

## Effect of Foreign Remittances on Social Festivities in District Kurram, Khyber Pakhtunkhwa

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### Abstract

*This study was carried out to investigate the effects of foreign remittances on social festivities by the beneficiary households in District Kurram, Khyber Pakhtunkhwa Province of Pakistan. A total of 206 households were selected by using the proportional allocation sampling technique. A semi-structured questionnaire was used to collect data. The effects of foreign remittances on social festivities were determined by using multiple regression analysis. Results of the regression model show that foreign remittances have a positively significant effect on social festivities as confirmed by the coefficient of 0.739 and  $p < 0.000$ . ANOVA for regression was also performed to check the overall significance of the model. The results of ANOVA confirmed that the estimated model was highly significant as shown by the F-values greater than the critical value and  $p < 0.001$ . The study concludes that foreign remittances are very important sources of households' participation in social festivities.*

**Key Words:** Foreign remittances, social festivities, multiple regression model, District Kurram

### Introduction

Remittances mean the money transferred by migrant workers from a foreign country to their home countries (Lowell, 2001). There are three main components of remittances: (a) remittances from foreign through 'current transfer' in the balance of current account of payments; (b) employee's remuneration in the form of 'income' that comprise of salaries, wages, and other benefits, and; (c) the transfer of migrant's income that is recorded as the 'capital transfers' (Ratha, 2003). Ever since, absolute magnitude of remittances and increase of these flows is linked with foreign direct investments (FDIs), development support, and trade related transactions. Development experts focus on the magnitude of remittances that is usually considered as foundation for growth, well-being, and poverty alleviation in developing countries (Zada *et al.*, 2016). Remittances directly increase the recipients' income, smoothen their

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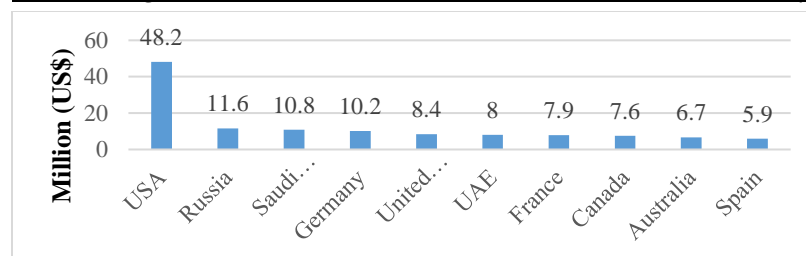
consumption, and facilitate investment in human capital, which is considered as a major source of development (Ratha, 2003).

Remittances are in different forms; it is primarily in cash but also in kind such as capital goods, consumer goods, or even soft skills. Those remittances can be sent both by individual migrant or by group of migrants (Azhar, 2007). Remittances can be domestic and international or foreign. Foreign remittances are fraction of income and goods send by migrants from overseas to their home. Domestic remittances are fraction of income and goods of migrants from country's other parts to their home. Remittances have played a key role to improve consumption patterns, increase investment, and to lessen poverty in developing countries (Maimbo & Ratha, 2006).

Identifying the determinants of remittances has been a widely studied topic among the researchers. Different determinants of remittances like unemployment, GDP per capita, debt, trade openness, polity, economic development, corruption, toughness, and poverty have identified by different researchers (Sakka & McNabb, 1999). Workers' remittances improve foreign exchange of countries like Pakistan which are already capital deficit. Workers' remittances provide better balance of payment (BoP) and lessen the reliance on foreign loans in the country. These flows effect the oil price shocks, reduce joblessness, and improve the living conditions of the receivers in the country.

International migration is the transfer of people from one country to another country. It has major viable implications concerned with finance, culture and demography in both the destination and the country of origin. In 2019, the assessed number of migrants at international level touched above two thousand and seventy-two million, that shows a rise of fifty-one million from 2010 (World Bank, 2019). According to this estimate, the largest number of international migrants inhabited in US, which was about 5 million, equal to 48.2 million of the global migrants. The second country of attention for migrants was Russia, where reside 11.6 million migrants, and then Saudi Arabia (10.8 million). Germany accommodates 10.2 million, United Kingdom (8.4 million), while UAE accommodates (8.0 million) international migrants.

