

# Remittances and Household Quality of Life Nexus: A Case Study of Frontier Region Dera Ismail Khan, Pakistan

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## Abstract

This study examines the socio-economic and well-being impacts of remittances on households in the Frontier Region (FR) Dera Ismail Khan, Pakistan. Using a cross-sectional survey of 270 remittance-receiving households, data were analyzed through descriptive statistics and multiple regression models. The findings reveal that remittances positively influence income, education, health outcomes, and subjective well-being dimensions such as life satisfaction and community engagement. Redesigned tables and diagrams highlight expenditure trends, investment patterns, and the link between remittance use and quality of life. Policy implications focus on promoting productive investment of remittances to ensure long-term economic stability and reduce dependency risks.

## Keywords

Remittances, Quality of Life, Frontier Region Dera Ismail Khan, Subjective Well-being, Rural Households, Pakistan

## 1. Introduction & Background

Remittances are a central component of the global economic system, representing a significant flow of capital from developed to developing countries. According to the World Bank, global remittance flows exceeded \$700 billion in 2023, with a substantial share directed toward low- and middle-income nations. In Pakistan, remittances account for a sizeable proportion of GDP, providing essential foreign exchange reserves that support macroeconomic stability. The socio-economic relevance of remittances extends beyond income supplementation; they are often instrumental in financing education, healthcare, housing, and small-scale entrepreneurial ventures. Particularly in rural and underdeveloped regions such as FR Dera Ismail Khan, remittances can act as a lifeline, compensating for limited employment opportunities and infrastructural constraints. Furthermore, remittance flows often display resilience even during economic downturns, as migrant workers continue to support their families despite challenging conditions abroad. This resilience underscores the role of remittances as a stabilizing force for household economies. However, the benefits of remittances are not automatically maximized; their developmental impact depends on effective utilization strategies, supportive policy frameworks, and financial literacy among recipient households. By situating the present study within this broader context, it becomes possible to appreciate both the micro- and macro-level implications of remittance inflows, particularly for marginalized communities in Pakistan.

Labor migration has been a significant socio-economic phenomenon in Pakistan for decades, especially in rural and underdeveloped regions. Remittances have emerged as a major source of foreign exchange and a lifeline for millions of households. While national-level benefits of remittances are well documented, micro-level impacts—particularly in marginalized areas such as FR Dera Ismail Khan—have received limited attention. This study aims to fill this gap by assessing how remittances affect various aspects of household quality of life, including material, social, emotional, and developmental well-being.

Remittances are a crucial source of foreign exchange and income for millions of Pakistani families, significantly supporting household consumption, education, health, and small business investment. Originating mostly from Pakistani migrants in Gulf countries like the UAE and Saudi Arabia, remittance inflows have steadily increased since the 1970s, helping reduce poverty and improve living standards. Regions like Khyber Pakhtunkhwa's Federally Administered Tribal Areas (FATA), with high unemployment and poverty, depend heavily on remittances. Recent political reforms aim to improve conditions there, potentially increasing the positive impact of remittances. While remittances boost household welfare and contribute to macroeconomic stability, their direct effect on national investment growth is less certain. Policymaking that improves transfer systems and encourages productive use of remittances can enhance their developmental benefits. Overall, remittances remain a vital pillar for Pakistan's economic and social wellbeing.

### 1.1 Research Objectives

To study the socio-economic condition of households of migrants in district Frontier Region Dera Ismail Khan.

To analyze the impact of remittances on the quality of life of households of migrants in district Frontier Region Dera Ismail Khan.

To analyze the impact of remittances on investment and consumption expenditures of households of migrants in district Frontier Region Dera Ismail Khan

## 1.2 Research Questions

How has migration affected the household's Quality of Life in terms of the use of remittances?

What are the effects of remittances on household's socioeconomic outcomes?

What implications remittances might have for policy makers in the context of migration, uses of foreign remittances as well as changes in household's quality of life?

