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## The impact of COVID-19 on remittance-dependent households in Afghanistan: Case of nangarhar province

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### Abstract

This study shows that how COVID-19 impacts on households which are depended remittances. There have been occurred most changes in Afghan families, regarding, daily expenses, business activities, agriculture activities, employment and some others. To realize the impacts of this pandemic, it was need for a study. The purpose of this study is to realize the current situations of Afghan families whose most income comes from remittances and badly affected by COVID-19. This study is designed for 200 households to survey. The data is collected by researcher, the households are divided by two section, one from urban area and second from rural area of Nangarhar province. A structured questionnaire was designed. It was selected all the households according to random sampling method. The responded households were randomly selected from the list which was prepared by Directorate of Migrations and Returnees of Nangarhar province. The questionnaire collected data from 2019 and up to mid-2021 and compared them with each other, it found out the households' total expenditures, food expenditures, nonfood expenditures, investment and savings for 2019, 2020 and for mid-2021 as well, it compared and found the percent changes which occurred in 2020 and up to mid-2021 because of COVID-19. The result shows that greater changes had occurred during 2020 and by end of June 2021. Saving of households were reduced to \$0, family expenditures were increased. As well as, due to higher prices investment in the agricultural sector was also increased and investment in the durable goods were reduced.

**Keywords:** remittances, households, investment, expenditure, saving, Nangarhar province

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### Introduction

Since December 2019, the Corona pandemic harmed the world's economy and changed social characteristics of people. COVID-19 reverse the fight against extreme poverty which had a steady progress in decades, it pushed more 88 million people to extreme poverty this year. Businesses are under pressure, micro, small and medium enterprises are under tough damage, unemployment increased steadily (Paul & Divyanshi, 2020) [12]. It was estimated that the global economy will lose its 2.9% of the gross domestic product (GDP) over 2020, but the lost was reached to 4.5%. If it quantified, it was estimated \$87.55 trillion global GDP in 2019, it means that a 4.5% decline in economic growth, lost \$3.94 trillion in economic output (Szmigiera, 2021) [17]. It has greater impacts on emerging economies, the economic growth of developing countries is close tie upped to developed economies, international trade, resource exports, oil exports and other businesses harmed due to closed borders among the countries (Leadership Coalition, 2020) [9].

More than 272 million people were lived abroad from their origin countries in 2019, 164 million were estimated migrant workers, 33% of these workers were from Asia and Pacific area. The total number of migrant workers from south Asia were estimated 38 million in 2017. The contribution of South Asia in global remittances was about 20%, accounted \$140 billion. It has a major role in the economic development and sustainability of the area (Asian Development Bank, 2020). The pandemic offends the flow of international remittances. Remittance is the main source of finance in some countries. According to the World Bank, the flow of remittances to decline 14% by 2021 compared to 2019. The flow of remittances to low and middle income countries will fall 7.5%, to \$470 billion in 2021. Weak economic growth, unemployment in migrant host countries, lower oil prices and depreciation against dollar are the main factors which arises because of COVID-19 and have negative impact on stream of remittances. The overall decline for the year 2020 and 2021 will affect all the regions, it is estimated in Europe and Central Asia (by %16 and 8% respectively), followed by South Asia (8% and 11%), Sub-Saharan Africa (9% and 6%), Middle East and North Africa (8% and 8%), East Asia and Pacific (11% and 4%) and Latin America and the Caribbean (0.2% and 8%). (World Bank, 2020). The COVID-19 greatly affected the economies of these countries, their economic growth have been projected to fall 10% (Asian Development Bank, 2020). The COVID-19 pandemic has greater impacts on lives in Asia and will remains for decades on social, economic and political conditions. The virus threatens not only the physical health of people but also the economic conditions,

education opportunities and the fundamental needs of their families (Martin & Saeed, 2020). In Afghanistan, Particularly, the Corona virus imposed a various socio-economic threatens, it is a less developing country with weak financial opportunities. COVID-19, negatively affected the education opportunities, businesses, agriculture, administrations activities, (UNDP, 2020) <sup>[19]</sup>, especially, it has affected the private sector dependent families. Afghanistan is extremely poor country, currently 70% people live under poverty line, the income sources are not efficient for households' expenses. Most of the families' income sources are agriculture, micro and small businesses and remittance which comes from abroad. The money which come from outside workers, most of them were spent on households' expenses, and a small portion only invested for business purposes, 69.68% of remittances were spent for daily expenses and 9.43% for business purposes and the rest were for other activities (Safi, 2019) <sup>[13]</sup>.

### **Statement of the Problem**

Due to the current pandemic, many workers lost their jobs at foreign countries, they are not able to send money to Afghanistan, some of them are forced to return back to Afghanistan. Thus, there have been occurred most changes in Afghan families, regarding, daily expenses, business activities, agriculture activities, employment and some others. To realize the impacts of this pandemic, there is need for a crucial study.

