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Do External Remittances Create More Wealth? A Comparative Analysis of Pakistani Households

Waqas Shair
Assistant Professor, School of Economics & Finance, Minhaj University, Lahore, Pakistan. Email: waqas.eco@mul.edu.pk
Haris Najam
Business Development Officer, Punjab Small Industries Corporation, Lahore, Pakistan
Syed Saran Hashmi
Business Development Officer, Punjab Small Industries Corporation, Lahore, Pakistan
Muhammad Ahsan Arshad
Deputy Director, NAB Islamabad/Rawalpindi, Pakistan

ABSTRACT

This study examines whether the source of remittances matters for household wealth in Pakistan. Using nationally representative PSLM 2019–20 data, it compares households receiving external (international) remittances with those receiving internal (domestic) remittances and further explores differences across provinces and urban-rural settings. The results show that households receiving external remittances enjoy significantly higher wealth levels and stronger asset ownership than internal remittance households. This advantage remains robust across multiple OLS specifications. The impact is strongest in Punjab, Sindh, and urban areas, while comparatively smaller but still positive in Khyber Pakhtunkhwa, Balochistan, and rural regions. These findings suggest that external remittances provide more stable and higher-value financial support, enabling better wealth accumulation. Overall, the study highlights the importance of remittance type in shaping household economic wellbeing and underscores the need for policies that enhance productive use of remittances and address regional disparities in Pakistan.

Keywords: External remittances; Internal remittances; Household wealth; Pakistan; Regional heterogeneity

1. Introduction

Remittances have become one of the most important financial lifelines for households in developing economies. They provide not only monetary support, but also social protection, stability, and hope for upward mobility. At the macro level, remittances strengthen national economies, support private investment,

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and contribute to broader development processes (Khan et al., 2019). These financial inflows also shape household expectations, influence political and social attitudes, and alter broader economic behaviour across societies (Doyle, 2015; Bearce & Park, 2019). Remittances support households through many economic channels. They help families consume better, reduce financial stress, and finance essential and long-term needs. These include housing, durable goods, and productive investments (Adams, 1998; Meyer & Shera, 2017). Evidence from Pakistan shows that remittances reshape spending behaviour. They encourage welfare-enhancing expenditures and influence saving and investment decisions (Malik et al., 1993; Shair & Anwar, 2023). Studies also show a strong link between remittances, daily consumption needs, and long-term welfare security (Adams & Cuecuecha, 2010; Ali & Rehman, 2015; Dustmann & Mestres, 2010). However, their wider economic impact depends on structural factors. Transaction costs play a major role in determining how much money actually reaches households through formal channels (Ali, 2015; Ahmed, 2021; Ali et al., 2021).

Pakistan is one of the world's leading remittance-receiving countries. International remittances have grown steadily and now provide crucial foreign exchange and macroeconomic stability. Internal remittances also remain deeply rooted within family support systems (Malik et al., 1993; Erdal, 2012; Khan et al., 2025). Both external and internal remittances help families cope with shocks, improve resilience, and enhance living standards (Javed et al., 2017). Research shows that remittance-receiving households enjoy better economic standing, higher expenditure, and stronger welfare outcomes than non-recipient households (Javed et al., 2017; Adams, 1998). Remittances further contribute to private investment and broader economic activity (Sajid & Ali, 2018; Khan et al., 2019). At the same time, they shape social attitudes and institutional expectations within society (Doyle, 2015; Marc & Ali, 2016; Bearce & Park, 2019; Umair et al., 2025).

Recent research now distinguishes between external (international) and internal (domestic) remittances in Pakistan. These two flows do not behave in the same way. External remittances are often larger and linked to higher migration costs, and they may benefit relatively better-off households. Internal remittances usually support households in different socio-economic contexts (Adams, 1998; Malik et al., 1993; Siddique et al., 2025). Evidence shows that both types affect inequality and economic outcomes differently (Shair & Anwar, 2023; Ammar et al., 2025). New findings also reveal distinct effects on labour participation, employment choices, and household strategies, reinforcing that these flows are

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structurally different (Shair et al., 2024; Amir et al., 2025; Naeem et al., 2026).

Remittances are also part of social life. They shape how resources are shared within families and how decisions are made. They also influence who benefits most inside the household (Erdal, 2012). International evidence further suggests that remittances contribute to social investments, such as education and health, strengthening human development (Carling & Hoelscher, 2013; Giannelli & Mangiavacchi, 2010; Tahir et al., 2026). Altogether, existing research shows that remittances are more than financial transfers. They shape opportunity, resilience, and long-term well-being.

In this context, Pakistan offers an important setting to explore whether external remittances generate greater household wealth compared to internal remittances. Both flows are central to family survival and upward mobility. Understanding their comparative impact helps explain how remittances shape economic security, social standing, and future opportunities. The study has two main objectives. The first is to compare the wealth index of households receiving external remittances with those receiving internal remittances. The second is to examine whether this impact differs across urban and rural areas and across provinces. This study is important because both types of remittances play a major role in household welfare, yet they may not create the same economic outcomes. Understanding these differences helps explain how remittances shape wealth, opportunity, and economic security. The findings are relevant for policy, for development planning, and for designing targeted support for households across Pakistan.

2. Data and Methodology

This study uses data from the Pakistan Social and Living Standards Measurement (PSLM) Survey 2019-20. The dataset offers rich information on living conditions in households, sources of income and welfare indicators. The analysis is conducted on remittance receiving households. There are 13,114 internal remittance households and 8,353 external remittance households totaling 21,467 households. This large sample has the benefit of helping to ensure reliable results and meaningful comparisons.