*Figure 1: Ten top most countries hosting more number of migrants*



Source: World Bank, 2019

The migrants who transfer money to their families also provide foreign exchange to their own countries which is a vital base of income to the numerous developing countries. This official transfer of money in shape of international remittances has risen more than tenfold over the last decade. As compared to 2018, the amount has increased up to \$551 billion, which shows growth of 4.7 percent (World Bank, 2019).

Keeping in view the importance of foreign remittances, this study was conducted with the main objective to investigate the effect of foreign remittances on social festivities in Tehsil Lower Kurram, District Kurram, Khyber Pakhtunkhwa, Pakistan.

### Literature Review

Extensive research has been conducted on the social and economic effects of remittances on the recipient households and their families. In this section, a brief review of literature on social status and festivities of the recipient households is provided.

Deepak (2019) analyzed changes in social, economic, and political conditions over two decades due to the remittances flow among migrant households in Nepal. The findings suggested a crucial role of remittances in improving the economic conditions, social relations, and political understanding of the recipient households. Similarly, Javed, Awan and Waqas (2017) studied the effects of migrations on food and non-food expenditure, expenditure on clothing and household pots and pans, expenditure on vehicles, and social networking and found that remittances are mostly spent on maintain social status and that the households with remittances are more socially networked than those who do not have it. In another study, Aziz and Mohyuddin (2015) studied the socio-economic effects of remittances on rural population in Pakistan. The findings confirmed that overseas remittances contributed to the socio-economic uplift of households and poverty reduction of the recipient

households. The findings further revealed that remittances served as a sign of social prestige and status by improving the living standards.

In his study, Hasan (2010) analyzed the social (as well as economic) impact of remittances on the society in Pakistan. The study reported that foreign remittances play a key role in social transformation and maintaining social festivities in the country. Furthermore, with increased inflow of foreign remittances, the rural social festivities are becoming urban in nature by using modern utensils. This is, however, one of the limitations of the findings as changes in domestic consumer goods are a part of modernization and more socialization and they have to do nothing with the nature of the social festivities being observed in an area.

Koksal and Liebig (2006) estimated the micro and macroeconomic determinants of workers' remittances in Turkey and also analyzed the impact of remittances upon the social and economic aspects of the economy. The family ties as the social status, well-being, and risk-sharing were the factors studied and the findings revealed that family ties improved due to remittances which had profound effects on the stability.

In another study, Sana (2005) analyzed the effects of international migration and the associated remittances on social status of immigrants and their families who migrated from Mexico to the United States. Using regression analysis, the study found that international migration has significant effect on the social status of immigrants and their families.

### **Research Methodology**

This study was carried out in Tehsil Lower Kurram in District Kurram, Khyber Pakhtunkhwa Province of Pakistan. District Kurram (formerly known Kurram Agency) as is one of newly emerged districts which were converted from the Federally Administrated Tribal Areas (FATA) to the settled area (districts). In general, the people of the district are not educated and most of the people have been migrated to other countries to earn their bread and play a role in the socio-economic development of the country. There are almost 67 villages in Tehsil Lower Kurram, from which four villages namely, Alizai, Bilameen, Tangi, and Jelamye, were selected randomly (Figure 2). According to the unpublished record of the Anjuman-e-Hussania<sup>‡</sup> (2019), the total numbers of households in these four villages were 1030. A total of 206 households were selected from the total by using the Yamane's formula (Yamane, 1967).

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<sup>‡</sup>Anjuman-e-Hussania is a local registered voluntary organization working for the uplift of the marginalized communities in Kurram district.

$$n = \frac{N}{1 + N * (e)^2} \quad (1)$$

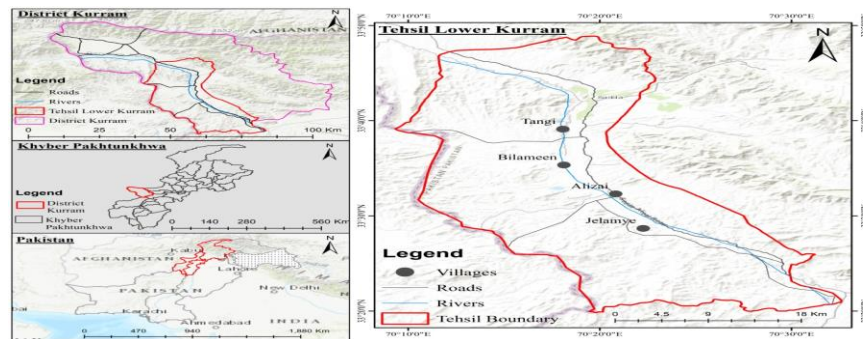
Where,

n = Total sample households (Sample size)

e = Precision level which is set (20 percent)

