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**REAL**

**Review of Education,  
Administration and Law**

Journal homepage: <http://real.spcrd.org> ISSN (Print): 2708-1788 ISSN (Online): 2708-3667

## The Role of Internal and External Migration on Rural Poverty Alleviation In Pakistan: A Case Study of Multan District

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### ARTICLE DETAILS

#### History:

Accepted 25 May 2021

Available Online June 2021

#### Keywords:

Rural Poverty, Migration, Remittances, Households, Pakistan

#### JEL Classification:

C10, I32, O15

DOI: 10.47067/real.v4i2.163

### ABSTRACT

*Migration has become an important part of the current global economy. People migrate from their homes for different purposes although this study endeavors to estimate the role of internal and external migration on poverty alleviation in rural areas of the Multan district. Binary logistic regression is applied to the data of 170 rural households. Poverty has been measured by the headcount index, poverty gap, and squared poverty gap, estimates show the high incidence of poverty in rural areas of Multan district. The findings reveal that rural to urban migration, foreign remittances, educational attainment of the household head, household head age and livestock population turn out to be discouraging aspects of poverty while physical disability and household size turn out to be encouraging aspects of poverty. To eradicate poverty easiness in internal and external migration should be ensured by the government.*

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### 1. Introduction

Migration can have key development and poverty implications for individuals and households, besides for national economies. Migration can be defined as the geographical mobility of people from one place to another for the reason of getting better economic and social opportunities. Migration can be within the country or from one country to another country. Migration within the country may be between rural to rural, urban to urban, or rural to urban zones. Rural to urban migration play an imperative role in poverty alleviation. Rural to urban migration takes place due to inadequate employment opportunities, insufficient healthcare infrastructure, production shocks, and surplus labor in the agriculture sector. Despite these variables, the key objective of migration is poverty reeducation

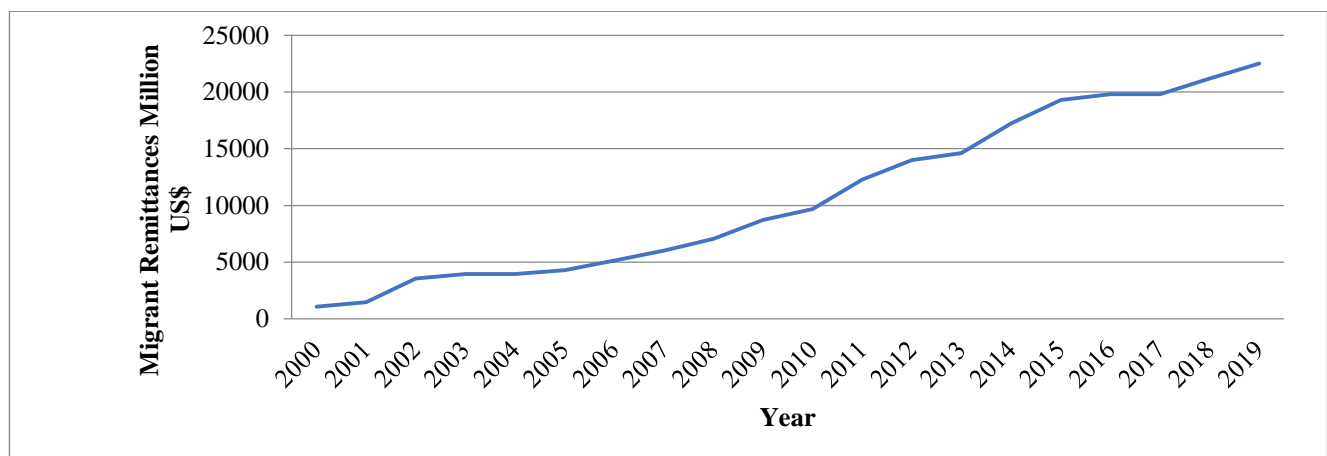
(Kousar et al. 2016). From the poverty alleviation viewpoint, rural to urban migration provides a key perception (Deshingkar and Farrington, 2009) by growing the earnings of individuals (Stark and Taylor, 1991). Bezu and Holden (2014) assert that poverty in a household forces people to move for better earning opportunities, and living standards.

The ‘impact’ of migration depends on the numbers involved, the duration of absence, the effect of both absence and possible return on migrants and their home communities, and the concentration of migrants’ origins in a few places or classes (Lipton, 1980). Foreign Remittances significantly influence the well-being of the household. It directly affects household welfare by raising the household income (Faridi & Mehmood, 2014; Acharya, 2012; Kageyama, 2008) increase the consumption of food and non-food items and investing in education. The main effect of migration is that it can increase the consumption and income of rural households (Harris and Todaro, 1970). Internal migration reduces the wage differentials between rural and urban areas (Akhter and Islam, 2019).