This study is based on an Ordinary Least Squares (OLS) regression methodology. The models are created to perform both of the objectives of the study. The first objective is for us to compare the wealth index of the external remittance households to the internal remittance households. The second objective is to review regional heterogeneity using sub-sample OLS analysis, by setting up separately urban-rural settings and provinces.

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The first model is an average effect of external remittances on household wealth. The dependent variable is wealth index (0 - 100). The key explanatory variable is receipt of external remittances by the household. Internal remittance households are the reference group. Control variables include demographic and household characteristics. The description of the variables used in the study is given in Table 1.

$$\text{Wealth}_i = \beta_0 + \beta_1 \text{ExternalRemit}_i + \beta_2 X_i + \varepsilon_i$$

Where:

- Wealth_i= household wealth index
- ExternalRemit_i= 1 if household receives external remittances, 0 otherwise
- X_i = vector of controls (province, urban household, female-headed household, illiterate head, age of head, marital status, household size)
- ε_i= error term

This OLS model was used to explain whether external remittance households are wealthier than internal remittance households on average.

The second objective explores whether this effect differs across regions. Instead of one pooled model, separate OLS regressions are estimated for urban households, rural households, and for each province. This helps reveal how the effect behaves in different locations.

For each regional sub-sample:

$$\text{Wealth}_i^{(r)} = \alpha_0 + \alpha_1 \text{ExternalRemit}_i^{(r)} + \alpha_2 X_i^{(r)} + u_i^{(r)}$$

Where:

- r denotes each region (urban, rural, and each province)
- The explanatory variables remain the same as in the baseline model

This approach of OLS sub-sample helps the study to see whether the external remittances have stronger, weaker or similar effects in different areas of Pakistan. Together these OLS models give a complete understanding. The first model depicts the overall effect. The second model emphasizes the change in this effect among regions.

Table 1: ***Definition of Variables***

Variables	**Definition / Measurement**
Wealth index (0–100)	Continuous index representing household economic wellbeing, constructed from household durable assets and normalized to a 0–100 scale.
External remittance household (=1)	Dummy variable that is equal to 1 if the household receives international remittances from abroad; 0 otherwise The base category is household receiving internal remittances

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	from the within the country.
Province	Province is used as a multinomial categorical variable indicating the household's region of residence, classified into four categories: Khyber Pakhtunkhwa, Punjab, Sindh, and Balochistan.
Urban household	Dummy variable equal to 1 if the household is located in an urban area; 0 otherwise.
Female-headed household	Dummy variable equal to 1 if the household head is female; 0 otherwise.
Illiterate household head	Dummy variable equal to 1 if the household head is illiterate; 0 otherwise.
Age of household head (years)	Continuous variable capturing the age of the household head in completed years.
Marital status	Marital status is defined as a categorical variable given by the marital situation of the household head, which is divided into three categories: never married, formerly married and currently married.
Household size (persons)	Continuous variable indicating total number of individuals living in the household.

3. Descriptive Analysis of Household Wealth and Remittances

3.1. Descriptive Profile of External and Internal Remittance Households

Table 2 indicates the presence of clear diversity with household wealth and characteristics. The wealth index displays a great deal of dispersion ranging from very poor to very well-off households. Internal remittance households comprise the majority, but external remittance households are also very much a majority. Most of the households are from Punjab and Khyber Pakhtunkhwa which indicates the concentration of remittance dependence. Sindh and Balochistan are shown in smaller proportions, both in terms of population size and migration patterns.

The table also represents a strong rural presence. Nearly 80 percent of households reside in rural areas, indicating that remittances are deeply related with rural livelihoods. Urban households are a smaller proportion but still give a significant contribution. Gender composition is also interesting. While the majority of households are male headed, a substantial proportion are female-headed, possibly due to household restructuring as a result of migration.

Education and demographic patterns are also conspicuous. More than half of the household heads are illiterate, which implies a low level of human capital in

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many remittance households. Household heads tend to be of middle age and most tend to be married, which is consistent with responsibilities of migration and family roles. Household size is relatively large, pointing to higher dependency and financial requirements. Overall in the table, there is a lot of variation across regions, demographics and wealth, and this supports the need for deeper analysis.

Table 2: ***Descriptive Statistics of Key Variables (Remittance-Receiving Households, N = 21,467)***

Variable / Category	Obs.	Mean	Std. Dev.	Min	Max
Wealth index (0–100)	21,467	28.58	15.49	0.41	98.05
Remittance source					
• Internal remittance household (=1)	21,467	0.611	0.488	0	1
• External remittance household (=1)	21,467	0.389	0.488	0	1
Province					
• Khyber Pakhtunkhwa	21,467	0.368	0.482	0	1
• Punjab	21,467	0.554	0.497	0	1
• Sindh	21,467	0.044	0.206	0	1
• Balochistan	21,467	0.034	0.182	0	1
Region					
• Rural households	21,467	0.797	0.402	0	1
• Urban households	21,467	0.203	0.402	0	1
Gender of household head					
• Male-headed households	21,467	0.601	0.490	0	1
• Female-headed households	21,467	0.399	0.490	0	1
Education of household head					
• Literate	21,467	0.476	0.499	0	1
• Illiterate	21,467	0.524	0.499	0	1
Age of household head (years)	21,467	47.79	15.05	14	99
Marital status					
• Never married	21,467	0.024	0.154	0	1
• Formerly married	21,467	0.116	0.320	0	1
• Currently married	21,467	0.860	0.347	0	1
Household size (persons)	21,467	5.55	3.12	1	42

Figure 1 shows the distribution of wealth index among the remittance receiving households. The distribution is not a symmetric distribution. It is evidently right skewed, so more households are concentrated at the lower and middle wealth ranges. Most of the households fall between 10 and 40 on the index, indicating that remittances are sustaining livelihoods but not always resulting in very high

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wealth. The highest point is around the mid-20s, and it shows where most of the households are on economic well-being.

