



Economic and Social Impact of Financial Crisis on Households: A Case Study of Pakistan, Sri Lanka, Bangladesh and Nepal

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Zafar Mueen Nasir

**PIDE
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**PAKISTAN INSTITUTE OF DEVELOPMENT ECONOMICS
ISLAMABAD**

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Designed, composed, and finished at the Publications Division, PIDE.

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CONTENTS

	<i>Page</i>
Preface	iii
1. Introduction	1
2. The Global Financial Crisis and Household Vulnerability: The Transmission Mechanism	3
2.1. Contraction in Economic Activity	3
Pakistan	4
Sri Lanka	8
Bangladesh	14
Nepal	18
3. Global Financial Crisis and Household Vulnerability	22
3.1. Introduction	22
3.2. Review of Literature	23
3.3. Model of the Study	26
3.4. Pakistan Household Vulnerability Survey	28
3.5. Poverty and Vulnerability in Pakistan: Some Stylised Facts	30
3.6. Estimates of Multinomial Logit Model	33
3.7. Findings and their Relevance for Regional Countries	37
4. Global Financial Crisis and Social Protection: National and Regional Strategies	38
4.1. Introduction	38
4.2. The Crisis and Vulnerable Households	39
4.3. New Vulnerable Groups	40
4.4. Fiscal Space for Improving Safety Nets	41
4.5. Programmes for Protecting the Vulnerable	42
4.6. Key Issues in the Backdrop	47
4.7. New Strategies to Protect Vulnerable	49
4.8. National Programmes to Meet the Crisis Impact	49
4.9. Regional Strategies	50
4.10. Potential Areas of Cooperation in South Asia	51
5. Summary and Conclusions	53
Appendices	55
References	60

List of Tables

	<i>Page</i>
Table 2.1. Economic Growth	4
Table 2.2. Sectoral Growth during 2001-09	5
Table 2.3. Percentage Distribution of Employed Persons by Major Industry	6
Table 2.4. Employment Elasticity and Sectoral Growth Rates (Projections)	7
Table 2.5. Monthly Data on Pakistani Workers	8
Table 2.6. Sectoral Growth Performance, First Half of 2009	10
Table 2.7. Point-to-Point Change in Major Exports (%), 2008-2009	11
Table 2.8. Growth Projections FY 2008-09	14
Table 2.9. Growth Rates by Sectors, 2008 vs. 2009 (%)	15
Table 2.10. Export Performance over the Times for Bangladesh on 2007-08 and 2008-09	16
Table 2.11. Sector-wise Changes during July-August, 2009 over July-August, 2008(in Million US\$)	17
Table 2.12. Outflow of Nepalese Workers (Excluding India) (in Number)	20
Table 2.13. Contributions of Remittances	21
Table 3.1. Distribution of the Sample PSUs and SSUs with their Urban/Rural and Provincial Break-down, PHVS-2009	29
Table 3.2. Population under Various Poverty Bands	31
Table 3.3. Average Monthly per Capita Consumption Expenditure of Families With and Without BISP Assistance	33
Table 3.4. Multinomial Logit Regression Results	35

List of Figures

Figure 2.1. GDP Growth in Pakistan	4
Figure 2.2. Quarterly Rates of GDP Growth (%) 2007-2009	9
Figure 2.3. Monthly Export Performance, 2008-2009	11
Figure 2.4. Point-to-Point Change in Migration for Employment, 2008-09	13
Figure 2.5. Percentage Change of Export Performance July-September, 2009-10 over July-September, 2008-09	16
Figure 2.6. Monthly Inflow of Remittances, July-Sept 2009-10 over July-Sept 2007-08	18
Figure 2.7. National Food Balance Sheet of Nepal	19

PREFACE

Recent financial crisis that has adversely affected the developed economies is now affecting the developing world. Whereas a number of studies have investigated the impact of the crisis, the issue has not been explored at length in the South Asian region. An attempt has been made in the present study to explore the impact of the crisis on the economies of the South Asian region and to identify the channels through which it trickled down to the household level. Four countries of the region i.e. Pakistan, Sri Lanka, Bangladesh and Nepal have been chosen for the study because of their similarity in economic conditions and responses to the financial crisis. A detailed and rigorous analysis is carried out to bring forward possible policy options to mitigate the impact of the crisis at the household level along with the possibility of replicating the policy initiatives at the regional level. The study also takes into account the regional economic cooperation initiatives at the SAARC level to mitigate the adverse impact of the crisis collectively.

The study relied on secondary sources of information for the analysis of macroeconomic impact while primary data has been used for micro level analysis. A survey of 1000 households has been carried out in Pakistan to see how economic shocks affected the household welfare and how they responded to these shocks. The multinomial logit model is used to analyse the factors pushing households in the vulnerable situation. The results of the study show that there are serious poverty and unemployment implications of the crisis. The problem arises mainly due to the loss of output and employment in real sectors which are integrated with the world economy. New vulnerable groups emerged from the crisis having no formal access to the existing safety net programmes which further increases their vulnerability. The study identifies the need for strengthening the Social Safety Network Programmes (SSNPs) in countries hard hit by the global economic crisis. Safety net programmes, on one hand provide immediate relief during emergencies by ensuring employment, education and nutritional intake of the poor, these programmes, on the other hand often play leading role in addressing poverty and inequality related issues in the long run. Success of such initiatives depends on how, where and for whom the government decides to design them.

A number of individuals helped in the preparation of this study. I would like to acknowledge the valuable input of Dr Sejjim Raihan, Dhaka University, Bangladesh, Dr Sirimal Abeyratne, University of Colombo, Sri Lanka, and Dr Bishwambher Pyakuryal, Tribhuvan University, Nepal. I owe a debt of gratitude to Dr Rashid Amjad, Vice Chancellor, Dr Musleh ud Din, Joint Director, Dr Ejaz Ghani, Chief of Research, of PIDE for their support and guidance. Special thanks go to the participants of ADB/SANEI workshops at Singapore and Bangladesh and anonymous reviewers for their comments on the study. The Asian Development Bank (ADB) provided financial support for the study. This support is also acknowledged. Special thanks go to Mian Imran and Habib ur Rehman of PIDE for their pains-taking efforts in printing of the study. Last but not the least, my family deserves special appreciation for their consistent support and unstinted help without that this work was not possible.

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