

Do migrant remittances matter? Nature, determinants and impacts of remittances to Pakistan

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Abstract

This thesis is a collection of studies, which analyze the macro- and micro-economic aspects of the nature of migrant remittances to Pakistan and their economic impacts on the recipient households' consumption and asset accumulation patterns. We find that international remittances are a stable and stabilizing source of foreign exchange compared with other financial inflows. Moreover, they exhibit a countercyclical behaviour with respect to the home economy, while their association with host economies is mainly acyclical. Remittance flows are crucially determined by transaction costs suggesting that when the cost of remitting is high, migrants either refrain from remitting or employ informal remittance channels.

We find that remittances are perceived as a mainly transient source of revenue by the migrant households, and are therefore spent on the households' human capital enhancement. This effect is subject to the recipient households' income level. Furthermore, international remittances lead to a substantial increase in the household asset stock, whereas no significant change results from the receipt of domestic remittances. Besides, international remittances serve to generate precautionary savings for the recipient households.