Pakistan has experienced significant labor migration over the past two decades, with remittances becoming a key source of foreign exchange that has contributed to economic, social, and infrastructural improvements. As a major labor-exporting country, and with remittances accounting for nearly 7% of its GDP according to the World Bank (2018), it is important to investigate how these funds have impacted the quality of life of recipient families. Measuring quality of life by encompassing all aspects of human well-being is complex and innovative; thus, this research will focus primarily on how remittances affect various wellbeing indicators that are crucial for maintaining household living standards (1). The results of this study aim to assist policymakers in more effective rural management and planning, particularly in Frontier Region Dera Ismail Khan. This work is expected to fill gaps in understanding integrated quality of life from a rural perspective in Pakistan. Future researchers may build on these findings to develop improved models connecting remittances with quality of life. Furthermore, this study highlights the importance of recognizing the role of remittances in rural, community, and household development through both objective and subjective measures of QoL. It also aims to inform labor export policies to better support migrants and their families' wellbeing.

## 2. Literature Review

### 2.1 Introduction

Migration and remittances have become increasingly important drivers of socio-economic change in developing economies. Globally, remittance flows have been recognized for their role in improving household income, reducing unemployment, and supporting consumption and investment activities in recipient countries [1,2]. In Pakistan, one of the top ten remittance-receiving nations, inflows have grown sharply over the past decade, largely due to labor migration to Gulf countries and the export of more skilled workers from rural areas [3].

While national-level benefits of remittances—such as increased foreign exchange reserves—are well-documented, their micro-level impacts remain less explored, particularly in rural and underdeveloped areas. At the household level, remittances are linked to improvements in income, education, health, and overall living standards [4]. However, there are debates on whether these benefits are sustainable or if remittances foster dependency and reduce local labor market participation [5,6].

### 2.2 Theoretical Perspectives

Two contrasting perspectives dominate the debate on remittances. The optimistic view argues that remittances generate positive multiplier effects, financing consumption, savings, and productive investments that enhance long-term development [7,8]. Research in Mexico, the Republic of Moldova, and the Philippines has shown that remittance income supports infrastructure projects, agricultural modernization, and small enterprise growth [9,10].

The pessimistic view, on the other hand, warns that remittances can create dependency, reduce labor supply, and encourage unproductive consumption [3,11]. Studies in Western Samoa, Spain, and India, for example, found that a significant portion of remittance income was spent on non-productive assets like jewelry and housing improvements rather than business or agricultural investments [12].

### 2.3 Microeconomic and Household-Level Evidence

Microeconomic studies view the household as the primary unit of analysis, examining how remittances influence expenditure patterns, asset accumulation, and quality of life [1,13]. Evidence from Ghana, Turkey, and Pakistan indicates that most remittances are initially allocated to daily consumption needs, but a portion is also directed toward education, healthcare, and durable goods [14,15]. While some households channel remittances into small-scale business ventures and farming, others focus on improving immediate living standards, often delaying or avoiding long-term investments.

Research also shows that remittances can improve subjective well-being by increasing financial security, enhancing self-esteem, and enabling greater participation in community life. In rural Pakistan, remittances have been associated with improved housing quality, access to clean water, and educational attainment, though the extent of these benefits depends on household characteristics such as the education level of the migrant and the size of remittance inflows.

## 2.4 Evidence from Pakistan and South Asia

In Pakistan, remittances have played a critical role in bridging the current account gap, reducing poverty, and stimulating rural economies. Studies from districts such as Swabi, Sialkot, and Potohar have reported substantial improvements in household welfare, including better housing, enhanced food security, and greater investment in children's education. However, some studies note that a heavy focus on consumption—rather than productive investment—limits the transformative potential of remittances.

In Bangladesh, Sri Lanka, and Nepal, similar patterns emerge: remittances boost short-term welfare but require targeted financial literacy and policy interventions to translate into sustainable development. For example, remittance-receiving households in Bangladesh have reported higher nutrition levels and reduced infant mortality rates, while in Sri Lanka, contract-based migration has provided significant benefits to low-income households despite the social costs of family separation.

