

## Assessing Utilization Patterns of Remittances at Household Level in District Peshawar, Khyber Pakhtunkhwa, Pakistan

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### ABSTRACT

*In this paper we assessed the utilization patterns of remittances of the households of district Peshawar, KPK, Pakistan. The data was collected through questionnaire based surveys, supplemented by personal observations and informal interviews with informed persons. The results indicate that work oriented emigration has had highly positive impact on socio economic condition of the emigrants and their left behind households. The latter enjoy much higher income than the pre-emigration period due to overseas remittances.*

### INTRODUCTION

Overseas job market has emerged as an important source for Pakistan's manpower. It has been relieving the job seekers pressure on home job market, and has more importantly become one of major sources of foreign exchange with its multi-dimensional positive socio-economic impacts at household, community, and national level. During 1971-2012, over 6.4 million Pakistani workers were registered with Pakistanis Bureau of Emigration and Overseas Employment for jobs abroad. In 1971, only 3534 workers were registered, while the corresponding figure for the year 2012 is as high as 638,587. The average for 1971-80 was 60,809 and for 2001-12 the corresponding figure was 297,317. The current total stock of Pakistan origin overseas workers is estimated at 3.1 million. These figures are self-revealing of the importance of work-oriented emigration. Equally revealing and conspicuous is the trend in overseas remittances, which were 1.228 billion US\$ annual during 1976-80, and reached the all time high of 12 billion US\$ in the year 2012.

The Khyber Pakhtunkhwa Province (KPKP) is a prominent emigrant sending region. It is second only to Punjab province, in Pakistan. All districts of KPKP re-presented in overseas work force, to varying extent. It is estimated that among the current total stock of 3.6 million Pakistanis working abroad, the KPKP origin workers would be approximately 700,000. The Peshawar district, which was not a prominent area in this

respect a few decades ago, has also joined the work oriented transnational migration mainstream. Workers from this district are going abroad in a large number, and the trend is gaining momentum due to limited manpower absorption capacity of the local market, and the force of other push and pulls factors.

Scholars around the world have different views about the utilization patterns of remittances by the households in both developed and developing societies. Some are of the view that households mostly used these remittances for productive purposes which help them to improve their living standards and reduce poverty levels (Siddiqui and Kemal, 2002; Adams, 2003, Woodruff and Zenteno, 2007) while many others supports non-productive utilization of remittances (Gillani, et. al., 1981; Amjad, 1986; Arif and Irfan, 1997; Rehman and Zafar, 2000).

Keeping in view such diverse view of the scholars' the author has an intention to assess the utilization patterns of remittances by the households of district Peshawar of KPK, Pakistan, which is neglected area so far in the existing literature. Consequently we analyzed the total inflow of remittances to the households of the study area and their utilization patterns to judge the real impacts of remittances on the households.

## **THEORETICAL BACKGROUND**

Millions of households, located in a large number of countries- mostly in Asia and Africa, are in receipt of overseas workers' remittances totaling billions of USD annually. These countries widely differ from each other in terms of social, economic, ecological, and other characteristics. These differentials result in divergence in the importance attached to, as well as, the mode of utilization of, foreign remittances. The patterns of impacts are correspondingly divergent from country to country, and from region to region in a given country, with the consequent difficulty in arriving at universally valid generalizations on the impacts of remittances. The impact assessment exercises are, therefore, continuing on an ever increasing scale, and are, contributing to refinement and growing convergence of views, as well as, divergence, which in its turn propels further quest in impact assessment.

### **Overview of Impacts**

A large number of studies have focused household, community, and national level impacts of foreign remittances in different countries. Both positive and negative impacts are brought out by these studies. The positive ones, however, outweigh the negative ones, generally speaking.