In the macro channel remittances indirectly affect poverty through the growth in the gross domestic product of an economy, increase employment opportunities, and increase in the foreign reserves (Khan, 2008). Remittance inflows can diminish household poverty by increasing the incomes of the recipient country, improving human development through financing improved health and education facilities, therefore, contribute extraordinarily to the economic growth of the poor households (Banga and Sahu, 2010). Remitting money from the geographical movement of the labor in international and domestic migration is vital economically. Marginal human productivity also improves due to temporary migration (Yuen, 2013). The positive effects of migration and remittances have emerged the social, economic, and political process of the migrant-sending communities. The households that send migrants for better economic opportunities have substantially higher incomes than at home (Rapoport and Docquier, 2006).

According to the World Development Bank (2018), about 266 million people reside and work outside their countries to look for opportunities through economic globalization. Migration provides welfare gains to the households; it improves the living standard of the people and helps in the eradication of poverty. Pakistan supplies 625,203 migrant workers all over the world and receives 21.9 billion US dollars remittances (Bureau of Emigrants and Overseas Employment, 2019) and the share of remittances in the GDP of Pakistan is 7.9 percent in 2019. Pakistan is observing a positive trend in migrant remittances from the period 2000 to 2019 it is shown in Figure 1:

**Figure 1: Remittances Inflows by the Migrant Workers in Pakistan**



Source: World Development Indicators

Given the significance of internal and international migration in reducing poverty and enhancing the welfare of the people and the economy, this study attempts to analyze the role of internal and external migration in poverty alleviation in rural areas of Pakistan. At the macro level lot of studies available in the literature that examines the influence of external migration or remittances in the eradication of poverty although at the micro level very little literature is available especially in the case of Pakistan that inspect the role of migration in poverty alleviation. So that at the household level this study will contribute to the existing literature by instigating the impact of external and internal migration in poverty alleviation in rural areas. The present study endeavors to achieve the following broad objectives:

- To investigate the impact of rural to urban migration and foreign remittances on household poverty status in rural areas of Multan district
- To measure the incidence of poverty in rural areas of Multan district
- To offer policy suggestions relating to alleviation poverty

This analysis is divided into four sections: section one illustrates the introduction, section two presents the literature review on the relationship between migration and poverty alleviation, section three describes the data sources, and model specification, section four portrays the econometric analysis and section five illustrates the conclusions and recommendations.

## **2. Review of Literature**

Karim and Afzal (1995) looked at the changes in demographic, social, and economic circles in Karachi during the past three decades. The findings of the study exposed that the population of Karachi was increased over the three decades' migration from the rural areas of the country adding to general neglect and non-availability of developmental funds but the people of Karachi showed great progress in education and their development. 40 percent of Karachi's population was living in Katchiabadis where living conditions were fairly poor and infant mortality rates substantially higher.

Amjad & Kemal (1997) probed the impression of macroeconomic strategies on poverty in Pakistan. The ambition of this inquiry was to recognize the economic plans that may play a significant role in guarantying the practice of economic expansion and progress in peoples' lives. This study explained that the enhancement in employment opportunities and inflow of income from abroad in the form of remittances explained the variation in deprivation existing for a long time. Besides, this analysis sketched policies for poverty abolition and recommended that in addition to improvement in wellbeing, job creation programs; furthermore advancement of casual sector activities was crucial.

Martin and Guzman (2005) explored the association between population growth and poverty. The goal of this investigation was to check the association between demographic factors and poverty reduction. The findings of this analysis explored that poverty had a positive association with high fertility rates. Migration seems to hurt poverty reduction and migration enhances economic growth in developing countries because the remittances of emigrants were used for education improvement and new investment.

Sakuhuni et al. (2011) considered the factors that affect poverty in Zimbabwe. The chief attempt of this examination was to inspect the different determinants of poverty predominantly the effect of education, ownership of physical assets, and demographic factors on poverty. The variable coefficients that were significant and optimistically interrelated with the dependent variable and thus negatively

associated with poverty were age squared, sex, education, occupation, migration status, secondary business engagement, loan accessibility, and cultivated area of land. Indicators inversely linked with the dependent variable and positively associated with poverty were the age and size of the household. It was recommended that the government should invest in education, increase land cultivated area, job creation, and give support to secondary businesses via credit availability.