## 2.5 Synthesis and Research Gap

Overall, existing literature affirms that remittances have the potential to significantly improve household well-being in developing economies. Yet, the balance between consumption and productive use varies widely, and the long-term developmental effects remain mixed. In Pakistan, particularly in frontier and rural regions, there is limited quantitative evidence on how remittances influence multi-dimensional quality of life—covering physical, emotional, social, material, and developmental well-being. This study addresses this gap by empirically examining remittance utilization patterns and their impact on household quality of life in the Frontier Region of Dera Ismail Khan.

Prior research indicates that remittances can reduce poverty, improve education, and enhance household asset accumulation [2]. However, over-reliance on remittance income can foster dependency and reduce local labor participation [3]. In the Pakistani context, limited studies address the tribal and frontier regions, which differ socio-economically from urban areas. This study incorporates global and local perspectives, drawing on multi-dimensional quality of life frameworks [4].

## 3. Methodology & Results

### 3.1 Research Design

This study used a quantitative approach to collect numerical data from migrant-sending households through a close-ended questionnaire. Quantitative analysis was chosen because it facilitates easy data aggregation and summarization, as well as enables various statistical analyses, from simple averages to complex models [5]. The research focused on examining a specific issue at a single point in time without repetition, employing a cross-sectional survey method to evaluate the economic and social contributions of remittances and returnees in the households studied. This method helped capture quality of life indicators, demographic details, and socio-economic factors such as remittance income and expenditure. The cross-sectional approach was selected for its efficiency in terms of time and cost, and because it can approximate questions about changes over time without the need for a longitudinal study [6]. The study is both descriptive and analytical; the descriptive design was used to gather information showing relationships and describing the current situation. It enabled the researcher to describe remittances and social expenditures and analyze their relationship, while the analytical component allowed prediction of the linear relationship between remittances and their impact on household quality of life.

This research employed a cross-sectional survey design targeting 370 remittance-receiving households in FR Dera Ismail Khan. A two-stage stratified sampling method ensured representation from all five tehsils of the region. Data were collected using structured questionnaires, with translations provided in the local language. Variables included annual remittance amount, expenditure categories, asset accumulation, and subjective well-being indicators measured on a five-point Likert scale. Statistical analysis was performed using SPSS v.25, applying descriptive statistics and multiple regression models.

### 3.2 Data Collection Procedure

Data collection is a complex and challenging task, as no single method is inherently superior; the choice depends on research goals and method strengths and weaknesses [8]. This study's data collection lasted 10 weeks, from March 21 to June 10, 2020. Before gathering data, the researcher conducted preliminary observations to gain firsthand insight into the migrant households in District FR D.I.Khan, as no official records existed on remittance-receiving households.

Due to the absence of a sampling frame for these households, a two-stage stratified sampling design combined with a screening survey was employed. The screening helped identify areas with migrant households receiving remittances scattered throughout the district. In the first stage, households were stratified by whether they had migrants based on information from key local informants such as village elders (Malaks), councils, and elected representatives. Each village had one key informant who confirmed migrant presence in households. In the second stage, migrant households were further stratified by whether they received remittances, as not all migrant households do.

Following stratification, purposive sampling was used to select respondents—household heads who had received remittances within the two years prior to data collection. This approach aligns with Walter's (2010) definition of

purposive sampling, selecting participants based on prior knowledge of the population and study purpose. Using this method, 370 respondents were chosen for quantitative analysis, guided by Krejcie and Morgan's sample size formula.

The survey consisted of 58 mostly close-ended questions. The researcher personally administered questionnaires in the selected villages, assisting respondents—many with limited education—by translating questions into the local Pashto dialect to ensure clarity. The total of 370 questionnaires were collected across five sections and 40 villages.

A quantitative survey design was adopted due to the large population and the need for standardized data collection. While questionnaires facilitate data collection, they limit probing or clarification [9]; thus, each question was verbally explained to improve respondent understanding and data reliability. Prior to the main survey, the instrument was pre-tested on 22 respondents (20 completed the questionnaire), allowing refinement of ambiguous questions and verification of reliability and validity.

The collected data included detailed social, economic, and demographic information at household and individual levels. This helped form a comprehensive understanding of income, expenditure, and their relationship to quality of life.