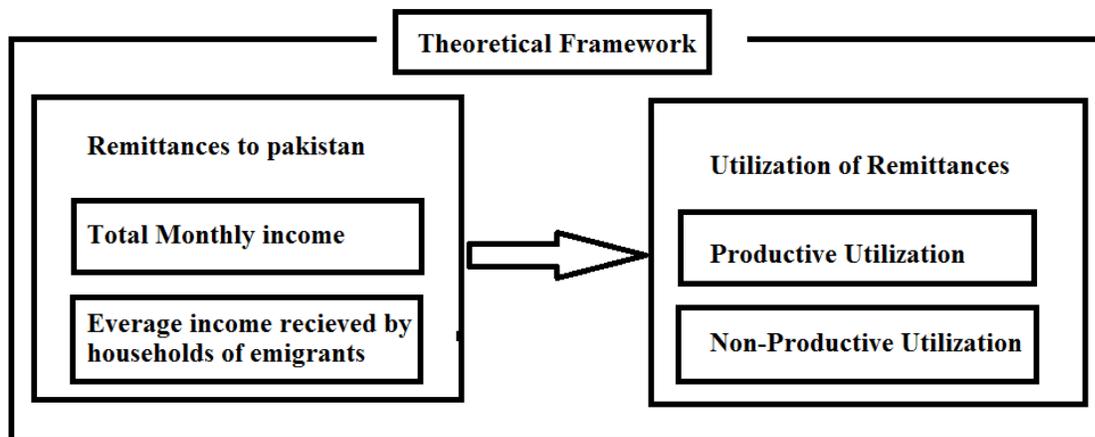
### **Household Level Impacts**

**Positive poverty reducing impacts:** Lucas and Stark (1985); Adam (1991); Hadi (1999); Edwards and Ureta(2001); Ballard (2001); Azan and Gubert (2002); Kannan and Hari (2002); Yang (2003) and Munir (2010) reported that foreign remittances have had significant poverty reducing impacts on remittances recipients households, enabled by the following sequence of developments. Remittances have led to a marked improvement in household income; Munir (2010) estimated their contribution at 76% in Swabi district of KPKP. Higher income have lead to debt reduction, rise in saving, and in many cases also to rise in investment, leading to a further rise in income and the consequent further strengthening of households' saving and investment capacity. The above stated upward income trend improves households' access to almost assured food security, better nutrition, housing, education, and health services, which collectively help improve the overall quality of life at household level. School dropout rates have been noted to decline; child labour has not been reported in emigrants' households in any study conducted in KPKP (Pakistan).Mortality rates fall; households' access to social services increases; and households' participation

in community level activities increases, too. Morbidity and mortality rates decline. Households' access to sources of information and their ability to join the mainstream of national development increases. The cumulative impact of the aforesaid impacts merges in breaking of the vicious circle of poverty in many a household with positive emulative impact on non emigrants' households.

**Negative, or non-poverty reducing:** Several negative or non-poverty reducing impacts of foreign remittances have been brought up by studies done by Ballard, (2001); Oscill (2001); Kothari (2002); Dostie and Venactachellum (2002); and Munir (2010). Extravagance in spending, especially in early period of higher income due to remittances, has been a widely observed phenomenon in most Asian and African countries including notably KPKP in Pakistan. A high proportion of remittances have been found spent on deferrable housing improvement, purchase of non-essential consumers' durables, which are rarely or never used, and extravagance in clothing, ornaments, etc. In KPKP especially, acquiring land, even though non-productive, at a high cost, vehicles, though not quite necessary, and demonstrative spending on social functions like marriages, festival etc have been quite conspicuous in the past, with no evidence of a decline currently.

**Figure 1. Schematic diagram of the Theoretical Framework**



## METHODOLOGY

The study is based mainly on primary data collected through questionnaire based surveys, which was collected during 2011-12 from the sample households of district Peshawar, KPK, Pakistan. These are supplemented by personal observations of the research scholar and informal interviews with informed persons. The overall sample for the district was 400 households of the current overseas workers. It was allocated to focus union councils which were purposively selected on the basis of incidence of work oriented emigration. Within each union council, the village sample was similarly selected after collection of relevant data to rank the village in the order of number of overseas workers. The household sample in selected village was selected by the simple random process. After collection, data was coded and entered into SPSS spreadsheet. In the first instance, demographic responses were evaluated. Secondly, descriptive analysis was done to assess real impacts of remittances at household levels.