The right tail of the distribution is much thinner, indicating relatively few households in the very high wealth distribution above 60. At the same time, the distribution is dispersed, from wide variety in living standards in the remittance households. This pattern suggests that while remittances have an important financial support, its effect on wealth is uneven. Some households benefit more than others. Overall, the figure is striking in terms of the great inequality and variation in economic positions in remittance receiving households.

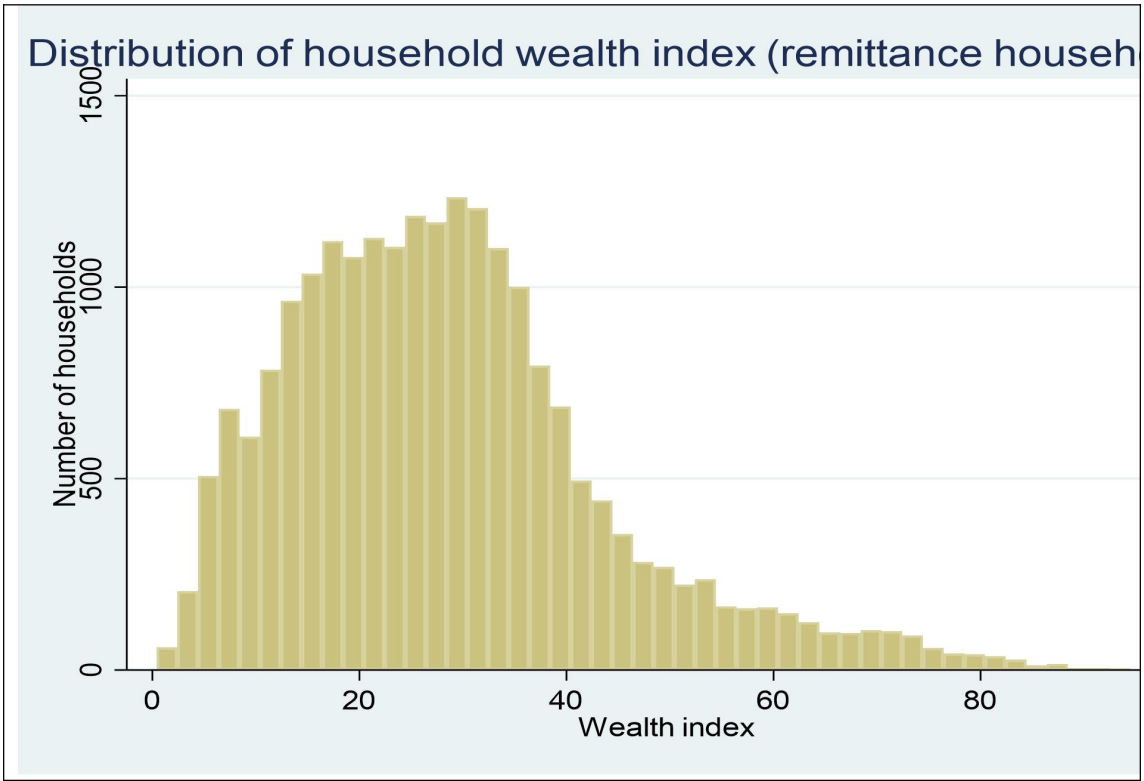

Figure 1: Distribution of the household wealth index across remittance-receiving households

3.2. Wealth Differences between External and Internal Remittance Households

The comparison between the wealth distribution of the internal and external remittance households is shown in Figure 2a. The boxplot illustrates the obvious differences. External remittance households have a higher median wealth index, that is they are generally better off. Their interquartile range is also broader indicating greater variation in wealth within this group. Internal remittance households tend to form at the lower wealth range with a narrower range. Both

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groups show outliers at the top, but external remittance households go to much higher values. Overall, the figure seems to indicate that external remittances are linked to stronger and more diverse wealth positions than internal remittances.

Figure 2b compares mean household wealth by province for internal and external remittance household. The pattern is clear. In each province, the mean wealth index for the households receiving external remittances is higher than the mean for houses receiving internal remittances. Punjab has the largest mean wealth of the households with external remittance, followed by Sindh and Khyber Pakhtunkhwa. Balochistan has the low mean wealth in both categories.

The figure also shows high variation across regions. Internal remittance households have much lower mean wealth in Sindh and Balochistan expressing their lower economic position. External remittance households have relatively higher wealth in all areas, though not on a uniform basis for all provinces. Overall, the figure underlines the presence of meaningful spatial inequality and indicates that both the benefits of remittances vary by source and province.

