



## Pakistan's Monetary Aid Concerns

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### ABSTRACT

*Aid is unlikely to encourage the development and growth of the countries affected from natural disasters. This study scrutinizes that it is not necessary that every commitment has to be fulfilled. As in this research, it is found that the level of commitment of aid for the flood affected country of Pakistan was quite higher than the level of aid actually provided by allied-countries of Pakistan. Ironically so many countries have only made commitments for aid, just to prove on media that they are responsive and deeply concerned but in real they were observed not responsive and responsible while fulfilling their promises for catering the human welfare.*

**Keywords:** Monetary aid, friend-countries.

**JEL Classification:** F35

### Introduction

#### Overview

Pakistan is facing crises like no other country in the form of the massive flooding that has affected more people than the Indian Ocean Tsunami, the Haiti earthquake and the 2005 Northern Pakistan earthquake combined. It goes to show that a single event can have a devastating strike on an ill-prepared country like Pakistan. With nearly 20 million people affected; disease and displacement are the hallmarks of misery faced by the flood victims. Pakistan floods also released stored toxic chemicals affecting the environment. The lack of preparation for this disaster however, is highlighted by the continuing lack of support; the need to recover for foreign aid, in order to meet the major needs for this disaster. So, in this critical situation, the friend-countries of Pakistan have committed to aid in terms of money, goods, and any further support in order to lend a hand. Thus, the analysis here is about whether the friend-countries of Pakistan who have made a commitment to lend a helping hand, stand by the commitments made and the extent to which of commitments are actually carried out for.

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## Research Problem

The neighboring countries of Pakistan have reached out in the critical situation of flood crisis (which has badly affected more people than the Indian Ocean Tsunami and the Haiti earthquake) by committing to financial-aid or other support. Do the friend-countries of Pakistan actually fulfill the commitments made, or not?

## Hypotheses

**H<sub>1</sub>:** Pakistan never received total aid in terms of money as promised by friend-countries.

## Outline of the Study

To study the behavior of the neighboring countries of Pakistan, ones which are considered to be good friends; as to whether the commitments made of delivering aid during the critical situation of massive flooding in Pakistan, were mere a lip service or was the friendship with Pakistan actually proved out by the fulfillment of said commitments.

## Literature Review

Several authors have previously analyzed the relationship between the aid commitments and the development of a county.

Arslanalp and Henry (2003) found that the lowest economies of the world are intensely ailing. It can be advised that although the growth and development seems ironic, perhaps even cruel, debt is not the primary impediment. However, “the reality is a wrong doing, not a peccadillo”.

Larru (2010) found that an official developmental aid is quite difficult to be expected, comparatively unwavering, and has a counter-cyclical flow; thus it has a positive unwavering impact on the economy. On the other hand, foreign direct investment is very much unpredictable but in the state of an official developmental aid it impacts positively to GDP (gross domestic product) as it grew by 0.23% due to foreign direct investment for last decade in Pakistani space. The phase of 1985-2006 does not have a statistically considerable effect on the divergent of the official developmental-aid. Pooling every single penny of the official developmental aid from its friends country, brings us with a positive effect on gross domestic product by 1.7% since the birth of Pakistan.

Larru (2010) found, that in 2008, as looking at the multilateral aid in the Equatorial Guinea, official development aid rose up to 427.356 Euros; while in Spanish space multilateral aid was observed 0.03% from their friends' nations.

Margitay-Beacht (2007) found and exposed that the course of action of the contributor who situates to deal out financial assistance, has a considerable consequence on the recipient homeland.

Selaya (2005) investigated the cross country data of 25 nations, and confirmed that there is a direct relationship of developmental expansions, average income, and expansion of average efficiency with capital inflight received from friends countries in form of financial aids.

Ghura, Hadjimichael, Mhleisen, and Nord (1995) found that an increase in aid is used in the development of the country; in turn providing and offering the employees with increased wages and further opportunities, thus the gross domestic product of the country increases. Hence the quality of the financial supports by the friends' nations improves the structural characteristics of an economy.

Armah and Nelson (2008) found that growth, and political stability, they co move with financial supports by the allied nations of an economy while fixed effects of financial aids, on economic growth were found present in Sub-Saharan African space. Moreover it was

also reported that for the successful escalation of aids by friend economies, political permanence is obligatory for funds receiving economy.

Dalgaard, Carl-Johan, and Hansen (2001) found the impact of foreign aid by allies on economic augmentation of any nation. Dalgaard, Carl-Johan, and Hansen (2001) further confirmed that the foreign aid paves the way for the bi-directional causality between wealth and growth of an economy.

Roodman (2004) found that poverty alleviation was planted in various nations on the basis of financial supports by their allied partners.

Islam (2005) made a judgment that political stability is a necessary condition for the giving out supplements to promote growth and getting financial help from the neighbors and allied nations. But Islam (2005) also believed that the positive aid-growth relationship was the result of a miss-interpreted for so many countries even in the presence of political stability.

## **Research Methods**

### **Method of Data Collection and Sample**

Secondary data was used for investigating the proposition of this study. The data comprised of the list of names of the friend-countries of Pakistan which was collected from the website of World Bank while the further data of aid commitments in dollars and the total aid received in dollars of sample of 59 friend-countries of Pakistan were collected from Fact Book – CIA for the years 2001 to 2010.

### **Statistical Technique**

Paired Sample T-Test was deployed to investigate the proposition of the study. Since, propositionally the purpose of this study was to compare two population means, therefore the mean of aid commitments in dollars and the total aid received in dollars from the friends countries was measured via the stated test.

## **Results and Findings**

**Table 1: Paired Samples Statistics**

		<b>Mean</b>	<b>N</b>	<b>T-Statistics</b>	<b>P-Value</b>
<b>Pair</b>	Aid Commitment in dollars	19001338.98	59	3.718	.000
	Total Aid Received in dollars	8008644.07			

Findings of this paper confirms that there is a significant difference between the aid commitment in dollars and total aid received in dollars for the years 2001-2010 as the total aid received in dollars was recorded quite lesser i.e. 8008644.07 \$ than the aid commitment in dollars i.e. 19001338.98 \$ as promised by the friends countries of Pakistan at  $t > 1.5$ ;  $p < 0.05$ . Hence, we failed to reject the hypothesis i.e. Pakistan never received total aid in terms of money as promised by friend-countries.

## **Discussion and Conclusion**

Various studies have analyzed that there is no significance difference between the aid commitment and the aid provided for several of the nations of the world (Armah & Nelson, 2008). While, there are some economies with a significant difference between the two stated proxies (Islam 2005).

The research found that there is a significant difference between the aid commitments by the friend countries of Pakistan and the aid received by Pakistan. Thus, it is concluded that Pakistan never received total aid in terms of money as promised by its friend-countries.

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