## RESULTS AND DISCUSSION

### A. Demographic Profile of the respondents

**Age on Emigration:** The relatively younger workers have an edge over the middle aged and older ones in respect of employability abroad, as observed by Khan, M (2010); Khan, M.A; Iqbal M. et al (2002) and other scholars. The pre emigration age pattern of Peshawar district' overseas workers is similar, as evidenced by the fact that about 73% of them were in <31 year age bracket when they left for abroad for work. The single largest corresponding figure, 35%, is accounted for by the age bracket of 26-30.

Table 1 Overseas workers age on emigration and now

Age group	Overseas workers			
	Now		Before	
	#	%	#	%
Below 21	1	0.24	18	4.28
21 – 25	43	10.21	139	33.01
26 – 30	99	23.52	149	35.39
31 – 35	110	26.13	64	15.20
36 – 40	42	9.98	14	3.33
Over 40	136	32.30	37	8.79
Total	421	100.0	421	100.0

**Literacy Status:** The majority of the emigrants, 79% is literate. This figure is somewhat lower than the pre survey perception on this characteristic but is consistent with the occupational pattern of emigrants from this district.

Table 2 Literacy Status

Literacy status	Workers	
	No.	%
Literate	317	79.25
Illiterate	83	20.75
Total	400	100

Source: Based on Survey

**Level of Education:** The literate overseas workers have had widely different levels of formal education; ranging was from 'up to 5 years' and going 'up to 21 years'. The single largest number of them, 51%, had 6-10 years schooling.

Table 3 Level of education of the Literate Overseas Workers

Sr. No.	Level of education (Number of years of schooling)	Workers	
		No.	%
1	Up to primary (1 -5 years)	30	9.46
2	Up to or below Matriculation (6-10 years)	163	51.42
3	FA/FSc. (12 years)	62	19.56
4	Bachelor (14 years)	36	11.36
5	Master (16 years)	25	7.89

6	M.Phil/MS/MBBS(18years)	1	0.32
7	Ph.D. ( 21years)	0	0.00
	Total	317	100

Source: Based on Survey

**Skill Status before Going Abroad:** The overwhelming majority, 72%, of the overseas workers was skilled at the time of going abroad for work. The unskilled persons accounted for the remaining 28%. This figure is, however, higher than the pre survey perception on employability of Pakistani workers in foreign countries. The perception was that the foreign labour market has higher preference for skilled workers. Though a valid generalization it may not necessarily be so in all situations, especially in the context of oil rich countries where persons for manual work continue to be in good demand as evidence by the present study's findings.

Table 4 Skill Status of Overseas Workers

Sr. No.	Particulars	Workers	
		No.	%
		421	100
1	Skill status:		
	2.1. Skilled	305	72.45
	2.2. Unskilled	116	27.55
	2.3. Total	421	100
2	Mode of Skill:		
	3.1. Formal Training	212	69.51
	3.2. On Job	31	10.16
	3.3. Both	62	20.33
	3.4. All modes	305	100

Source: Based on Survey

**Work experience possessed by skilled persons before going abroad:** Among the 305 skilled workers, the single largest number 106 or 35% had been working as drivers before going abroad. They were followed by factory/construction workers with corresponding figure of 20% and the electricians with 15%; Table 5.

Table 5 Distribution of Skilled Emigrants by Occupation Before Going Abroad

Sr. No	Nature of Skill	Peshawar	
		No.	%
1.	Driver	106	34.9
2.	Computer operator	11	3.65
3	Welder	16	5.21
4	Factory/construction work	62	20.31
5	Electrician	44	14.58
6	Technician	6	2.08
7	Accountant	3	1.04
8	Engineer	21	6.77
9	Teacher	8	2.6
10	Doctor	2	0.52
11	Carpenter	25	8.33
	Total	305	100

### Occupation abroad

Among the 421 current overseas workers, the single largest number (42%) is working as laborers, doing manual labour work. They are followed by drivers, with about 35%.

