

# **EFFECTS OF RECESSION ON REMITTANCES**

**By**

**MEHTAB ALI KHAN  
23076**

A thesis presented to the Department of Management Sciences, Bahria University Karachi Campus, in partial fulfillment of the requirements of the MBA degree



**SPRING, 2015**

**Bahria University Karachi Campus**



**MBA Thesis**  
**2<sup>nd</sup> Half-semester Progress Report & Thesis Approval**  
**Statement**

Name of Student	Mehrab Ali Shah
Registration No.	23076
Thesis Title	Effects of Recession on Remittances

**Supervisor-Student Meeting Record**

No.	Date	Place of Meeting	Topic Discussed	Signature of Student
5			Research Methodology	
6			Analysis & Findings	
7			Conclusion	

**APPROVAL FOR EXAMINATION**

Candidate's Name: Mehrab Ali Registration No. 23076  
Thesis Title: \_\_\_\_\_

I hereby certify that the above candidate's thesis has been completed to my satisfaction and, to my belief, its standard is appropriate for submission for examination. I have also conducted plagiarism test of this thesis using HEC prescribed software and found similarity index at 7% that is within the permissible limit set by the HEC for the MBA thesis. I have also found the thesis in a format recognized by the Department of Management Sciences.

Supervisor's Signature: Dr. Khalid Hussain Date: \_\_\_\_\_

Name: \_\_\_\_\_

HoD's Signature: Date: \_\_\_\_\_

# Abstract

---

**Purpose:** The particular study relates to the understanding and the effects of recession on remittances of an economy. The research shed lights in reflecting upon certain researcher questions highlighted by the researcher. The question addresses to identify if there is any positive or negative effects of recession on remittances in the context of Pakistan.

**Methodology:** The research is conducted through a quantitative approach in which secondary data of past 10 years have been discussed / analyzed and a relationship is developed between the recession (taking GDP as proxy to recession) and remittances through a cause & effect analysis study. Research question is aimed at answering while keeping in mind the two hypotheses created to reach to a certain conclusion.

**Findings:** The research highlighted that recession i.e., decline in gdp has caused an increase in remittances in a developing countries such as Pakistan. This could be because; immigrants have families in their home country which heavily rely on remittances sent to them. Another possibility could be that immigrants might have started using the official channels to send remittances.

**Practical Implications:** The outcome of the research might help policy makers to analyze remittances' impact on poverty, inequality, education and health care. This might help in making Changes in the payment system relating to personal remittances impact all retail or small-value payments. Items in this category include new payment platforms or instruments (including card-based, cell phone based, or internet-based remittance instruments), prudential capital requirements and regulations governing access of remittance agents to clearing and settlement systems, and the disclosure of remittance fees. Reducing remittance fees would increase the disposable income of migrants, boost their incentives to send money home, and encourage the use of formal remittance channels.

## Table of Contents

<i>2<sup>nd</sup> Semester Progress Report &amp; Thesis Approval Statement</i> -----	<i>i</i>
<i>Declaration of Authentication</i> -----	<i>ii</i>
<i>List of Tables</i> -----	<i>iii</i>
<i>List of Figures</i> -----	<i>iv</i>
<i>Plagiarism Test Report</i> -----	<i>v</i>
<i>Acknowledgment</i> -----	<i>vi</i>
<i>Abstract</i> -----	<i>vii</i>
<i>Chapter 1: Introduction</i> -----	<i>1</i>
<i>Background</i> -----	<i>1</i>
<i>Research Question</i> -----	<i>2</i>
<i>Problem Statement</i> -----	<i>2</i>
<i>Hypothesis</i> -----	<i>2</i>
<i>Limitations</i> -----	<i>2</i>
<i>Chapter 2: Literature Review</i> -----	<i>4</i>
<i>Neoclassical Economic Model theory</i> -----	<i>4</i>
<i>Macro-Level</i> -----	<i>4</i>
<i>Micro-Level</i> -----	<i>5</i>
<i>Effects of 2008-2009 Recession on Remittances</i> -----	<i>5</i>
<i>Managing Migrations</i> -----	<i>6</i>
<i>Recession and Remittances</i> -----	<i>7</i>
<i>Chapter 3: Research Methodology</i> -----	<i>13</i>
<i>Research Approach</i> -----	<i>13</i>
<i>Data Sources</i> -----	<i>13</i>
<i>Limitation of the Study</i> -----	<i>14</i>
<i>Chapter 4: Analysis and Findings</i> -----	<i>16</i>
<i>Linear Regression Analysis</i> -----	<i>32</i>
<i>Chapter 5: Conclusion</i> -----	<i>35</i>
<i>References</i> -----	<i>38</i>