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IMPACT OF REMITTANCE INFLOWS DURING COVID-19: A HOUSEHOLD-LEVEL ANALYSIS OF DISTRICT SHANGLA, PAKISTAN

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ABSTRACT

Foreign remittances are a significant component of household income in developing countries, especially in the communities where emigrant work is an important livelihood option. The COVID-19 pandemic caused major disruption to international mobility, employment and economic activity, and thus to migrant workers and their families in the countries of origin. The objective of this research is to explore the fluctuations in remittance receipts and their impact on income and wellbeing of households in District Shangla, KP, Pakistan during COVID-19. Primary data was obtained from the 60 households in Tehsil Besham by conducting semi structured interviews with closed and open ended questions. The study used a combined mixed method, quantitative data was analysed with frequencies and percentages while the qualitative data was analysed thematically. The results show a significant impact on the employment of migrants and remittance transfers during the pandemic. Prior to COVID-19, 100% of all migrant workers in the sample reported being employed, while during the pandemic, 6.7% of migrant workers reported total unemployment, 55.0% reported partial unemployment and 38.3% reported unemployment. The number and size of remittances also dropped significantly. In the pandemic period, a greater proportion of households (41.7%) said that migrant workers never sent money home, compared to (1.7%) in the pre-pandemic period. There were reduced income and increased expenditure, especially health related expenditure, in the household. As a result, 46.7% of respondents were dissatisfied with household wellbeing and 43.3% were undecided regarding their wellbeing during COVID-19. The study also confirms that remittances play an important role in providing a safety net for households: 55.0% of respondents said that the lack of remittance had an impact on the wellbeing of their household "quite a bit", while another 20.0% said it had an impact "very much." Post-relaxation, employment and remittance transfers have mostly rebounded, while inflation and currency depreciation still had a negative impact on household economic conditions. The results show that remittance-receiving households are at risk of shocks and stresses at the global level and indicate the need for a diversified livelihood and their need for access to financial services and social protection in origin countries.

Keywords: *Remittances; COVID-19; migrant workers; household wellbeing; Pakistan; Shangla; migration; household income*

1. INTRODUCTION

In many developing nations, international migration has increasingly emerged as a key factor in economic and social development. Millions of workers move internationally for work, with their families remaining in their country of origin for a higher income. These migrants have provided a significant source of external financing for many low and middle income countries, known as remittances. Remittances are received directly by households, and so can have direct impact on food consumption, health, education, household welfare and others, unlike many forms of international capital.

Remittances played a special role during the COVID-19 pandemic. The pandemic was simultaneously a health crisis, an economic crisis and a mobility crisis. Migrants in countries of destination were impacted by restrictions on international travel, business closures, lockdowns and working hours reductions. South Asian migrant workers were especially at risk since many were in the industries like construction, hospitality, transport, manufacturing, etc. that were hit the hardest by the restrictions. Evidence from South Asia suggests that the pandemic had an impact on livelihoods, migration, household incomes, and risk of poverty and unemployment (Rasul et al., 2021).

Forecasts at the outset indicated significant declines in remittances in 2020. In low and middle-income countries, remittances are expected to drop by about 20% and in Pakistan by around 23% in 2020, according to the World Bank. But actual flows of remittances were found to be very resilient. Remittances to low and middle-income countries picked up momentum in 2021 and in Pakistan, the remittances amount were around US$33 billion, which increased by 26% from 2020.

While remittance flows have been macroeconomically resilient, however, this does not imply that households were immune from the pandemic. The rise in national remittances does not have to be at the expense of large losses for specific migrant workers. The impact at the household level is affected by the migrant's employment status, whether his/her wages decreased, whether he/she was able to return to the country of origin, and the amount of remittance income dependency of the migrant's household.

Overseas migration is an important livelihood strategy in rural and mountainous region of Pakistan and this issue is particularly important in those regions. The district of Shangla, in KP, has a significant expatriate population and high numbers of families are directly or indirectly reliant on foreign remittance. Hence, the present study is conducted at the household level experience of the remittance dependent families in Tehsil Besham District Shangla.