Table 6 Occupation Abroad

Sr. No.	Occupation	Peshawar	
		No.	%
1	Driver	146	34.59
2	Computer operator	14	3.38
3	Welder	0	0
4	Labourer	176	41.73
5	Electrician	21	4.89
6	Technician	5	1.13
7	Accountant	5	1.13
8	Engineer	24	5.64
9	Teacher	5	1.13
10	Doctor	2	0.38
11	Carpenter	25	6.02
	Total	421	100

Source: Based on Survey

**Years on Current Job Abroad:** The single largest proportion, 44%, of the current overseas worker has been working abroad on their current job for over five years. This group is followed by the three year group with about 18% workers. The relatively heavy concentration of workers in ‘over five years’ category abroad indicates a fair degree of stability of work contracts for the workers concerned. It is important to note that the overseas workers are widely spread over the six categories, from ‘up to or below one year’, to ‘over five years’, with important representation of lower brackets. That signifies the continuity of the process of emigration for work, which is a gratifying feature for the study universe; Table 7.

Table 7 Years Worked on Present Occupation Abroad

Years Worked on present Occupation	Peshawar	
	No.	%
Up to or below One	24	5.70
Two	32	7.60
Three	74	17.58
Four	53	12.59
Five	51	12.11
Over Five	187	44.42
Total	421	100

Source: Based on Survey

### B. Remittances to Pakistan

**Remittances:** The overseas workers households in Peshawar district receive on average, Rs. 37,444/month. The households classified by monthly amount received are characterized by highly skewed distribution which is evident from Table 8. In the lowest remittance receiving bracket of “up to Rs. 25, 000,” there are

47.75% households, but they receive only 22.88% of the total remittance at the average of Rs. 18728/month. In the top bracket of over Rs. 100,000/month there are only 2.75% households, but their share in total remittance is 13.22% with average amount of Rs.180,000/month.

Table 8 Distribution of Overseas Worker' Households in Pakistan by Average Monthly Remittances Received by Them

Remittances (Pak Rupee)	Households		Share in total amount received %	Average monthly receipts	
	#	%		Rs.	Indices
Up to 25000	183	45.75	22.88	18728	50.02
25000-50000	157	39.25	39.39	37581	100.37
50000-75000	25	6.25	10.72	64200	171.46
75000-100000	24	6	13.79	86042	229.79
Over 100000	11	2.75	13.22	180000	480.72
All groups	400	100	100	37444	100

Source: Based on Survey

**Sample households distributed by income category before and after workers' emigration:**

Overseas workers' remittances have markedly improved recipient households' overall income over the pre emigration period. As will be seen in Table 9, in the pre emigration period as many as 48% households had annual income of up to or below Rs. 100,000, and only one percent were in over Rs. 500,000 bracket. The corresponding post emigration figures are 18% and 33% respectively. The figure of 18% households in the 'upto or below Rs. 100000 per annum' bracket in post emigration period is higher than the expected one. It is, however, explained by the fact that about six percent current overseas workers have been abroad for upto or less than one year and remittances from them have not yet started on a scale that would substantially impact their households' income category.

Table 9: Distribution of Sample Households by Broad Income Brackets: Now and Before Emigration

Income (Rs. per Annum)	Households			
	Now		Before	
	#	%	#	%
< 100,000	72	18	192	48
100,001 - 200,000	32	8	64	16
200,001 - 300,000	68	17	76	19
300,000 - 400,000	56	14	20	5
400,001 - 500,000	40	10	12	3
> 500,000	132	33	36	9
All Income Brackets	400	100	400	100

Source: Based on Survey

**Household's Source Wise Income:** Overseas workers' remittances are the major source of income of the sample households. They constitute as much as 73% of the latter's total income. In-country jobs are the second source of income, but a way behind the remittances with about 18% contribution. All other sources

account for the balance of nine percent. Thus the importance of remittances to recipient households is self evident from their income composition given in Table 10.