N = Number of Total households (Population size)

Figure 2: Map of the research area



Source: Own formulation in GIS

### Data and Analysis

A semi-structured questionnaire was used to collect data from selected household. It is considered a valuable instrument for the collection of consistent data in social science. The questionnaire concentrated on the socio-economic and demographic information of the respondent households, the amount of remittances they send home and the purposes for which the remittances amount is spent by the recipient households such as household consumption, purchase of durable and capital goods, and social festivities. The questionnaire was pre-tested in field to include necessary information, or omit unnecessary information from the questionnaire. Data were analyzed by using STATA v.13. The null hypothesis which was tested states that there is no significant effect of foreign remittances on social festivities. To test this hypothesis, multiple regression model was used.

### Regression Model

Regression analysis was used to determine the social effects of remittances in the study area. The explanatory variable of interest is foreign remittances measured on monthly basis in Pakistani Rupees (PKR). Other explanatory variables include age of respondent, education of respondent, gender of respondent, total landholding of the household, number of migrants abroad, and number of school going children. The dependent variables are monthly expenditure on social festivities. The definition, measurement and priori expectations of the variables is provided in Table 1. The following multiple regression model was used to estimate the effect of foreign remittances on social festivities.

$YS_i = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \beta_5 X_5 + \beta_6 X_6 + \beta_7 X_7 + \beta_8 X_8 + \mu_i$  Where,  
 $YS_i$  = household monthly expenditure on social festivities in PKR;

$X_1$  = Age of respondent (years)

$X_2$  = Gender of the household head (=1 if male, =0 if otherwise);

$X_3$  = Education of the respondent (years of education);

$X_4$  = Total landholding of the household (Jarebs);

$X_5$  = Household size (number);

$X_6$  = Number of immigrants abroad (number);

$X_7$  = Foreign remittances (PKR per month);

$X_8$  = Number of school going children (number);

$\beta_s$  = regression coefficients

$\beta_0$  = constant

$\mu_i$  = Error term

### Diagnostic Tests

There are some assumptions which give bases for econometric models. The model results are valid if the model satisfies those assumptions. As the study is based on primary data and multiple regression model was used, the following diagnostic tests were performed. Normality of the dependent variables used in the model was checked by using Shapiro-Wilk test. Multicollinearity among the variables was estimated by using Variance Inflation Factor (VIF). Besides, Breusch-Pagan test was used to check the problem of heteroscedasticity.

*Table 1: Measurement and expected signs of the variables used in the model*

Variable	Measurement	Expected Sign
Age of respondent	Quantitative (Years)	±
Gender of the household head	Dummy variable =1 if male, =0 if female	±
Education of respondent	Quantitative (Years)	+
Landholding of the household	Quantitative (Jarebs)	+
Household size	Quantitative (numbers)	±

<b>Effect of Foreign Remittances on Social Festivities</b>		<b>Arif, Inayatullah</b>
Number of immigrants abroad	Quantitative (numbers)	+
Foreign remittances (monthly)	Quantitative (PKR)	+
Number of school going children	Quantitative (numbers)	±

## **Results and Discussion**

In rural areas, observance of social festivities is considered as a sign of status (Jan *et al.*, 2011). Active participation of the community people in various social activities is an integral part of the village life. It has been observed in rural areas that people get loans or sell their assets to observe various social festivities (engagement, wedding ceremony, circumcision, death ceremony, and so on) (Jan, 2007). Therefore, remittances play a foremost role in observing or participating in various social events. Another regression model was used to determine the effect of foreign remittances and other explanatory variables on social festivities in the research area. However, before performing regression analysis, model diagnostic tests were carried out.

### *Results of Diagnostic Tests*

Normality was checked by using Shapiro-Wilk test. The results of Shapiro-Wilk test show that Shapiro-Wilk value was 0.99189 and the p-value was 0.321024 which is higher than the acceptable value of 0.05. Thus, the null hypothesis of normality is accepted. Breusch-Pagan test was used for checking heteroscedasticity. The results show that the chi-square value was 10.45 with the p-value of 0.001. This confirms that there is no heteroscedasticity among the variables. Similarly, multicollinearity among the variables was estimated by using Variance Inflation Factor (VIF). The estimates of VIF are provided in Table 2. The values of VIF show that there existed no multicollinearity among the explanatory variables used in the models.