The study has two main aims:

To evaluate remittances inflows' variation at household level during COVID-19.

To explore the effects of remittances on household welfare in the pandemic.

2. Remittances, Migration and Household Wellbeing

Remittances are personal transfers received by migrants from persons or households in their countries of origin. They are not only of economic value, given the amount of money they move, they can also be a source of informal social protection. In times of economic hardship, migrants can provide support to relatives that have suffered income losses.In times of economic crisis, migrant workers can provide support to relatives who have lost income. The COVID-19 pandemic has been an important lifeline for households, especially for remittances to finance critical expenditure, including food, health, and education, the World Bank has said.

There are several potential beneficial impacts of remittances that have been identified in the literature. Remittances can be used to improve consumption and the financing of education and health care at the household level. For instance, in El Salvador there is evidence that remittances played a significant role in school retention rates. Remittances may also enable households to deal with temporary income shocks and overcome credit constraints.

Meanwhile, it should not be assumed that remittances are an alternative to domestic economic development. According to Chami, Fullenkamp and Jahjah (2005), remittances are

more than just a flow of capital; they are mainly compensatory transfers, linked to family concerns. Their empirical analysis revealed that remittances and economic growth have an inverse relationship, which contradicts the notion that remittances are the same as foreign direct investments.

Other studies also show that the remittances-development linkage is complex. Given the cross-sectional nature of remittance flows, Meyer and Shera (2017) studied the relationship between remittances and economic growth using panel data from high remittance-receiving countries, and highlighted the need to have a clear understanding of the purpose of remittance use. Therefore, remittances can boost the well-being of a household, and can also cause dependency on foreign income streams.

This dependency has become more obvious with the advent of COVID-19. An economic shock can be caused by the sudden loss of a migrant worker in a household where he or she is the primary source of income. This poses a greater risk especially with large families, low levels of savings and a lack of alternative work.

3. COVID-19 and Migrant Workers in South Asia

In 2020, COVID-19 has spread around the world and caused unprecedented constraints on mobility and economic activity. The pandemic had impacts on both countries that send and receive migrants. This was especially true of migrants from South Asia, who were more likely to be employed in industries impacted by lockdowns and restrictions on movement.

Rasul, et al. (2021) points out the fragility of South Asian economies due to high poverty rates, small social protection and big informal sectors. The pandemic caused a decrease in jobs and impeded migration, trade, transport and other economic activities.

The World Bank started off with a big prediction of remittance outflows to South Asia declining significantly. In 2020, the expected drop is for Pakistan to go down by around 23%, falling from around US$22.5 billion in 2019 to around US$17 billion. However, actual flows were much more resilient than expected. Pakistan's remittance receipts stood at around US$33 billion in 2021, which was partly stimulated by the economic recovery in the receiving countries and the formal remittance facilitation policies.

This paradox of macroeconomic strength and microeconomic disruptions offers a compelling reason for the current study. Remittance statistics at the national level reflect total remittances but do not necessarily indicate what happens to individual households. However, even if aggregate remittance inflows increase again, a migrant can lose his or her job or hours of work.

4. Methodology

4.1 Study Design

The study used a mixed Methods Research Design. Structured questions were used to gather quantitative data on household characteristics, migrant employment, frequency and size of remittances, household income, expenditure, savings and wellbeing. Open-ended questions and semi-structured interviews were used to gather qualitative data. According to the original research, frequencies and percentages were used to analyze quantitative data and thematic analysis was used to analyze qualitative data.

4.2 Study Area

The study was carried out in District Shangla, Khyber Pakhtunkhwa in Tehsil Besham. The relatively large household size and high level of dependence on migration and external jobs dominate the lifestyle of the mountainous district of Shangla

4.3 Sampling and Data Collection

The study adopted the snowball sampling method for identifying households that are linked to migrant workers. Sixty households were involved. Semi-structured interviews with the household heads were conducted based on a pre-tested questionnaire with both open- and closed-ended questions. Urdu and Pashto were the languages used for conducting interviews, and they were later translated into English for analysis. The findings are unique evidence from the sampling area and should not be considered as a statistically representative estimate of the entire population of households in the study area or in

Pakistan in general, as the sample was drawn by non-probability sampling method.