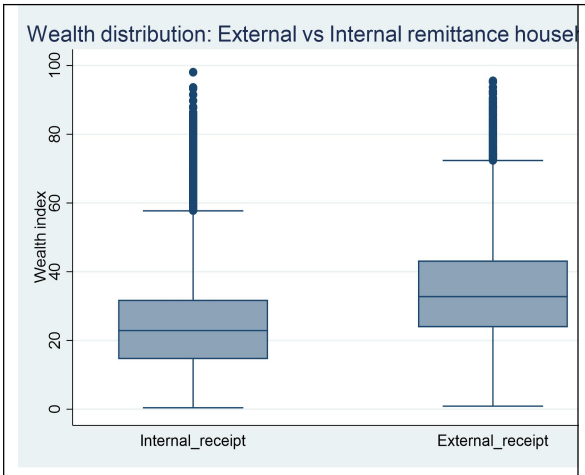

Figure 2a: Boxplot of wealth distribution by remittances status

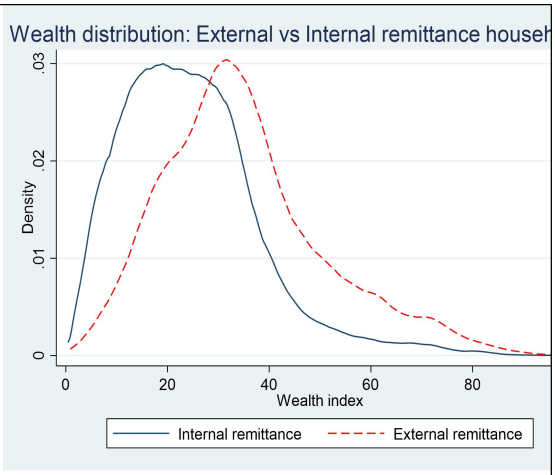

Figure 2b: Kernel density plot of wealth distribution over external vs internal

Table 3 shows powerful evidence that the source of remittances is important for household wealth. External remittance households have an unquestionable advantage. Their mean wealth index is much higher than that of internal remittance households and the difference is large in magnitude. The narrow confidence intervals and very high t-value indicate that this is not a chance difference. It is statistically significant and meaningful. The negative sign of the difference indicates that internal remittance households are substantially worse off than households associated with international migration.

The table also serves to draw attention to an important spatial divide. The urban remittance households are much better placed than the rural households.

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The mean wealth gap is broad and very significant, confirming the existence of persistent urban advantage. Rural households have a high concentration of lower wealth levels, even with remittances. This hints that location influences the capacity of households to use remittances to turn them into wealth. Urban environments may enable better access to opportunities, markets and services. Rural households may be constrained in the accumulation of wealth by structural limitations despite receiving remittances.

Table 3 taken all together suggests two important insights. First, external remittances are linked to much greater household wealth than are internal remittances. Second, urban households reap more benefits from remittances than rural households. These results show different returns to remittances as a function of remittance type and region. They also justify deeper econometric investigation to confirm whether these differences persist after controlling for household and demographic characteristics.

Table 3: ***Mean Comparison of Household Wealth Index across Remittance Type and Region (Remittance-Receiving Households, N = 21,467)***

Comparison	**Group**	**Obs.**	**Mean**	**Std. Err.**	**95% CI**
External vs Internal Remittances	Internal remittance households	13,114	24.48	0.119	24.25 — 24.72
	External remittance households	8,353	35.02	0.176	34.67 — 35.36
Difference (Internal - External)	Mean Diff.	t-stat	df	p-value	Decision
	-10.53	-51.49	21,465	< 0.001	Reject H_0
Rural vs Urban (Remittance Households)	Rural households	17,113	26.24	0.106	26.03 — 26.45
	Urban households	4,354	37.78	0.269	37.25 — 38.31
Difference (Rural – Urban)	Mean Diff.	t-stat	df	p-value	Decision
	-11.54	-46.01	21,465	< 0.001	Reject H_0

3.3. Spatial Wealth Patterns across Urban-Rural Areas and Provinces

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Figure 3 shows clear differences in mean wealth across provinces and remittance types.

For internal remittance households, Punjab is at the top with a mean wealth index of 27.19. Khyber Pakhtunkhwa follows with 21.88. Sindh is lower at 19.57, and Balochistan is the lowest at 15.91. This pattern suggests that, even when households only receive internal remittances, provincial gaps in wealth remain large and persistent.

For external remittance households, the wealth levels rise sharply in every province. Punjab has the highest mean wealth index of 40.71, and Sindh follows closely with 38.68. Khyber Pakhtunkhwa has 28.25 while Balochistan has 24.69 again lowest mean. These values are noticeably more than the corresponding internal-remittance means in each province.

The figure illustrates two important messages. First, the external remittances are linked to a higher wealth for all the regions, with improvements of around 8-13 points in the wealth index as compared to internal remittances. Second, provincial inequality is still in evidence. Punjab and Sindh exhibit a much higher level of wealth, whereas Balochistan is always poor, irrespective of the type of remittance. This implies that there is some interaction between the location of where a household resides and where it receives remittances, in determining its position in terms of wealth.

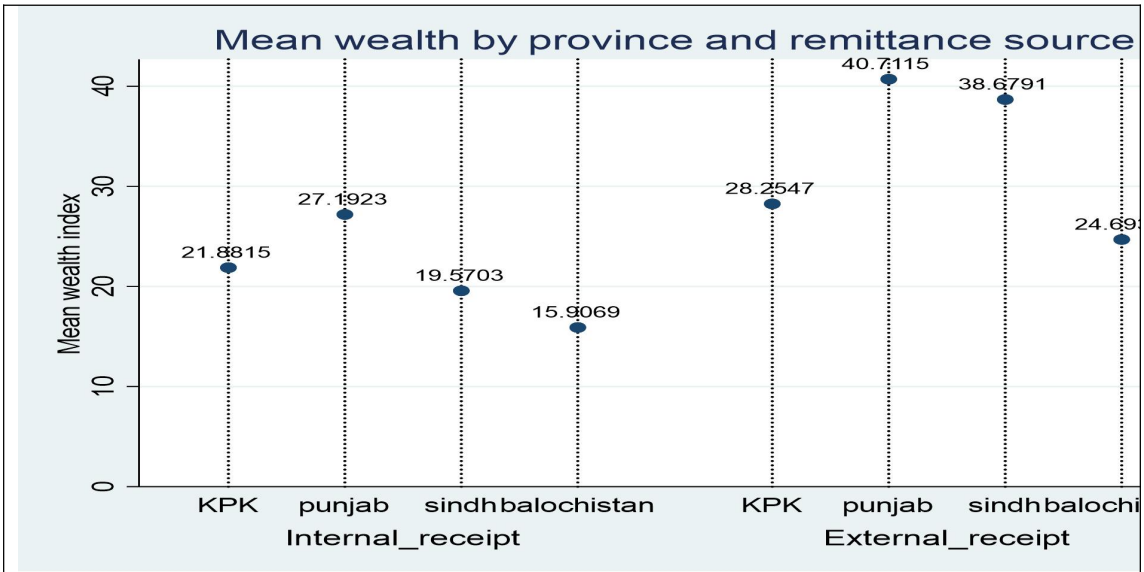

Figure 3: Mean wealth by province and remittances status

4. Results and Discussion

4.1. Baseline Regression Model

Table 4 portray directly to the first objective of the study. The eight OLS models are built step by step. Model 1 only includes the remittance source. Models 2–8

