ABSTRACTS

Reverse Capital Flight to Pakistan: Analysis of Evidence

ZAFAR MAHMOOD

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Capital flight from Pakistan has remained one of the major concerns of policy makers, mainly because of the nature of private capital outflows; that is, whereas private citizens hold a large amount of foreign assets, the country’s burden of foreign debt continues to grow. Capital flight over and above normal levels raises serious concerns. Capital flight induces foreign donors to demand repatriation of private capital held abroad in return for their support. Previous studies have largely ignored the fact that illegal capital flow is a two way phenomenon. Private citizens’ foreign capital is brought into the country when time is opportune. Using the measure of trade misinvoicing, this paper finds that between 1972 and 2013 the (net) reverse capital flight in Pakistan was of the order of about $30 billion. To explain this phenomenon, the paper examines the evolution of Pakistan’s exchange and trade control regimes in four phases. It is found that reversed capital flight increased during liberal regimes when both current and capital accounts were liberalised, meaning that in the absence of strong regulatory bodies, private citizens could manipulate trade and exchange laws. The paper offers some specific policy recommendations to restrict cross-border movement of capital through illegal channels.

JEL Classification: F21, F32, H26

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This study attempts to uncover the biases in the impact evaluation of remittances when the problems relating to selection bias and counterfactual are not taken into account. Taking migration as an intervention and foreign remittances as an input, the study measures the socioeconomic impact using an approach which yields more accurate non-experimental estimates in self-select cases through multiple output and outcome indicators such as income, expenditure, saving, and capital accumulation which, directly and indirectly, affect households’ welfare, poverty incidence and growth prospects of a country. Using PIHS data, the study first calculates the difference in socioeconomic characteristics of treated or remittances beneficiary households (RBH) and control or remittances non-beneficiary households (NRBH) ignoring endogeneity and observable differences. Second, it calculates the propensity score and evaluates the impact using data from common support area for both RBH and NRBH households. Third, it evaluates the impact using the propensity score matching approach which replicates the experimental benchmark. The difference in the first and the third estimates reveals the bias originating from the issues of selection and difference in observable characteristics. The results show that after controlling for observable characteristics of households, regional difference, networking and applying the selection correction technique, the average impact of remittances is significantly reduced. A disaggregated analysis shows that the socioeconomic impact of remittances differs by the level of skills. The impact is significant for relatively low skilled poor households but for high skilled households it remains significant only in case of bank deposits. The paper concludes that estimates are biased upward if the selectivity issue and endogeneity problems are ignored which may lead to wrong policy implications.

*JEL Classification:* F24, O15, P36  
*Keywords:* Propensity Score Matching, Remittances, Poverty, and Capital Accumulation

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Intergovernmental Transfers: An Evaluation of Mechanism and Design of Transfers in Pakistan

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The 7th National Finance Commission (NFC) Award has seemingly put an end to the deadlock over revenue distribution among the constituents of the federation in Pakistan. This paper argues that though the 7th NFC Award’s use of multiple indicator criteria for the distribution of resources is a step forward in the right direction, the distribution design still falls short on various counts. For example, the weight of 82 percent for the population share is on the higher side whereas the demographic structure of the population, an important indicator of the expenditure needs, does not figure up in the distribution design. Also, the basis of weights assigned to the four elements of the revenue distribution criteria is unknown and no rigorous exercise seems to have been undertaken to determine these weights. Similarly, matching grants, which are a key element of the distribution design elsewhere, are altogether absent in Pakistan. Furthermore, provinces still rely on large transfers from the centre which undermines the incentives of the provinces to generate their own revenues. The paper emphasises that there is a need to rethink the mechanisms for resource sharing as well as the institutional structure of the NFC itself.

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Keywords: Intergovernmental Transfers

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Changing Gender Relations and Its Influence on Female Migration Decision in India

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This paper is an attempt to understand the position of Indian women in the family and its influence on their migration decision. The migration-empowerment relation can be explained through relative measures like intra-household decision making indicators, and age and educational differences. The data for the purpose of the study has been drawn from the various rounds of NSSO and NFHS and it has been analysed at the state level due to data limitations for explanatory variables at the household level. The bivariate findings show economic decision making related to large household purchases, decisions on mobility and spousal educational differences which exhibit a linear relation with the women’s migration decision. The empirical findings suggest the women’s greater involvement on own health care, spousal age and educational differences significantly influence their migration decision. This suggests that women’s empowerment influences their migration decision.

*JEL Classification:* J10, J16

*Keywords:* Empowerment, Migration, Women, India, Relative Measures

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