

## IMPACT OF WORKERS' REMITTANCES ON CORPORATE INVESTMENT EFFICIENCY: EVIDENCE FROM LISTED FIRMS IN PAKISTAN

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### Abstract

*This study examined the impact of workers' remittances on corporate investment efficiency among non-financial listed firms in Pakistan. The study aimed to investigate whether remittance inflows improve firms' investment decisions, financial flexibility, and productive investment activities. A quantitative longitudinal research design was adopted using panel data collected from 180 non-financial firms listed on the Pakistan Stock Exchange over the period 2015–2024. Secondary data were obtained from firms' annual reports, the State Bank of Pakistan, and the World Bank database. Descriptive statistics, correlation analysis, and fixed effect panel regression analysis were employed to analyze the data. The findings revealed that workers' remittances positively and significantly influenced corporate investment efficiency by improving liquidity conditions and reducing financing constraints. Profitability, cash flow, and growth opportunities also positively affected investment efficiency, whereas leverage negatively influenced firms' investment decisions. The study contributes to corporate finance literature by providing empirical evidence from an emerging economy context.*

## Introduction

Workers' remittances have emerged as one of the most important channels of external financial flows for developing economies, as they are associated with economic growth, poverty reduction, financial stability, and investment activities (World Bank, 2024; Farooq et al., 2022). Remittances are a key source of funding to bolster domestic consumption, liquidity and business development in many developing countries. Remittances are also an important source of foreign exchange in Pakistan and have a significant impact on the country's economy. Remittance inflows have consistently increased over the past few years, contributing positively to economic activities, household income, and financial markets (State Bank of Pakistan, 2024). The efficiency of corporate investment is the company's ability to allocate funds to profitable investment opportunities to prevent underinvestment and overinvestment issues. Listed companies benefit from efficient investment decisions, as they contribute to their profitability, value for shareholders, and sustainability (Khan et al., 2024). The financing difficulties faced by firms in emerging economies like Pakistan are partly attributed to the less developed capital markets and economic uncertainty. The increase in remittance inflows can increase the liquidity of the financial markets

and have a positive impact on the flow of investment from companies through the financial market. However, empirical evidence is sparse on the link between remittance of workers with efficiency of investment of listed companies in Pakistan.

Financial constraints, limited access to external financing, and economic instability result in inefficient investment decisions for many listed companies in emerging economies. In Pakistan, these problems adversely impact the resource allocation of firms to productive investment opportunities. While remittances of workers are an important factor in Pakistan's economy, few empirical studies have considered the impact of such remittances on the efficiency of corporate investment for listed firms. Thus, it is important to explore the effect of remittance inflows on financial decision making and investment efficiency of corporations in Pakistan.

## Research Objectives

1. To examine the impact of workers' remittances on corporate investment efficiency among listed firms in Pakistan.
2. To investigate the relationship between workers' remittance inflows and firms' financial flexibility and investment decisions.
3. To analyze whether workers' remittances reduce financing constraints and improve productive investment activities in listed firms.

## Research Questions

1. How do workers' remittances affect corporate investment efficiency in listed firms?
2. What is the relationship between remittance inflows and firms' investment decisions?
3. Do workers' remittances reduce financing constraints in firms?

This study makes a significant contribution toward literature of corporate finance as it investigates the association of remuneration of the employees with the efficiency of the investment of corporations in Pakistani cases. The results could have policy relevance for financial regulators, government institutions and economic policy makers on how to optimally use remittances to support corporate sector development. The findings of the study could also be relevant to investors and listed companies in terms of implications for investment behavior, financial performance, and sustainable corporate growth as a result of macroeconomic financial inflows.

## Literature Review

### Concept of Workers' Remittances

Workers' remittances refer to financial transfers sent by migrant workers to their families and relatives in their home countries. Such remittances are one of the biggest and most stable sources of external financing to developing economies, and in some countries have surpassed foreign direct investment and official development

assistance (World Bank, 2024). Remittances are a key factor in household welfare, poverty alleviation, education, healthcare and investments at the global level. According to the World Bank (2024), remittance inflows to low- and middle-income countries reached over USD 650 billion, highlighting their growing economic importance. Remittances also boost domestic savings, business activities, and capital accumulation in developing economies (Benhamou & Cassin, 2020; Sutradhar, 2020).

In Pakistan, the workers' remittances are playing a significant role in foreign exchange and economic stability. Remittances have a positive impact on consumption, savings and investment activities, as well as on the liquidity of the banking sector (Awais et al., 2019). Remittances have also contributed to financial intermediation and economic resilience in times of economic uncertainty, as their stream has been growing. The stream of remittances has also been increasing in importance for financial intermediation and economic resilience in times of economic uncertainty. In addition, previous research in Pakistan also showed that remittance has a positive impact on private investment and economic growth (Yasmeen et al., 2011; Khan et al., 2019).

### Corporate Investment Efficiency

Corporate investment efficiency means the capacity of a company to



optimally use financial resources to maximize returns from investment opportunities and prevent the over or under investment situation. Efficient investment is an investment in projects that will have positive NPV that maximizes shareholder wealth and long-term performance (Khan et al., 2024). Information asymmetry, financing constraints, conflicts of interest, or bad managerial decisions are possible causes of investment inefficiency. The ownership structure and financing constraints are also critical factors that impact investment decisions and efficiency in emerging economies (Farooq et al., 2022).

There are two aspects of investment efficiency, overinvestment and underinvestment. When firms invest too much in unprofitable projects, it is known as overinvestment, whereas, when financially constrained firms are not investing in profitable projects, it is called as underinvestment (Khan & Safdar, 2024). Successful investment behavior is necessary for listed companies as it enhances their performance, competitiveness and sustainability in the dynamic business environment.