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gradually add province, region, gender, education, age, marital status, and household size. This structure checks whether the impact of external remittances is robust. As more controls enter, the R-squared rises from 0.11 in Model 1 to 0.36 in Model 8. This means the full model explains much more of the variation in household wealth.

Across all eight models, the coefficient on external remittances stays positive, large, and highly significant. In Model 1, external remittance households score 10.53 points higher on the wealth index than internal remittance households. After adding all the controls in Model 8, the effect is still strong at 8.66 points. This is nonetheless a huge improvement, given that the average wealth index is around 28.6. In layman's terms, it can be said that external remittances are consistently linked to the significantly increased wealth of households, after controlling for the location of the household and who is living in it.

Table 5 shows very well the impact of external remittances to shape household wealth when it is strong and independent. The coefficient for external remittance households is 8.66 with a very small value of standard error (0.179) and a highly significant value of p ($p < 0.001$). This implies that the households who receive remittances from abroad have, on average, a wealth index which is nearly nine points higher than those who rely on remittances from within the country, even after controlling for all other factors. The high t-value (48.37), further confirms the strength and the stability of this effect. Simply put, external remittances have a meaningful economic gain and they substantially strengthen household wealth.

Figure 4 summarises graphically the change in the impact of external remittances on household wealth under the eight regression models. Each dot is the estimated coefficient of external remittances from one model and the vertical bars are the 95% confidence intervals. The figure shows the coefficient is initially greater than 10 in the simplest model and progressively decreases as more household and contextual controls are added to the model. This means that part of the wealth advantage associated with external remittances is also related to where these households live, and who they are.

Even after this gradual adjustment, the effect is strong and very precise statistically in all specifications. The lowest estimated estimate, of about 8.6 in the most fully controlled Model 8, still indicates a large positive effect on household wealth. The small confidence intervals are also a signature of stable and reliable estimates. In simple terms, whatever the strictness of the model specification, the external remittance households are consistently found to be richer than the

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internal remittance households.

Overall, the figure gives confidence to the first objective of the study. It demonstrates that the observed benefit of external remittances is not a statistical occurrence or a consequence of some omitted factor(s). Instead, it is a persistent and meaningful relationship, which confirms that the external remittances have a significant role in improving the household wealth in Pakistan.

Households with external remittances typically have a better basis for wealth building because the external money is typically larger, more stable and longer term. Overseas workers, particularly from Pakistan, tend to earn more than domestic migrants because they work in higher paying sectors and in more formal labour markets. These higher and more reliable inflows make it easier for families to invest in assets, improve housing, save regularly, and slowly move up the economic ladder. External remittances are also received with more clarity of support and responsibility that enhances household stability and future planning.

In contrast, internal remittances are more likely to be from low-wage and usually informal, jobs in Pakistan. These transfers are smaller, irregular and more susceptible to economic shocks and seasonal employment. Families relying on such remittances generally focus on day-to-day survival and basic consumption needs instead of building assets or saving for the future. As a result, wealth accumulates gradually, if indeed at all. This structural difference in terms of earning opportunities and financial stability explains why the external remittance households have better wealth outcomes with more visible ownership of assets than the internal remittance households.

Table 4: ***OLS regression model estimates on remittances and household wealth***

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
VARIABLES	M1: External vs internal	M2: + Province	M3: + Region	M4: + Gender	M5: + Education	M6: + Age	M7: + Marital status	M8: + Household size
External remittances	10.532***	10.811***	10.160***	10.188***	9.156***	8.887***	8.825***	8.660***
	(0.205)	(0.198)	(0.191)	(0.190)	(0.181)	(0.179)	(0.179)	(0.179)
Punjab		8.393***	6.422***	6.418***	4.416***	3.884***	3.979***	4.532***
		(0.204)	(0.200)	(0.199)	(0.193)	(0.192)	(0.192)	(0.197)
Sindh		1.598***	-3.466***	-4.045***	-5.461***	-4.863***	-4.646***	-3.900***

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		(0.482)	(0.476)	(0.476)	(0.452)	(0.446)	(0.447)	(0.450)
Balochistan		-4.049***	-6.607***	-7.592***	-7.879***	-5.772***	-5.537***	-4.920***
		(0.544)	(0.525)	(0.528)	(0.500)	(0.499)	(0.501)	(0.503)
Urban			10.417***	10.281***	8.820***	8.654***	8.705***	8.812***
			(0.238)	(0.237)	(0.226)	(0.223)	(0.224)	(0.223)
Female				-2.532***	-0.999***	1.343***	1.827***	2.374***
				(0.189)	(0.182)	(0.201)	(0.218)	(0.222)
Illiterate					-9.005***	-10.122***	-10.067***	-10.142***
					(0.183)	(0.186)	(0.186)	(0.185)
Age						0.166***	0.184***	0.178***
						(0.006)	(0.007)	(0.007)
Formerly married							-2.944***	-3.194***
							(0.673)	(0.672)
Currently married							-1.315**	-1.771***
							(0.582)	(0.581)
Household size								0.347***
								(0.030)
Constant	24.484***	19.796***	19.340***	20.428***	26.413***	18.481***	18.819***	17.089***
	(0.128)	(0.183)	(0.175)	(0.193)	(0.219)	(0.377)	(0.599)	(0.615)
Observations	21,467	21,467	21,467	21,467	21,467	21,467	21,467	21,467
R-squared	0.110	0.188	0.255	0.261	0.336	0.355	0.356	0.361
N	21467	21467	21467	21467	21467	21467	21467	21467