Kousar et al. (2016) see the impact of internal migration on poverty in the case of the Faisalabad district. The major objective of this analysis was to determine the effect of rural to urban migration on household poverty. The findings of this study explored that internal migration had a significant impact on poverty reeducation. The study recommended that the government should invest in human capital and infrastructure in rural areas of the Faisalabad district.

Yoshino (2017) explored the association between foreign remittances and poverty alleviation in Asian developing countries. The estimates of OLS showed that the inflow of foreign remittances, trade openness, and per capita GDP had a negative association with the poverty depth and severity. While the inflation rate positively affected the depth and severity of poverty. The study proposed that increasing the positive impact of remittances on lowering poverty in the target countries was to reduce the transaction costs. Lowering the transaction costs of transferring remittances in Asia was able to promote an increasing contribution of remittances that flow through formal sources instead of illegal ones.

Mekore and Yaekob (2018) determined the factors that influence rural poverty in Ethiopia. The results of the binary logistic regression model showed that participation rate and use of the high-quality seed, land size owned by the household, number of members in the family, livestock, and access to remittance earnings were significant factors that were negatively linked to the probability of Poverty. While the dependency ratio is significantly and optimistically associated with the poverty status of households. The results exposed that the likelihood of a household being poorly augmented due to its high dependency ratio.

Imran et al. (2018) inspected the effect of remittances on poverty occurrence in Punjab, Pakistan. This inquiry endeavored to determine the association between remittance and poverty for migrant households at the disaggregated sub-national level, namely district-level, and also contrast the relationship within districts (urban-rural locales). The outcomes of this examination concluded that there exists a significant negative correlation between remittances and the incidence of poverty for urban and rural households in all districts of Punjab.

### **3. Data and Methodology**

This study is based on primary data sources. The data were collected from the 170 households of rural areas of the Multan district by using a simple random sampling technique. Any member of a household move towards from rural to urban areas for employment purposes was considered as an internal migrant whereas any member of the household who moves towards another country and sends remittances to their household was believed as an external migrant. For the estimation of results, we have used a binary logistic regression model. It investigates the correlation between a categorical dependent variable and a set of qualitative or quantitative independent variables. In the current analysis, we have employed a dependent dichotomous variable with one indicating the household is deprived or poor and zero if the household is not deprived or non-poor. The absolute poverty line (\$1.90 per person per day) estimated by the World Bank is utilized in the study. The headcount index is employed in this analysis to determine the incidence of poverty in the Multan district. Headcount index,

poverty gap, and squared poverty gap have been used to estimate the poverty levels in rural areas of the Multan district. It is found that 49.0 percent of households in rural areas of Multan district residing below the poverty line. The poverty gap index shows that about 28.0 percent income of the poor's are required to

**Table 1: Poverty Status of Households in Rural Areas of Multan District**

Poverty Incidence	Poverty Gap Index	Squared Poverty Gap
0.49	0.28	0.17

Source: Author's Calculations

### 3.1 Model Specification

To see the impact of rural-to-urban migration and foreign remittances on poverty by using household survey data, the following model is exercised. The econometric form of the model is given as follows:

$$PI = \beta_0 + \beta_1(HHA) + \beta_2(HSI) + \beta_3(EAHH) + \beta_4(IMIG) + \beta_5(EMIG) + \beta_6(PHYD) + \beta_7(LSP) + u_i \quad (1)$$

Where;

PI = Poverty Incidence

HHA = Household head age

HSI = Household size

EAHH = Educational attainment of the household

IMIG = Internal migration (Rural to urban)

EMIG = External migration (Remittances from abroad)

PHYD = Physical disability

LSPR = Livestock population

$u_i$  = Error term

**Table 2: List of the Variables for Logistic Regression Model**

Variables	Variable's Descriptions
<b>Dependent variable</b>	
<b>PI</b>	= 1 if the household is poor = 0 if the household is non-poor
<b>Independent Variables</b>	
<b>HHA</b>	Household head age in years
<b>HIS</b>	Size of the household
<b>EAHH</b>	Educational attainment of the household head in years
<b>IMIG</b>	= 1 if a member of the household migrated from rural to urban areas = 0 otherwise
<b>EMIG</b>	= 1 if the member of household externally migrated and send remittances to their household = 0 otherwise
<b>PHYD</b>	= 1 if any member of the household is physically disabled = 0 otherwise

<b>LSPR</b>	=1 if the household has a livestock population = 0 otherwise
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#### 4. Results and Discussion

The results of Binary logistic estimates are reported in Table 3. The independent variables include internal migration as rural-to-urban migration (IMIG), external migration as measured by remittances (EMIG), household size (HSI), household head age (HHA), educational attainment by the household head (EAHH), livestock production (LSPR), and physical disability (PHYD). The empirical results show that household size and physical disability positively influenced the probability of poverty whereas household head age, household head education, rural to urban migration, remittances, and livestock population negatively related to the probability of poverty. The McFadden  $R^2$  is 0.4993 it shows that the model is appropriate and LR-statistic turns out to be statistically significant it exhibits that the model is overall statistically significant.