Table 10: Average Monthly Income of Sample Households by Source of Income

Source of Income	Income	
	Rs	%
1. Remittances	37,444	72.56
2. In-country jobs	15,366	17.64
3. Industry/Trade/ Transport	2049	2.35
4. Farm Sector	763	0.88
5. All other sources	5,729	6.58
6. Total	61351	100

Source: Based on Survey

### C. Assessing Utilization Patterns of Remittances

The socio economic impacts of remittances are in the ultimate analysis determined by their utilization patterns. The sample households make, generally speaking, rational allocation of their total income of which remittances constitute the bulk. The selected modes of utilization are distributed as follows:

**Current Consumption:** Of the average monthly income of Rs. 61,351, the sample households allocate Rs. 31081/month or 51% to current consumption. Thus, a good 49% household income is available for other uses. Among the consumption expenditure, 58% amount goes to edibles, education and health claim 12% and 13% respectively. While all other items account for the balance of 17% current expenditure.

**Selected Non-Consumption Uses of Remittances:** The saved up income has been put to a number of uses contributory to income generating enterprises, increase in valuable assets, improvement in quality of life, environmental improvement and humanitarian relief.

Table 11 Selected Non Consumption Uses of Remittances

S #	Classification	Use and reporting households
1	Poverty alleviation and stress reduction	Repayment of debts 24%; loans to friend/selected for business 9%; charitable purpose 27% .
2	Income generation	Old family enterprises 9%; new family enterprise 6%; purchase/construction of shop 12%; agricultural land 14%; fruit plantation 6%; non fruit plantation 7%; farm land improvements 15%; animals 20% ; improvement 15%; animals 20%; poultry farming 1%; fish farming 1%.
3	Multipurpose uses for better quality of life and income generation	Vehicles/machines for personal and commercial uses 21%; consumers durables 86%;
4	Asset formation	Housing 66%; residential plots 17% investment in saving schemes/ bank deposits 15%.

### Income and Non Income Generation Uses:

In the previous section it was observed that the sample households have been making, generally speaking, productive uses of their enhanced income of which remittances comprises the bulk. The impact of these

observed utilization patterns of remittances is reflected in a substantial improvement in the sample household's physical assets, contributory to income improvement and financial security. Pre and post emigration situation in respect of some selected assets is reviewed as follows:

**Land holding:** The number of land owning households increased by 12% in post emigration period. The irrigated area of the households increased by 44%, the un-irrigated area by 14% and the overall farm area by 31%, as shown in Table 12.

Table 12 Landholdings of Emigrants Households

Sr. No.	Particulars	Unit	
1	Total Households	Number	400
2	Households with land		
	Before	Number	162
	Now	Number	180
3	Irrigated area		
	Before	Jareeb	745
	Now	Jareeb	1070
	% $\Delta$	% $\Delta$	44
	Un-irrigated area		
	Before	Jareeb	363
	Now	Jareeb	379
	% $\Delta$	% $\Delta$	4
	Total area		
	Before	Jareeb	1108
	Now	Jareeb	1449
	% $\Delta$	% $\Delta$	31

Source: Based on Survey

**Livestock:** The sample households who owned livestock of one kind or the other were, and who were able to report the number of livestock owned by them, were 30 in pre emigration period. Their existing (post emigration) number is 55. The number of cow/buffalo owner by them increased by 156% and of goat/sheep by 14% in post emigration period. In addition to these 55 livestock owner households, there are 70 households more who own livestock but who do not remember the exact number owned now and before workers' emigration. The majority of them, however, reported an increase in their livestock in post emigration period.

Table 13 Livestock Holding of Emigrants Household

Sr. No.	Particulars	Unit	
1	Total Households	Number	400
2	Livestock owners		
	2.1. Before	Number	30
	2.2. Now	Number	55
3	Livestock heads owned		

	3.1. Cows/Bufalos	a. before	66
		b. now	169
		c. % $\Delta$	156.06
	3.2. Goat/sheep	a. before	42
		b. now	102
		c. % $\Delta$	142.86
	3.3. Draft animals	a. before	0
		b. now	2
		c. % $\Delta$	0.00

**Housing situation:** Housing situation has substantially improved in post emigration period. This is indicated by increase in proportion of owned houses, pucca houses, and larger number of living rooms, electrification, covered kitchens, in house flush latrine, and in house piped water supply.