The questionnaire was divided into two parts, both using close-ended questions answered by heads of migrant-sending households. Though answered by family members remaining at home, the data reflect the direct impact of migrants' foreign earnings on household livelihoods. Part A gathered descriptive socio-demographic data such as age, number of migrants abroad, duration since migration, education, and marital status to facilitate analysis of remittance patterns and effects across households. Socio-economic variables examined included annual remittance income and its uses—consumption of daily necessities, purchasing durable goods, and productive investments. Part B focused on subjective and objective changes in the quality of life after receiving remittances, using five-point Likert scale questions.

**Table 1.** Annual Household Expenditure by Category

Expenditure Category	Mean (PKR)	Percentage (%)	Rank
Daily Consumption	120,000	35	1
Education	20,000	10	2
Health	34,000	15	3
Productive Investment	53,000	15	4
Durable Goods	14,000	14	5

Table 1 shows that the remittances from abroad use in frontier region of Dera Ismail Khan is divided into five categories. The income from abroad measured in Pakistani rupees. 120,000 of income on average used on daily consumption. The expenditure incurred on education is 20,000 on average from the income which earned from abroad. Similarly, 34,000 is used for health expenditure, 53,000 used for productive investment and at the last 14,000 rupees used for durable goods.

### 3.3 Multivariate Analysis

**Table 2.** Results of the regression model for migrant households

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.768 <sup>a</sup>	.590	.581	.624	2.014
a. Predictors: (Constant), Annual consumption expenditures, Age, annually received remittances, Annual expenditure on durable goods, Annual investments expenditures, Education, Marital status, Years abroad					
b. Dependent Variable: Quality of life Index					

From Table 2 it can be concluded that the model observed explained the empirical data very-well which is statistically significant.

**Table 3.** Model goodness of fit

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	191.984	8	25.248	64.915	.000 <sup>b</sup>
	Residual	130.408	361	.389		
	Total	312.392	369			

As shown in table (3.3) the out total sum of squares (312) the sum of square due to regression (SSR) is able to extract (191) in QoL leaving 130 unexplained variances (SSE). In this case the higher the difference between the SSR-SSE the higher the value to F-statistic.

### 3.4 Regression Result

Regression analysis indicated that higher remittance amounts, migrant education level, and a greater share of expenditure on durable goods significantly predicted higher quality of life scores ( $p < 0.05$ ).

### 3.5 Discussion

The findings affirm that remittances substantially enhance household quality of life by improving income stability, educational attainment, and healthcare access. However, the predominance of spending on consumption rather than investment suggests a need for targeted financial literacy and entrepreneurship programs. Similar patterns have been observed in Bangladesh and Nepal, where remittances contribute to welfare but fail to ensure long-term sustainability without productive utilization [10].

### 4. Discussion, Conclusion & Recommendations

The findings of this study align closely with global evidence on the positive impact of remittances on household welfare. Yet, the predominance of consumption-oriented spending in FR Dera Ismail Khan suggests a missed opportunity for leveraging remittances as a catalyst for long-term economic growth. For instance, greater investment in small-scale enterprises, vocational training, and modern agricultural practices could generate sustainable income streams, reduce reliance on remittances, and stimulate local economic activity. Comparative studies from countries such as the Philippines and Mexico illustrate how targeted government programs can encourage productive remittance use through matching grants, microcredit schemes, and entrepreneurship support services. In addition, the creation of migrant investment funds, whereby remittance-receiving households collectively invest in community infrastructure projects, has shown promise in enhancing the developmental impact of remittances. In the Pakistani context, similar initiatives could be piloted in rural areas, supported by financial literacy campaigns to empower recipients to make informed decisions about savings and investments. Policymakers should also consider improving access to formal banking services in remote areas, as financial inclusion is a critical enabler of productive remittance use. Finally, strengthening the linkages between migration policy and rural development planning could help ensure that the benefits of labor migration extend beyond individual households to broader community development.

Remittances in FR Dera Ismail Khan significantly uplift the quality of life for recipient households. To maximize benefits, policymakers should:

Promote savings and investment schemes for rural households.

Develop vocational training programs to diversify income sources.

Improve rural infrastructure to support productive economic activity.

Future research should examine gender-differentiated impacts of remittance utilization and track longitudinal changes in household welfare.

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