### **Purpose of the Study**

The overwhelming impact of COVID-19 on households' savings, expenditures, investments, ongoing businesses and other parts of life harmed in the bad way. The current situation shows that the pandemic imposed negative effects on households' welfares. World Bank, International Monetary Fund and other international organizations projected the impact of COVID-19 on economies and families' performances but this study find out the real results from the households and other affected organizations for the further policymaking. This study finds out the impacts of COVID-19 on international remittance-dependent households' total expenditures, food expenditures, nonfood expenditures, savings, investments by the base year 2019. It compares all the changes which occurred in 2020 and up to mid-2021 compare to 2019. Furthermore, it find out the decline in the remittances by the 2020 and by the end of June 2021, to the base year 2019. The purpose of this study is to realize the current situations of Afghan families whose most income comes from remittances and badly affected by COVID-19.

### **Research Questions**

#### **The ongoing situation leads this study to answer the following questions**

1. How much changed the international remittances since 2019?
2. Dose COVID-19 affected households' expenditures?
3. Dose COVID-19 affected Households' savings and investment opportunities?

### **Literature Review**

Migrants have various advantages and disadvantages, one of the most common benefit of the migrant is to sending remittances to their left behind families. Their remittance plays an important role in the developing of their economies and especially, remittance plays a very critical role on their families' welfares. Different Studies states that migration and their remittances can generate both positive and negative outcomes (Acosta, 2008) <sup>[11]</sup> (Adams & Cuecuecha, 2010) <sup>[2]</sup>. The motive for driving remittances to the origin countries considered as potential higher income, real wage differences, altruistic and self-interest (Stark & Bloom, 1985) <sup>[16]</sup>. Although, the altruistic motive is for sending money to their country of origin returns to the families which the workers left for a better prospective, motive for the self-interest may be relate to investment, higher saving, social interests (Chowdhury, 2011) <sup>[6]</sup>. Remittance dependent individuals, households and businesses are already face to financial crisis. This estimated decreases in the remittances will get out the households' power to cope with COVID-19 (Bisong, Ahairwe, & Esther, 2020) <sup>[4]</sup>. Global economic downturn will bring more decreases in amount of remittances (Samuel Hall, 2020) <sup>[14]</sup>. Declining remittances flow create more pressures on governments which are already in struggles to combat with economic, fiscal and social stresses (Sayeh & Chami, 2020) <sup>[15]</sup>. A sudden stop in remittances flow to Asia, it will push people to poverty. Both host and origin countries encouraged to extend temporary social protection for migrants, especially for those migrant workers whose households are more dependent to remittances and expected to fall back to poverty. The host countries are encouraged to design comprehensive immigration and labor policies to lead the migrant workers back to jobs, get ready to send money and organize businesses well (Takenaka & Villafuerte, 2020) <sup>[18]</sup>. The International Monetary Fund projected economic and social impacts of pandemic, which will remain for many years, it would suffer more than current time and will face to much larger fiscal deficit. The unemployment and poverty will take much time to recover back. These risks would cause socio-economic, disorderly migration, confidence shocks, political disruption and damage development prospects (International Monetary Fund, 2020) <sup>[8]</sup>. Different studies conducted on impacts of COVID-19, most of them states negative impacts on households and economies. A study indicates in the Philippines that the potential impacts of the COVID-19 as percentage changes in predicted remittances, income and family spending stand on two scenarios with-COVID scenarios and no-COVID Scenarios. Each scenario shows different impacts on remittances, family expenditures, savings, food expenditures and nonfood expenditures. It shows a serious impact on remittance flow with the decline of

14%-20%. With-COVID scenario2 by the Word Bank predicts higher impacts than other scenarios. The highest drop seems on total spending of households, food expenditures by 2-3%. At each scenario, the household spending per capita will decline by 1-2%. The inflow of remittance will decrease by 14-20% for one year during the pandemic (Murakami, Shimizutani, & Yamada, 2020) <sup>[11]</sup>. The table below shows the summary of all with-COVID scenarios:

**Table 1:** Potential impacts on household welfare

	Percent Changes, IMF		Percent Changes World Bank		
	With COVID 1	With COVID 2	With COVID 1	With COVID 2	With COVID 3
Remittance receipt	-15.63	-14.64	-15.86	-19.91	-14.11
Total expenditure	-1.41	-1.31	-1.46	-1.86	-1.29
Food expenditure	-2.31	-2.14	-2.38	-3.03	-2.11
Nonfood expenditure	-1.08	-1.00	-1.11	-1.42	-0.98
New savings	-1.84	-1.71	-1.89	-2.43	-1.67
Loan repayment	0.05	0.05	0.05	0.07	0.05