Standard errors in parentheses, *** p<0.01, ** p<0.05, * p<0.1

Table 4 also illustrates the influence of other household characteristics on wealth when control is placed on the type of remittance. Provincial effects are powerful. Comparing with Khyber Pakhtunkhwa, households in Punjab are always wealthier. The Punjab coefficient remains positive and significant in all models though it declines from 8.39 to 4.53 as controls are added. By contrast, Sindh and Balochistan are decidedly disadvantaged when other variables are included. Their coefficients go negative and are large in magnitude, indicating persistent regional deficits in wealth.

Region further reinforces such spatial differences. Urban households have an extremely strong wealth advantage over rural households. The urban coefficient is approximately 10.4 when it is first added and is close to 8.8 in the full model.

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This suggests that, for remittance receivers too, living in an urban area is associated with a much higher wealth index. Better access to markets, services and job opportunities could help urban households to convert remittances more effectively into assets than rural households.

Table 5: ***Determinants of household wealth among remittance-receiving households***

Variable	Coefficient	Std. Error	t-stat	p-value	95% Confidence Interval
External remittance household (=1)	8.660	0.179	48.37	0.000	8.310 — 9.011
Province (ref: Khyber Pakhtunkhwa)					
Punjab	4.532	0.197	22.96	0.000	4.145 — 4.919
Sindh	−3.900	0.450	−8.66	0.000	−4.782 — −3.017
Balochistan	−4.920	0.503	−9.79	0.000	−5.905 — −3.935
Region (ref: Rural)					
Urban	8.812	0.223	39.49	0.000	8.375 — 9.249
Gender (ref: Male)					
Female head	2.374	0.222	10.68	0.000	1.939 — 2.810
Education (ref: Literate)					
Illiterate head	−10.142	0.185	−54.75	0.000	−10.506 — −9.779
Age of household head (years)	0.178	0.007	24.69	0.000	0.164 — 0.192
Marital status (ref: Never married)					
Formerly married	−3.194	0.672	−4.76	0.000	−4.511 — −1.878
Currently married	−1.771	0.581	−3.05	0.002	−2.910 — −0.632
Household size (persons)	0.347	0.030	11.68	0.000	0.289 — 0.405
Constant	17.089	0.615	27.77	0.000	15.883 — 18.295
Number of observations: 21,467					
R-squared: 0.3605					

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Adjusted R-squared: 0.3602
F-statistic: 1099.69
Prob > F: 0.0000
Root MSE: 12.39

Gender of Household Head An interesting pattern is evident. When taken in isolation, being a female-headed household is related to lower wealth. However, after controlling for education, age, marital status and household size, the sign flips. In the final model, female-headed households have a 2.37-point higher wealth index than male-headed households. This suggests strong selection. Many female heads may be in households where migration has already raised income and assets, or where remittances are channelled more carefully.

Human capital and family structure also matter. Illiterate household heads face a large and stable wealth penalty of around 10 points, confirming the strong role of education in shaping economic status. Age has a small but positive effect, meaning older heads are, on average, slightly wealthier. Marital status shows that formerly and currently married heads have lower wealth than never-married heads, possibly reflecting higher dependency burdens. Larger households, however, are associated with higher wealth, with each additional member linked to a small but significant increase in the wealth index, likely capturing extra earners or extended-family support.

