

The Impact of Migrants' Remittances on Household Poverty and Income Inequality: A case Study of Mazar-i-Sharif, Balkh Province, Afghanistan

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Abstract : This study critically examines the influence of remittances on household poverty and income inequality in Mazar-i-Sharif, Balkh Province, Afghanistan, utilizing robust OLS and Logit models with a rigorous multi-random sampling method. The empirical findings reveal that a 1% increase in per capita international remittances is associated with a substantial 0.071% and 0.059% rise in per capita income during the fiscal years 2019/20 and 2020/21, respectively. Furthermore, this increase significantly mitigates the per capita depth of poverty by 0.0272% and 0.025% and the severity of poverty by 0.0149% and 0.0145% over the same periods. Notably, the impact of international remittances on poverty alleviation surpasses that of internal remittances. In addressing income inequality, the analysis demonstrates that remittances contribute to a reduction in the Gini coefficient by 2% in 2019/20 and 7% in 2020/21, underscoring their pivotal role in promoting equitable economic distribution. However, the COVID-19 pandemic has posed significant challenges, diminishing remittance flows and, consequently, their positive effects on household welfare. The logistic regression results further corroborate these findings, indicating that increased per capita remittances, both international and internal, markedly decrease the likelihood of households falling below the poverty line. Specifically, a 1% rise in per capita external remittances reduces this likelihood by 4.5% in 2019/20 and by 3.7% in 2020/21, while internal remittances decrease it by 3% and 2.4%, respectively. The study also explores the demographic determinants of poverty. Larger household sizes and older household heads correlate positively with poverty, whereas higher education levels among household heads and members, and a greater proportion of male members, correlate negatively with poverty incidence and severity. Female-headed households are disproportionately affected by poverty, exacerbated by socio-cultural restrictions. Despite these adversities, the data suggest that remittances are a crucial instrument for poverty alleviation and income inequality reduction in Afghanistan. The findings advocate for policy interventions aimed at enhancing formal remittance channels, promoting education, and empowering women. Effective governance and sustained international assistance are essential to harness the full potential of remittances in combating poverty and inequality. This study highlights the need for strategic, multifaceted approaches to foster sustainable economic development in Afghanistan's challenging socio-political context.

Keywords : migration, remittances, poverty, inequality, COVID-19, Afghanistan

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