**Table 3: Binary Logistic Estimates of Impact of Migration on Poverty Alleviation**

Dependent Variable: Poverty Incidence					
Independent Variables	Coefficients	Std. Error	z-statistic	p-value	Marginal Effects
<b>C</b>	3.8321	1.1410	3.3585	0.0008	0.0957
<b>HHA</b>	-0.0933	0.0229	-4.0606	0.0000	-0.0023
<b>HSI</b>	0.5155	0.1395	3.6947	0.0002	0.0129
<b>EAHH</b>	-0.2753	0.0537	-5.1236	0.0000	-0.0069
<b>IMIG</b>	-1.9876	0.6996	-2.8406	0.0045	-0.0497
<b>EMIG</b>	-2.1664	0.9125	-2.3740	0.0176	-0.0541
<b>PHYD</b>	1.3543	0.8104	1.6711	0.0947	0.0338
<b>LSPR</b>	-1.2808	0.5004	-2.5593	0.0105	-0.0320
<b>McFadden-<math>R^2</math></b>	0.4993				
<b>Mean Dependent Var</b>	0.4882				
<b>LR Statistic</b>	117.636				
<b>P-Value LR-Statistic</b>	0.000				

**Source:** Author's Calculations

Internal migration was found to be a negative and significant determinant of poverty. The marginal effect value points out that as the internal migration increases the likelihood to alleviate rural poverty decline by -0.0497 (see also Kousar et al. 2016; Du et al. 2005; Skeldon, 1997). Urban areas have better employment opportunities and wages in the informal or causal sector as compared to rural areas so they can earn more income. These outcomes are similar to the findings of Kousar et al. 2016; Skeldon, 1997. The remittances were also found to be the discouraging factor of poverty. The marginal effect of external migration in the form of remittances asserts that an increase in external migration reduces the likelihood of poverty by -0.0541. Remittances influence poverty levels and household income in two ways firstly it acts like cash transfers and households can directly use the money on poverty alleviation activities. Second, it works as a macro stabilizer in the economy by providing a foreign exchange that can lead to capital formation and increased employment (Iqbal, 2013). This outcome is well-matched with the above studies Imran et al. 2018; Mekore & Yaekob, 2017; Yoshino, 2017; Khan et al, 2015; Faridi & Mehmood, 2014; Acharya, 2012; Kageyama, 2008. It can be concluded

that external and internal migration are the important factors that can eradicate rural poverty in Pakistan

## 5. Conclusions and Policy Implications

This study investigates the significance of external and internal migration in the eradication of poverty in rural areas by using primary data of households of the Multan district. The incidence of poverty found in rural areas of the Multan district is 49 percent which is quite high. The reason may be the lack of health, education, and transportation infrastructure, low-paid jobs in rural areas lack assets and low agriculture productivity. In rural areas of Multan district, most of the households are engaged directly or indirectly with the agriculture sector but the agriculture sector itself is worsening due to the unavailability of quality seeds, use of ancient farming techniques, and lack of income of the farmers due to these factors the productivity in agriculture sector declines and it further reduces the income of the farmers and increase the chances of such households to fall under a poverty line. Due to lack of employment or low-paid employment opportunities in the informal sector in the rural areas, some of the people move from their homes for better employment or high earning opportunities towards urban areas or in another country to satisfy the basic needs for their households. It is found that households having internal or external migrated members have a better living standard. The influence of both internal and external migration on poverty alleviation turns out to be statistically significant and negative. It suggests that migration can improve the living standard of the people.

Based on these points some policy implications are drawn for alleviating poverty in rural areas of Pakistan. As internal migration helps alleviate poverty so that transportation infrastructure should be developed. To increase the inflow of income from abroad the government may define appropriate channels and provide a conducive environment for the people in transferring remittances to the country. The provision of health and education infrastructure should be ensured. Most people in the rural areas are engaged in the agriculture sector so that quality seeds, sprays, and provision of credit to the farmers must be ensured.

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