**Source:** (Murakami, Shimizutani and Yamada, 2020)

UNDP in 2020 found for Bangladesh, each 0.1% increase in the number of migrants, poverty decline by 1.7%. According to the World Bank projection, in 2020 the total remittances to the Bangladesh will fall to \$14 billion, it means 20% decrease from 2019. The world Bank projection was confirmed till May 2020, which declined up 20%. The decrease in the remittances brought a stress to the households who are more dependent on remittances, it leads many households to poverty. The remittances which sent by migrant workers helped the households to manage their daily expenditures. According to Bangladesh Bank in 2020, after April 2020, the remittance inflow to Bangladesh increased back, because of festivity sessions in Bangladesh. In May during Ramadan inflow increased to \$1505 million, and reached to \$1833 million in June, had a steady increases till end of 2020, the reason behind was to help their families during lockdown (Chowdhury & Chakraborty, 2021) <sup>[7]</sup>. Despite of all projections, the flow of remittances dramatically increased to 54% in July 2020 from December 2019. It was recorded 18.5% increases in the remittance flow to Bangladesh compared to 2019 (Chowdhury & Chakraborty, 2021) <sup>[7]</sup>.

The COVID-19 has adverse impact on small and medium size businesses, it is because of lockdown on non-essential businesses. Lots number of businesses were forced to get out from the business activities because of income loses, savings and investments declining. The Federation of Afghan Craftsmen and Traders were estimated about 30% of its members couldn't recover back and went bankrupt, the main reason was loss of income (Martin & Saeed, 2020). According to Central Statistic Organization of Afghanistan, 7% of Afghan households depend to remittance income by which they fulfill their daily activities (Central Statistic Organization, 2016-2017).

A survey conducted by Samuel Hall, 26 remittance-dependent households were interviewed, only 6 households responded that there is no any impact from COVID-19, 18 cases showed decline in remittance amount, there is only 2 cases to received support because of COVID-19 (Samuel Hall, 2020) <sup>[14]</sup>.

#### Methods and Procedures

This study is designed for 200 households to survey. The data is collected by researcher, the households are divided by two section, one from urban area and second from rural area of Nangarhar province. 100 households are interviewed in Jalalabad city and 100 households are interviewed in four districts of Nangarhar province. 25 households are interviewed within a week; it took 8 weeks to interviewed all 200 families. A structured questionnaire was designed. It was selected all the households according to random sampling method. The responded households were randomly selected from the list which was prepared by Directorate of Migrations and Returnees of Nangarhar province.

This survey targeted households with at least one member in abroad and send money to them.

There were randomly selected 4 zone in Jalalabad city, from each zone 25 households were interviewed. In the rural area, four district out of 23 district are randomly selected, at each district 5 villages were selected and each village 5 households were selected for interview.

The questionnaire collected data from 2019 and up to mid-2021 and compared them with each other, it found out the households' total expenditures, food expenditures, nonfood expenditures, investment and savings for 2019, 2020 and for mid-2021 as well, it compared and found the percent changes which occurred in 2020 and mid-2021 because of COVID-19.

Afterward, the focus was on literature review, the necessary information was collected from books, magazines, reports and research papers.

In the last, the collected data was prepared for the analyses, after, editing and clearing process, it was analyzed by using SPSS software.

## Results

**Table 2:** Impact of remittance changes on households' (base year 2019).

Remittance Recipient Households		Percent changes 2020	Percent changes Mid-2021
		-11.3	-6.7
Expenditures	Food	24.6	27.8
	Non-Food	3.3	-1.7
Investment	Agricultural	7.3	3.5
	Non-agricultural	-12.5	-4.7
Savings		-100	-100

**Source:** (Researcher, 2021).

Table 2 shows that 11.3% sending remittances decreased in 2020 and 6.7% decreased up to mid-2021 on base year 2019. It means that in 2021 sending money to households increased once again. Totally, expenditures are increased since 2019. Food expenditures have higher rate of growth; it has negative impact on households spending capabilities. In 2020, the total food expenses reached to 24.6% higher than 2019 and up to end of June 2021, it increased more 3.2% and reached to 27.8%. the cause of higher expenditures is not only depending to remittances but overall the prices are raised in the market. It leads the households to spend more money for food. The result shows that non-food expenditures are also increased in 2020 to 3.3%, not as much as food expenditures but up to June 2021 non-food expenditures decreased by -1.7%, the cause may be due to weak economic situations of households, they were unable to purchase durable goods. As the study found that the food expenditures increased in both years, it leads famers to invest more in the field of agriculture. In 2020, the agricultural investment picked up to 7.3% and for mid-2021 it falls back to 3.5%. further more, non-agricultural investment falls for both years to -12.5% and -4.7% respectively. After 2019, the COVID-19 forced government to implement lockdowns. Because of lockdowns family economics get worst. The study shows that at both years' households saving were 0%, it means none of the household had saving and compare to 2019 the saving reduced to 100%.

### Limitations/ Problems

All the districts were not secure; the unsecure districts were excluded from the sampling. Travel to remote areas were not easy because of security problems. Some families avoid to answer the questionnaire, where was tried to find the next family for interview.

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