Table 14 Housing Situation

Particular	Now		Before	
	#	%	#	%
Own house	389	15.8	255	15.7
Pucca	289	11.7	128	7.9
>3 rooms	369	15.0	203	12.5
Electrified	398	16.2	331	20.4
Covered kitchen	381	15.5	364	22.5
In house flush latrine	357	14.5	244	15.1
In house piped water	277	11.3	95	5.9

### Vehicles/Machines:

There has been a substantial increase in the number of vehicle/machine owners and the number of there owned by them in the post-emigration period. This is evidenced by table 15.

Table 15 Vehicles and Machines owned by Sample Households

Vehicles/ Machines	Car		Wagon		Truck/ Buss		Tractor		Tube well		Motor cycle		Elec. Generator	
	Bef ore	No w	Bef ore	N o w	Bef ore	No w	Bef ore	N o w	Be for e	N o w	Be for e	No w	Bef ore	No w
Number of owners households	25	117	0	7	0	8	4	15	5	43	59	188	21	114
Number of Vehicles/M achines owned	25	121	0	7	0	9	4	16	5	43	59	192	21	185

### Emigrants' households own perception of impact of overseas remittance:

How do the study's respondents themselves feel about the impacts of overseas remittances? They were addressed eighteen propositions in this context. Their overall resulting response is heavily positive as can be seen in Table 16.

Table 16 Respondents Perceptions on Impacts of Remittances on Their Households

Sr. No.	Proposition	Frequency of response in 'yes' (n = 400)	
		No.	%
1	Productive Investments have increased;	348	87
2	Income has increased	352	88
3	More boys aged 6-16 attend schools	312	78
4	More girls aged 6-16 attend schools	296	74
5	School dropout rate among boys has fallen	176	44
6	School dropout rate among girls has fallen	211	52.82
7	Children get better nutrition	391	97.8
8	Mortality rate among < 5 years has fallen	156	38.9
9	Mortality rate among adults has fallen	140	35
10	H.hold has now greater participation in community institutions	335	83.76
11	Housing has improved	393	98.23
12	In-house sanitation has improved	391	97.71
13	Saving level improved	377	94.16
14	Technical/vocational training in greater demand than in the past	339	84.77
15	Jobs abroad preferred over in-country jobs	348	87.06
16	Opposition to voting by women has declined	311	77.72
17	Political participation of women is approved more than before	202	50.38
18	Participation of women in women organizations is approved more than before	233	58.23

### Overall Assessment of Remittances' Utilization

From the quantitative indicators of mode of utilization of remittances, as given above, and general observation and discussion in course of survey, it is concluded that on the whole the recipient household have been acting judiciously and frugally. The observed modes of utilization of remittances are conducive to food security; quality of life; income generation; asset formation; environmental sustainability; and to initiation and acceleration of further improvement in income and employment. Wasteful use of remittances is a common sight, but is in bearable proportion in terms of amounts claimed by it. There is, however, still scope for further rationalization in this sphere.

### CONCLUSIONS AND RECOMMENDATIONS

The work oriented emigration from the study universe-Peshawar district, has had highly positive impact on socio economic condition of the emigrants and their left behind households. The latter enjoy much higher income than the pre-emigration period due to overseas remittances. The remittances are generally speaking, judiciously utilized for current consumption, as well as, income generation and asset formation. The spill-over impacts of remittances are, on the whole, positive on community level and are proving helpful to

acceleration of the development process in remittance receiving localities. In view of its observed positive impacts, the work-oriented emigration should be encouraged and accelerated. To this end the current governmental programmes for skill development need be continued and expended. Counseling services for persons seeking job abroad need be provided on a larger scale. A more rational use of remittances need be counseled and encouraged. The existing programmes oriented for overseas workers guidance and welfare need be carried on with greater vigor.

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