5. Results

Table 1. Demographic Characteristics of Household Heads (n = 60)

Variable	Category	Frequency	Percentage
Gender	Male	57	95.0
	Female	3	5.0
Age	Up to 18	1	1.7
	19–30	10	16.7
	31–40	35	58.3
	41–50	8	13.3
	51–60	4	6.7
	61 and above	2	3.3
Marital status	Married	56	93.3
	Unmarried	3	5.0
	Widow	1	1.7
Family structure	Joint	50	83.3
	Nuclear	10	16.7
Education	Primary	3	5.0
	Secondary	22	36.7
	Higher secondary	22	36.7
	Tertiary	13	21.7
Employment	Employed	48	80.0
	Unemployed	6	10.0
	Retired	4	6.7
	Housewife	2	3.3

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The household sample was predominantly male-headed, with 95% of respondents being men. Most household heads were aged 31–40 years (58.3%), while 93.3% were married. Joint households were particularly common, accounting for 83.3% of the sample. Educational attainment was concentrated at secondary and higher-secondary levels, each representing 36.7% of respondents.

Table 2. Household Size and Number of Migrant Workers

Household characteristic	Category	Frequency	Percentage
Household members	Up to 4	2	3.3
	5–8	8	13.3
	9–12	26	43.3
	13–16	13	21.7
	17–20	9	15.0
	21 and above	2	3.3
Migrant workers	1	43	71.7
	2	13	21.7
	None currently	4	6.7
Total		**60**	**100.0**

Large households were a dominant feature of the study. More than two-fifths (43.3%) contained 9–12 members, while a further 21.7% contained 13–16 members. Nearly three-quarters of households had one migrant worker, whereas 21.7% had two. This structure suggests that the employment status of a single migrant could have substantial implications for household income.

Table 3. Characteristics of Migrant Workers

Variable	Category	Frequency	Percentage
Age	19–30	23	38.3
	31–40	28	46.7
	41–50	5	8.3
	51–60	3	5.0
	61 and above	1	1.7
Gender	Male	60	100.0
Education	Primary	1	1.7
	Secondary	23	38.3
	Higher secondary	26	43.3
	Tertiary	10	16.7
Main destination	Saudi Arabia	49	81.7
	Dubai	7	11.7
	Australia	1	1.7
	Cyprus	1	1.7
	China	1	1.7
	Kuwait	1	1.7
Employment status	Employed	57	95.0
	Retired	1	1.7
	Left overseas work	2	3.3
Marital status	Married	53	88.3
	Unmarried	7	11.7

The migrant workers were exclusively male. Almost half were aged 31–40 years, while 38.3% were aged 19–30 years. Saudi Arabia was the primary destination, accounting for 81.7% of migrant workers. This concentration reflects the importance of Gulf labour markets to Pakistani migration and remittance systems.

Table 4. Employment and Remittance Patterns Before, During and After COVID-19

Indicator	Before COVID-19	During COVID-19	After COVID-19
Fully employed	100.0%	6.7%	95.0%
Unemployed	0.0%	38.3%	5.0%
Partially unemployed	0.0%	55.0%	0.0%
Abroad	91.7%	66.7%	86.7%
At home	8.3%	33.3%	13.3%
Always sending money	20.0%	5.0%	8.3%
Very frequently sending money	61.7%	31.7%	45.0%
Occasionally	13.3%	11.7%	33.3%
Rarely	3.3%	10.0%	1.7%
Never	1.7%	41.7%	11.7%

The most compelling discovery is related to migrant employment. Prior to the onset of COVID-19, all migrant workers were recorded as being in work. But, only 6.7% were fully employed during the pandemic period. Over half of them were partially unemployed and 38.3% were fully unemployed. Following the lifting of the restrictions, the employment rate bounced back significantly, with 95% now indicating they were employed. At the same time, there was a significant drop in the frequency of remittances. Prior to COVID-19, 61.7% of migrants that were working sent money very often. This dropped to 31.7% in the time of COVID-19. The percentage who never sent money rose from 1.7% prior to the pandemic to 41.7% during the pandemic.