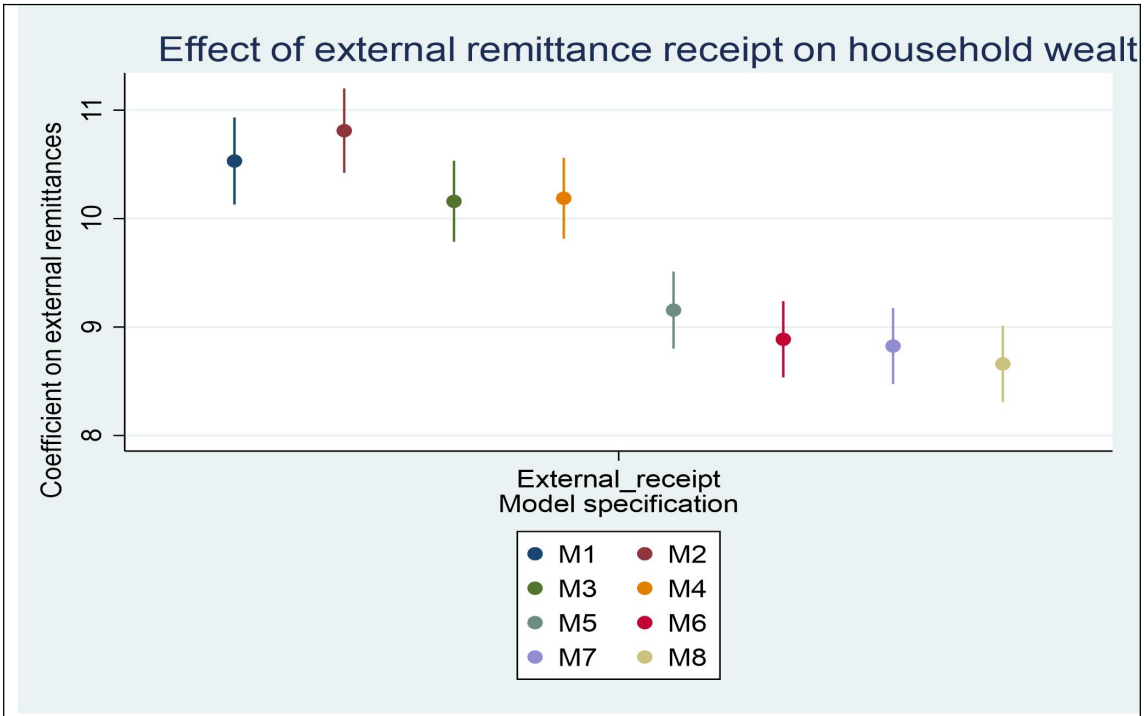

Figure 4: Coefficient plot of the impact of external remittances on wealth

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4.2. Remittances and household wealth across regional and provincial heterogeneity

Table 6 takes the analysis a step further. It shows how the effect of external remittances on wealth changes across regions and provinces. The baseline model shows a mean increase of 8.66 points in wealth index for external remittance households. When we break the sample, this effect remains positive and significant everywhere. It is strongest in the province of Sindh (12.54 points) and Punjab (10.65 points) and still sizable in KPK (5.38 points) and Balochistan (5.22 points). External remittances are also having an effect on increasing wealth in both rural (8.25 points) and urban (9.91 points) areas, thereby confirming a wide and consistent benefit.

The table also demonstrates great spatial inequality. Compared to KPK, households in Punjab are far more wealthy while households in Sindh and Balochistan are far more down-trodden, even among the remittance receivers. Urban households show a large wealth premium over rural households in every model. Education is a powerful driver: having an illiterate head reduces wealth by about 8–11 points across all subsamples. Age and household size are positively linked with wealth, suggesting that older heads and larger families may have more earners or accumulated assets over time.

Gender and marital status also matter. Female-headed households are generally wealthier than male-headed ones, especially in Punjab and urban areas, though the effect is weak or negative in Sindh. Formerly and currently married heads often show lower wealth than never-married heads, particularly in Balochistan and urban areas, which may reflect higher dependency burdens and complex household responsibilities. Overall, Table 6 shows that while external remittances consistently boost wealth, their impact is filtered through where the household lives and who leads it.

Table 6: ***OLS estimates on remittances and household wealth across regional and provincial heterogeneity***

	(1)	(2)	(3)	(4)	(5)	(6)	(7)
VARIABLES	**Baseline**	**KPK**	**Punjab**	**Sindh**	**Balochistan**	**Rural**	**Urban**
External remittances	8.660***	5.378***	10.646***	12.538***	5.220***	8.249***	9.913***
	(0.179)	(0.245)	(0.260)	(1.096)	(1.113)	(0.188)	(0.480)
Punjab	4.532***					4.663***	5.017***
	(0.197)					(0.198)	(0.708)
Sindh	-3.900***					-8.140***	-0.110

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	(0.450)					(0.590)	(0.948)
Balochistan	-4.920***					-3.524***	-7.884***
	(0.503)					(0.553)	(1.235)
Urba	8.812***	9.109***	8.451***	14.953***	2.434***		
	(0.223)	(0.468)	(0.286)	(0.941)	(0.636)		
Household size	0.347***	0.285***	0.527***	0.059	0.754***	0.360***	0.411***
	(0.030)	(0.035)	(0.051)	(0.201)	(0.114)	(0.030)	(0.089)
Age	0.178***	0.109***	0.188***	0.203***	0.161***	0.144***	0.259***
	(0.007)	(0.011)	(0.011)	(0.029)	(0.026)	(0.008)	(0.018)
Female	2.374***	1.354***	2.379***	-0.233	6.708***	1.910***	2.623***
	(0.222)	(0.328)	(0.317)	(1.572)	(2.356)	(0.236)	(0.593)
Formerly married	-3.194***	0.306	-3.905***	-3.641	-15.072***	-1.873**	-5.908***
	(0.672)	(1.031)	(0.950)	(2.790)	(3.491)	(0.765)	(1.462)
Currently married	-1.771***	0.040	-2.432***	-1.668	-15.089***	-1.116*	-3.097**
	(0.581)	(0.858)	(0.837)	(2.373)	(2.303)	(0.671)	(1.204)
Illiterate	-10.142***	-8.456***	-10.950***	-9.521***	-5.081***	-9.452***	-12.347***
	(0.185)	(0.284)	(0.262)	(0.891)	(0.592)	(0.195)	(0.499)
Constant	17.089***	19.665***	20.612***	9.320***	22.882***	17.885***	22.641***
	(0.615)	(0.854)	(0.872)	(2.613)	(2.389)	(0.695)	(1.425)
Observations	21,467	7,898	11,884	951	734	17,113	4,354
R-squared	0.361	0.228	0.339	0.536	0.337	0.305	0.307
N	21467	7898	11884	951	734	17113	4354

Standard errors in parentheses, *** p<0.01, ** p<0.05, * p<0.1

Figure 5 is a visualization of the variation of the impact of the external remittance to household wealth across regions and provinces within Pakistan. The baseline effect is strong and positive, indicating that, on average, households who receive external remittances have a large wealth advantage over those who receive internal remittances. However, it is apparent from the plotted coefficients that this effect is not uniform everywhere. The magnitude of the wealth gain depends on where the households live.