*Table 2: Estimates of VIF*

Variable	VIF	1/VIF
Household Size	2.01	0.496463
School going children	1.76	0.567429
Age of responded	1.70	0.586588
Gender of household head	1.52	0.656027
Education of respondents	1.18	0.844100
Landholding	1.15	0.871782
Foreign Remittances	1.07	0.932447

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Number of foreign immigrants		1.05		0.948240	
Mean VIF		1.43			

### *Results of Regression Model*

The results of the third regression model, which estimates the effects of foreign remittances and other socio-economic variables on household expenditure on social festivities are provided below.

The regression model consists of ANOVA test to determine the statistical significance of the overall model. Table 3 shows that the F-value is 19.08 which are higher than the standard value of statistical significance (i.e. 4). Similarly, the p-value is 0.0000. This shows that the overall fitted model is highly significant.

*Table 3: ANOVA for regression model*

Source of Variation	SS	Df	MS	F-value	P-value
Model	13.3402671	8	1.66753339		
Residual	17.1331746	196	0.087414156	19.08	0.0000
Total	30.4734417	204	0.149379616		

SS = Sum of squares, MS = Mean sum of square

The effects of foreign remittances and other socio-economic variables on social festivities are provided in Table 4. The table shows that age of respondents has no significant influence on the social festivities being celebrated by the households in the area. Rather, negative sign of the coefficient of age shows an inverse relationship between age of respondents and celebration of social festivities. This means that people with older age tend to spend less on the social festivities as compared to people with younger age. Gender of respondents was also insignificant.

The results in Table 4 further show that the coefficient of the household size was 0.0258 with a p-value of 0.066. This means that the expenditure on social festivities slightly increases with increase in the number of household members. The results are in agreement with those of Faini (2007) who found that a greater number of skilled migrants remit more to their families.

The most important variable in the model is foreign remittances and their effect on social remittances. Results of the model show that the coefficient of foreign remittances was 0.7396 with p-value less than 0.001. This depicts that foreign remittances have a positively significant effect on celebration of social festivities in the research area. The results are supported by those of Hasan (2010) who reported that migration and emigration results in significant social impacts on rural society in Pakistan.



The remittances which are received from abroad plays a central role in observing social festivities and bringing a social change in both rural and urban areas of developing countries including Pakistan. The results are, however, opposite to those of Sana (2005) who ascertained a negative association between social status and foreign remittances in Pakistan.

Table 4: Effects of remittances on social festivities outcomes

	Coef.	Std. Error	t-value	P-value
Age of respondents	-0.0012818	0.0023719	-0.54	0.590
Gender of household head	0.0772894	0.0529303	1.46	0.146
Household size	0.0258176	0.0139762	1.85	0.066
Education of respondents	0.0022505	0.0039784	0.57	0.572
Landholding	-0.0036964	0.0045656	-0.81	0.419
Number of foreign immigrants	0.0225757	0.0238561	0.95	0.345
Foreign remittances	0.7396235	0.0668044	11.07	0.000
School going children	-0.0367572	0.0187934	-1.96	0.052
Constant	0.8643541	0.2628543	3.29	0.001
Number of observations = 206 F-value = 19.08 R <sup>2</sup> = 0.44 Prob. 0.0000				

The results of the overall model show that the F-value was 19.08, R<sup>2</sup> was 0.44 and p-value was 0.000. This means that the overall model was highly significant which means that the explanatory variables including foreign remittances had a significant effect on social festivities in the study area.

### Conclusion

The inflow of international remittances has a substantial effect on the socio-economic conditions of populations in a country. The study was conducted in Tehsil Lower Kurram of Kurram District in Khyber Pakhtunkhwa, Pakistan. Regression analysis was used to estimate the effects of foreign remittances on social festivities in the area. The results depicted that the effect of foreign remittances on social festivities was positively significant, as confirmed by the regression coefficient of 0.739 and  $p < 0.000$ . ANOVA for regression was also performed to check the overall significance of the model. The results of ANOVA confirmed that the estimated model was highly significant as shown by the F-values greater than the critical value and  $p < 0.001$ . The study recommends that the government should develop and facilitate the financial markets and

mechanisms through viable macroeconomic policy so that the remittances amount is properly invested to enhance the income diversification opportunities.

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