

## **DETERMINANTS OF OVERSEAS WORKERS REMITTANCES: (EMPIRICAL EVIDENCE FROM PAKISTAN)**

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### **ABSTRACT**

This paper aimed at examining the determinants of overseas workers remittances. The results show that the coefficients of the number of migrant workers, exchange rate and remittances lagged one period are significant at the 5 % significance level.

### **1. INTRODUCTION**

When international movements of labour are as an export of labour services instead of an export of people, the standard inter-national trade theory can be helpful in explaining this movement and the remittances from it. The remittances will enter the balance of payments account as an item under the services category in the same way as does investment income or income from freight and insurance.

The shift in the pattern of overseas migration from permanent to temporary, together with growth in the number of these migrants, has brought with it international transfers of financial resources on an unprecedented scale. The growing importance of remittances has generated a number of studies (Birks and Sinclair 1979, Chandavarker 1980, Gilani, et al 1981, Serageldin 1981, Swamy 1981 etc) designed to explore the dimensions, determinants, uses, impact and the governmental policies to manipulate them.

The migration of workers is usually a response to economic conditions such as higher wages and better terms and conditions abroad. The basic incentive of workers migration is the earning gap between the immigrant and emigrant countries. Stahl (1985) estimated that the over all earnings of Thais in the Middle-East (\$ 622 per month) was approximately 4.6 times the level of earnings in Thailand. Smart, et al (1986) reported that the average wage of Phillipino's in the Middle-East (\$ 606 per month) was nearly 6 times as high as wages in the Phillipine. For SriLanka, Korale (1986) found earnings in the Middle-East 5 to 15 times greater than in Srilanka, depending on the workers occupation. Other studies (United Nations 1982) have estimated that the oil price increase in 1973 - 74 and its effects on the European economies resulted in the outflow of some 600,000 migrant workers to their own countries.