The findings demonstrate the household-level transmission process of an international economic shock – the restrictions in destination countries had a negative impact on the employment of migrants, on household earnings, on remittance transfers and ultimately on households in Shangla.

6. Household Income, Expenditure and Wellbeing

Table 5. Household Income, Expenditure and Wellbeing

Indicator	Before COVID-19	During COVID-19	After COVID-19
Most common expenditure category	Rs. 26–50k (56.7%)	Rs. 51–75k (40.0%)	Rs. 76–100k (36.7%)
Most common income category	Rs. 26–50k (46.7%)	Rs. 26–50k (53.3%)	Above Rs. 101k (35.0%)
Dissatisfied	0.0%	46.7%	0.0%
Unsure	0.0%	43.3%	26.7%
Satisfied	66.7%	8.3%	61.7%
Very satisfied	33.3%	1.7%	11.7%

The pandemic caused a simultaneous drop in household income and rise in expenditure. Prior to COVID-19, 46.7% of the households reported monthly income between Rs. 26,000 and Rs. 50,000. Between 2001 and 2005, the share of those who reported incomes of over Rs. grew from 53.3% to 63.3%. 101,000 fell from 16.7% to 3.3%.

At the same time, expenditure increased. Prior to COVID-19, the monthly household expenditure in the 0–5000 range was the highest with 56.7%. 26,000 and Rs. 50,000. In the time of COVID-19, 40% said they spent Rs. 51,000–75,000 and 21.7% reported expenditure of Rs. 76,000–100,000.

The increase in self-reported well-being was significant. Prior to the pandemic, the share of respondents satisfied and very satisfied with household wellbeing was 66.7% and 33.3% respectively. In the time of COVID-19, 46.7% were frustrated and 43.3% were not sure. 8 .3% were very satisfied and 1 .7% were satisfied.

After the pandemic, wellbeing was significantly improved. This increased to 61.7% and 11.7% were very satisfied. However, economic recovery failed to immediately eradicate uncertainty within the household – 26.7% were still uncertain.

7. Food, Health, Education and Savings

The pandemic also impacted the distribution of household resources. Food costs were significant and health spending grew rapidly.

Even prior to COVID-19, 60% of households had reported expenditure which was less than Rs. 1,000–5,000 per month. This was reduced to 10% during COVID-19. In the meantime, the percentage spending Rs. 6,000–10,000 on health increased from 30% to 46.7%, and the proportion spending Rs. 11,000–15,000 increased from 6.7% to 30%.

The most important discovery was on the savings. Prior to COVID-19, households reported saving in various categories including 40% saving Rs. 6,000–10,000 and 25% saving more than Rs. 21,000. In the pandemic, however, no household

from the 60 households said they saved. The study shows, households had to dip into their savings to cover their bills. This finding demonstrates the importance of savings as a buffer against shocks. During the COVID-19 pandemic, households that saved during the period prior to the pandemic were able to use the savings to meet remittance needs. But in this instance, the entire lack of reported savings over the course of the pandemic implies that continued shocks can run out household coping mechanisms.

8. Effect of Reduced Remittances on Household Wellbeing

Table 6. Impact of Not Receiving Remittances

Impact on wellbeing	Before COVID-19	During COVID-19
Very little	10.0%	8.3%
Somewhat	0.0%	16.7%
Quite a bit	0.0%	55.0%
Very much	0.0%	20.0%
None	90.0%	0.0%

There is a big difference between the pre-pandemic and pandemic era. Prior to COVID-19, 90% reported that delayed or missed remittances did not affect their household wellbeing. None of the households reported "no impact" during the COVID-19 period. Rather, 55% indicated that it had a "quite a bit" impact on them and 20% indicated very much. This discovery is in line with the main thesis of this study: that remittances did not merely provide income but played a vital role in the household economic security. The impact of migrant workers not being able to work and send remittances home was not just monetary, but also on food, health, education, debt and psychological stress.