The strongest returns to external remittances are seen in urban areas, where the effect is clearly the greatest and confidence intervals are not overlapped by most regions. This suggests that urban households are better able

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to convert remittance inflows into higher wealth, possibly because they have better access to financial services, markets and investment opportunities. Punjab also demonstrates a large positive impact that is attributed to stronger economic structures, better infrastructure and more productive use of remittance income. Sindh shows a positive but comparatively less effect which shows the province is achieving moderate gains but with a narrower margin.

In contrast, effect is mostly smaller in Khyber Pakhtunkhwa (KPK) and particularly Balochistan, where confidence intervals reflect higher uncertainty. This suggests that while external remittances continue to increase wealth, structural constraints, lack of economic opportunities, weaker infrastructure and greater vulnerability may limit the ability of households to translate remittance inflows into tangible wealth. Rural regions are also benefited, although less than urban areas, perpetuating the rural-urban development gap.

Figure 5 overall, there are two important insights. First, the external remittances are a consistent source of improvement of household wealth throughout Pakistan. Second, they are especially strong depending on geography. Where households live and the opportunities available to them determine how much they can extract from the money sent home. This regional and provincial heterogeneity is key to understanding the wider welfare implications of remittances in Pakistan.

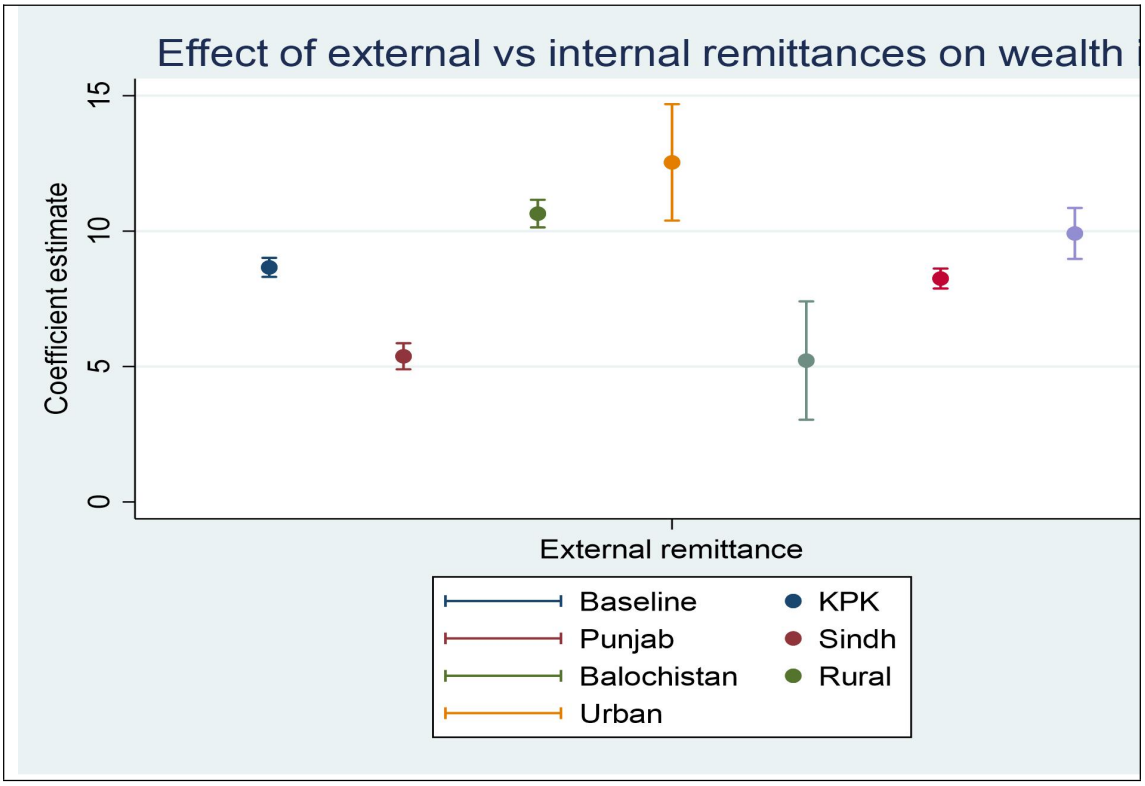

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Figure 5: Coefficient plot of Remittances and household wealth across regional and provincial heterogeneity

5. Conclusion

This study set out to understand whether the source of remittances matters for household wealth in Pakistan. Using nationally representative PSLM 2019–20 data, it compared households receiving external (international) remittances with those receiving internal (domestic) remittances and examined how this relationship varies across regions and provinces. The evidence is clear: households receiving external remittances consistently show higher wealth levels, stronger asset accumulation, and better economic positioning. This advantage remains robust across multiple model specifications and persists even after controlling for demographic, educational, and regional characteristics.

The findings also reveal important spatial heterogeneity. External remittances have the strongest wealth-enhancing effect in urban areas and Punjab, followed by Sindh, while the impact is smaller in Khyber Pakhtunkhwa and Balochistan. These differences highlight how local economic opportunities, infrastructure, and financial environments shape how remittances are transformed into wealth. Although rural households benefit, they do so less than urban households, reinforcing the rural–urban development divide.

Beyond empirical results, the study offers a broader message. Remittances are not just inflows of money; they are pathways of opportunity, resilience, and social mobility. However, not all households benefit equally. The unequal gains from external remittances suggest deeper structural disparities in migration access, economic opportunities, and regional development conditions.

In sum, the study contributes to the growing understanding that "where remittances come from and where they arrive" matters significantly for wealth formation in Pakistan. Policies aiming to leverage remittances for inclusive development must recognize these differences. Strengthening migration governance, reducing barriers to overseas employment, improving financial inclusion, and expanding opportunities in lagging regions can help ensure that remittances translate into sustained and equitable wealth gains for Pakistani households.

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