rs.60, 000 rupees per month income, 19.5% had upto Rs.80, 000, 14% had upto one lac rupees and 10.5% had above one lac rupees per month income. It is clear from data that there has occurred great change in the economic status of the emigrants' families after the receipt of remittances. With the improved status they materialized their long-standing demands and desires such as construction of cemented houses, purchasing of vehicles and property, and even they utilized remittance in diverse forms of micro level investment at village basis. The study carried out by Muhammad Ahmad Khan (1990) matches the findings of this study.

Table III *Percent of families by monthly income before and after migration*

| Section-A, Village | Monthly Income (in PKR) Before Emigration | | | | | |
|--------------------|---|---------------|---------------|---------------|----------------|--------------|
| | Upto 10,000- | 10,001-20,000 | 20,001-30,000 | 30,001-40,000 | 40,001-50,000 | Above 50,000 |
| Haji Abad | 40 | 36 | 12 | 08 | 04 | 00 |
| Sher Khanay | 43 | 33 | 13 | 07 | 04 | 00 |
| Mulyano Banda | 41 | 32 | 14 | 07 | 06 | 00 |
| Takatak | 08 | 18 | 24 | 20 | 18 | 12 |
| Average | 33 | 29.75 | 15.75 | 10.5 | 08 | 03 |
| Section-B, Village | Monthly Income (in PKR) After Emigration | | | | | |
| | 10,000-20,000 | 20,001-40,000 | 40,001-60,000 | 60,001-80,000 | 80,001-100,000 | Above 1 Lac |
| Haji Abad | 10 | 16 | 20 | 24 | 16 | 14 |
| Sher Khanay | 18 | 24 | 24 | 16 | 10 | 8 |
| Mulyano Banda | 14 | 22 | 26 | 18 | 12 | 8 |
| Takatak | 8 | 18 | 24 | 20 | 18 | 12 |
| Average | 12.5 | 20 | 23.5 | 19.5 | 14 | 10.5 |

Source: Field Survey, 2008

Table IV indicates estimated remittances by the emigrants' families during the year 2007-08. As per data, 32 % families received remittances upto Rs. 200,000 in the said year, 29 % families got upto 300,000 rupees, 24.5 % families got upto Rs. 500,000, 10.5 % families got upto Rs. 10, 00,000 and only 4 % families received remittance between the range of Rs.50, 000 to 100,000. It becomes obvious that the economic position of the emigrants' families has jumped up six times more against their previous conditions, as explicated in Table IV where most of the respondents (33%) had upto 10,000 rupees per month income from all sources before migration whereas most of them (23.5%) had the same upto 60,000 rupees after migration. The study findings are similar to the results study carried out by Burki (1984) who observed this increase only three times more. It is remarkable to say that the annual flow of remittance was more in one sampled village 'Haji Abad' for the reason of increased number of emigrants. However, socio-economic changes were observed in all sampled villages.

It is added that economic and social aspects of life are highly associated as any change in economic status directly affects the entire social orbit. It is pertinent to mention that the recipient families failed to invest remittances in national level economy mainly for the reason of no safety measures to the investors by the state. Orozco (2008) has also observed an intersection between remittances and local economies, and has held government responsible for not mobilizing recipient families either to save or extend an adequate support to invest remittances. His conclusion of study conducted in five cities of Latin America and the Caribbean goes in accordance with the situation of sampled areas.

Table IV *Percent of households receiving estimated annual remittances (2007-08)*

| Village | Remittances in PKR | | | | | |
|----------------|--------------------|---------------------|---------------------|---------------------|-----------------------|---------------------|
| | 50,000-100,000 (%) | 100,001-200,000 (%) | 200,001-300,000 (%) | 300,001-500,000 (%) | 500,001-10,00,000 (%) | Above 1 million (%) |
| Haji Abad | - | 28 | 24 | 28 | 20 | - |
| Sher Khanay | 6 | 36 | 32 | 16 | 10 | - |
| Mulyano Banda | 2 | 30 | 34 | 32 | 2 | - |
| Takatak | 8 | 34 | 26 | 22 | 10 | - |
| Average | 4 | 32 | 29 | 24.5 | 10.5 | - |