The qualitative responses also showed that households responded to coping by saving and borrowing from relatives and taking out goods on credit from local vendors. There were also families that took on a lot of debt. Families earning multiple income streams seemed to fare better on coping with the disruption.

9. Discussion

The results show the international transmission of an economic shock and its impact on individual households. Firstly, COVID-19 had a negative impact on jobs in the destination countries. Unemployment, partial unemployment, working hours reduction, travel restriction, and difficulties to come back to workplaces were faced by the migrant workers. This allowed for fewer and lower remittance amounts to be sent to families in Shangla. Findings are consistent with the general findings from across South Asia. Rasul et al. (2021) singled out migration and employment and livelihoods of the households as key vulnerabilities in the context of COVID-19. The World Bank also noted that remittance flows were likely to take a heavy initial hit from the pandemic as workers from sending countries were clustered in industries impacted by lockdowns and economic downturns. But the household findings also highlight the need to tread with caution when interpreting aggregate remittance data. While Pakistan had record high inflows of remittance in 2021, the households looked at in this study suffered a significant shock during the COVID-19 pandemic. The difference could also be due to timeliness as the national remittance figures are based on aggregate remittances from million of migrants, while the study is based on a sample of migrant households directly affected by restrictions on employment and mobility.

The study also delivers evidence on the role remittances as an informal social protection mechanism. Households financed their consumption with savings and borrowing when remittances ceased. This is in line with the larger body of work on remittances and their impact on households and their ability to weather economic shocks and pay for basic living expenses.

Meanwhile, remittances make people dependent, and that is vulnerable. If the migrant worker's job is interrupted, this can cause significant income insecurity for a household that is strongly dependent on a single migrant worker. This weakness was keenly felt among the big families in Shangla, where one migrant worker could have been able to support several family members.

The results on health spending are also relevant. The pandemic shifted health-related expenses for households, as they also saw a drop in income. This set-up formed a double burden. The same issues were reported from other parts of South Asia: COVID-19 exacerbated household livelihoods, health systems and social protection measures. The research also shows that wellbeing is not necessarily restored straight after a country makes a bounce back economically. Following COVID-19, employment and remittances improved for most households, however 26.7% of households had no idea about their wellbeing. The real effect of prices and currency depreciation on household incomes. Therefore, a rise in the remittance income does not necessarily mean a rise in the standard of living.

10. Conclusion

The COVID-19 pandemic significantly impacted the household-level of migrant-dependent families in District Shangla. The study indicates the pandemic has affected migrant employment, decreased the frequency and volume of remittances, and decreased household income and household expenditure. These changes were concurrent with a dramatic decline in subjective wellbeing.

Prior to COVID-19, most migrant workers had jobs and were transferring funds to their families on a frequent basis. Only 6.7% had continued to work full time, 55% were part-time workers and 38.3% were out of work altogether during the pandemic. The percentage of migrants who did not send remittances rose from 1.7% pre-COVID to 41.7% during COVID.

The impact of the household was profound. There was a reduction in income and an increase in spending, higher health spending and lower savings. Most importantly, prior to the onset of Covid-19, 90 per cent of households said that remittances had no impact on them, but during Covid-19, all households reported having felt an impact with 55 per cent saying that impact was substantial and 20 per cent that it was very large.

Migrant employment and remittance transfers have mostly bounced back after the relaxation of pandemic restrictions. Still, the inflation and currency depreciation continued to affect household economic conditions. The results thus highlight the potential for remittance sensitive households to be very vulnerable to external economic and migration shocks, even after remittances rebound at the national level.

The research indicates that policies to enhance the ability of migrant households include not only boosting remittances inflows, but also reducing the vulnerability of migrant households. Households may be better able to handle future shocks through financial inclusion, affordable formal remittance options, emergency social protection, and (savings) livelihood diversification. Individual households with more than one source of income and a more diversified portfolio of savings can lessen reliance on a single migrant worker.

The findings of the study cannot be generalized statistically to all households of Shangla and Pakistan as it is based on a non-random sample of 60 households from Tehsil Besham. However, it does offer useful evidence on the household level of the impact of a global crisis on migrant workers and the families that rely on their earnings.

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