

ROLE OF REMITTANCES IN DETERMINING HOUSEHOLD CONSUMPTION PATTERNS AND WELFARE: A CASE STUDY OF PAKISTAN

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ABSTRACT

Remittances play a very important role in the economic growth and development of a country but at the same time it plays a substantial role in improving welfare of households at micro level. The objective of this study is to examine the microeconomic impact of remittances on household consumption patterns of Pakistan and its four provinces; Punjab, Sindh, Balochistan and Khyber Pakhtun Khwa (KPK). The study makes use of a detailed Household Income and Expenditure Survey from 2010-2011 conducted by the Federal Bureau of Statistics. It analyzes the effect of domestic and international remittances on consumption expenditures of various commodity groups under Engel Curve analysis. The results show that migrant households in Pakistan are thrifty and careful in their consumption expenditure patterns as compared to the non-migrant households. In conclusion, non-migrant households have more lavish consumption expenditures rather than the migrant households as generally conjectured in the literature. A careful consideration of these patterns of consumptions across the country should be made in devising policies to boost or limit international or domestic migration.

KEYWORDS: Engel Curve; Consumption; Household Behavior; Remittances

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