Source: Field Survey, 2008

Table V gives details on change in multidimensional development of recipient families and attitudinal change of relatives and neighbors towards them. A very strong majority i.e. 96 % admitted that they developed their economic status with remittances of the emigrants. It was in the shape of bank balance, purchase of property, entrepreneurial activities etc. in their villages. Similarly, a big majority endorsed social development in the context of marrying in the upper classes, getting valuable position in the community, relinquishing inferior thinking, sending children to standard schools and improving living standard. They (74%) recognized their participation in political activities in the capacity of both political leaders and workers. A remarkable change, as indicated by 62%, was witnessed in the attitude of relatives and neighbors as friendly and cooperative towards them. Prior to migration the same relatives and neighbors were indifferent. The data reveal that the recipient families of remittances got remarkable social, economic and

political place in their respective communities. The leading business in various trades went almost in the hands of the emigrants' families' members in the sampled areas. Such families got opportunity to take part in different level of elections and mustered public support due to their emerging stable economic position. The remittances influenced socialization and schooling of children who are prospected to flourish the socio-economic position of their families in future. Abbasi and Irfan (1983) and Bushra (1983) have also found the same changes in life style of recipient families through remittances on the basis of their studies.

Table V *Behaviour change in, and towards recipient families after migration*

| Village | Social Development n=100 | Economic Development n=100 | Political Development n=100 | Friendly Behavior towards them n=100 |
|---------------|-----------------------------|-------------------------------|--------------------------------|---|
| Haji Abad | 94 | 100 | 81 | 65 |
| Sher Khanay | 90 | 95 | 75 | 57 |
| Mulyano Banda | 88 | 97 | 69 | 68 |
| Takatak | 89 | 93 | 73 | 59 |
| Average | 90 | 96 | 74 | 62 |

Source: Field Survey, 2008

CONCLUSION AND RECOMMENDATIONS

It was observed from the obtained data that the major causes behind migration of emigrants were the critical economic condition, unemployment, the spirit of competition and low social status in community. The remittances impacted positively the socio-economic conditions of recipient families' members by improving life style, solemnizing marriages in well established families, nuclearizing families from joint ones, schooling of children at reputed institutions, taking part in political activities, constructing cemented houses, purchasing landholdings and new brand vehicles, generating divergent income activities at local level, and investing in real estate etc. Investment at national level by such families was invisible due to lack of guidance either by government or other source. The study recommends that the government and other concerned bodies need to mobilize the heads of the recipient families to utilize remittances in the national interests.

REFERENCES

- Abbasi and Irfan. 1983. Socio-economic effects of international migration on the families left behind. Studies on population, labour force and migration. Instt. of Dev. Econ. Islamabad, Pakistan.
- Bureau of Emigration and Overseas Employment. 2008. Statements showing the number of workers proceeded abroad for employment registered by the Bureau of Emigration and Overseas Employment, BEOE, (Country-wise data 1971-2007) Retr. July 15, 2008. http://www.beoe.gov.pk/Outgoing_Emigrants_list.asp.
- Burki, S.J. 1984. Benefits from emigration. Daily Muslim, Islamabad.
- Bushra, Y. 1983. A sociological study on emigrant's families in Faisalabad. Ph. D Dissert. Deptt. of Rural Sociol. Univ. of Agric. Faisalabad, Pakistan.
- Knerr. 1997. Impact of labor migration on rural Thailand regional community and individual dimensions. CAPR Res. paper. Funde Univ. Press, UK.
- Mughal, R.A. 2003. Globalization and international migration after 9/11. Investors Business & Financial J. Quoted in The daily News, Islamabad, Pakistan.
- Muhammad, A.K. 1990. Impact of emigration: socio-economic condition in selected villages of Kohat district. Instt. of Dev. Studies, NWFP Agric. Univ. Peshawar, Pakistan.
- Orozco, M. 2007. The Role of remittances in leveraging sustainable development in Latin America and the Caribbean. Inter Amer. Dialogues, Washington DC.
- Roger B. 2003. A case of capital rich underdevelopment: The paradoxical consequences of successful transnational entrepreneurship from Mirpur. Contributions to Indian Sociol. Instt. of Social Studies Library, Mirpur. <http://cis.sagepub.com/cgi/content>.
- Sabets, R.W. and M. Waite. 2003. Migration and social protection: A concept paper. Dev. Res. Centre on Migration, Globalization and Poverty, Brighton.
- Siddiqui, H.A. 2000. The share of Pakistan in overseas job. The Daily Dawn, Islamabad, Pakistan.
- State Bank of Pakistan (SBP). 2007. Annual Report 2006-2007. Vol. I. Govt. of Pakistan, Karachi.
- UNINSTRAW. 2007. Gender, remittances and development. [Online] available form www.uninstraw.com
- Wu. T. 2006. The Role of remittances in crisis. A Research Study. Overseas Dev. Instt. London.