### **Workers' Remittances and Economic Development**

Remittances from workers have also been a major factor in economic growth, helping to boost capital building, income generation of the households, and domestic investment activities. Remittance

inflows boost the overall demand, which encourages investment in businesses, education, housing and infrastructure (Islam, 2021). Additionally, remittances in developing economies create economic growth by boosting the savings and investment capacity of remittance recipients (Sutradhar, 2020; Abbas, 2019).

Remittances have a positive impact on both liquidity and financial markets through an increase in bank deposits and better access to financial services. Improved liquidity in the banking sector can contribute to the availability of credit for businesses and corporations (State Bank of Pakistan, 2024). In less financially developed countries, remittances may help to lessen reliance on external borrowing and enhance investment activity at home. Empirical evidence also indicates that remittances can boost financial asset accumulation and business investment activities in emerging economies (Karki et al. 2025).

### **Remittances and Corporate Financing**

Remittances can alleviate financing constraints of the firms in emerging economies by increasing financial liquidity and stability in the banking sector. Financial constraints are experienced when firms are facing problems in accessing external financial resources because they do not have strong capital markets, high rates of interest borrowings, or



economic uncertainty (Sulawati et al., 2025). Remittance inflows can indirectly benefit firms' access to credit, given that financial institutions have greater liquidity and lending capacity. Research in Africa and South Asian countries found that remittances have a positive impact on investment financing and financial development (Nwokolo et al., 2021; Mohammed & Karagöl, 2023).

In addition, remittances provide financial flexibility and provide investment opportunities for companies. Better financing opportunities could stimulate corporate investment and growth activities. The companies in economies with stable remittance inflows can experience financial risks reduction and higher investment confidence (Mohamed & Irandoust, 2022). Hence, the remittance inflows can have a positive impact on the efficiency of the investment process for companies, due to its ability to lessen the financial constraints of the investment process and to facilitate investment decision-making.

### **Corporate Investment Efficiency in Emerging Economies**

The issue of investment efficiency within the corporate sector has become a major topic in emerging economies due to the limitations of finance available to firms, weak institutional environments, and economic instability. In developing countries, previous studies show

that the capital market imperfections, low quality of governance institutions, and macroeconomic uncertainty contribute to investment inefficiencies in firms (Abaidoo & Agyapong, 2024). Factors such as ownership concentration, financial constraint, and institutional quality also impact investment efficiency and financing of firms in emerging markets (Farooq et al., 2022).

Listed companies in Pakistan often face inflation, currency devaluation, and/or availability of funds related issues. These conditions impact firms' decision making efficiency in investment choices. The studies on listed companies in Pakistan reveal that financial constraints, profit margin, leverage, and cash flow are statistically significant variables that affect investment decision and performance of the companies (Azeem et al., 2023). However, limited evidence exists regarding the role of workers' remittances in influencing investment efficiency at the firm level.

### **Empirical Literature Review**

There are some studies on the link between remittances, financial development and investment activities conducted internationally. Remittances have been found to have a positive impact on financial development and investment growth in developing economies by a study of Aggarwal et al. (2011) and Ahmad and Fayyaz (2022). Similarly, Batool et al. (2022) found that remittances enhance liquidity and



enhance the private sector investment in emerging markets. Benhamou and Cassin (2020) further highlighted that remittances positively contribute to savings, capital accumulation, and economic growth in small emerging economies. Research studies in Asian and African economies showed that remittances alleviate financing constraints and facilitate productive investments in both the firms and the households (Keho, 2024). Furthermore, empirical evidence indicates that high remittance receipts are correlated with more financial stability in economies and higher opportunities for business investments. Research on remittances in Sub-Saharan Africa and Nepal also found that remittances had positive effects on business investment, accumulation of financial assets and institutional development (Mohammed & Karagöl, 2023; Karki et al., 2025). The macroeconomic impact of remittances on economic growth and development, poverty alleviation and foreign exchange stability have been the focus of the majority of the previous studies conducted in Pakistan. Baloch et al. (2022) found that the remittance inflows play a significant role in the economic development and domestic financial growth of Pakistan. Likewise, Remittance inflows have a positive impact on the liquidity of the banking sector and banking investment activities as found by

Karim et al. (2022) and Ikpesu et al. (2020). Yasmeen et al. (2011) also found that workers remittance is also positively associated with private investment and household consumption in Pakistan whereas Khan et al. (2019) demonstrated that remittance has positive impacts on economic growth by ARDL technique. While some Pakistani studies analyzed the effect of remittances on the investment patterns of the corporations and financing constraints, very little study had explored the impact of workers' remittance on the investment efficiency of listed companies. Previous research focused primarily on the efficiency of domestic consumption or on macroeconomic growth since little before studied the efficiency of investment decisions of firms. Additionally, Abbas (2019) pointed out the scarcity of firm-level evidence of the remittances and domestic investment activities in the South Asian economies.

### Research Gap

Although there are a lot of studies on the relationship between workers remittance and economic development, empirical evidence related to remittance inflows and corporate investment efficiency in Pakistan is scarce. The majority of the previous studies were limited to macro indicators like economic growth, poverty alleviation and welfare of the households. There have been few studies that address

the investment behaviour of firms and remittance inflows, especially in listed firms in emerging markets. The current body of literature focused on the private consumption and overall investment, compared to corporate investment efficiency and financing behaviour (Yasmeen et al., 2011; Abbas, 2019).

In addition, scarce research attempted to combine the remittance flow and corporate finance theories to account for investment effectiveness. For this reason, the purpose of this study is to fill this gap and examine the effect of workers' remittances on the efficiency of corporate investment of listed companies in Pakistan.

### **Theoretical Framework**

Theoretically, this study is supported by several theories. This study is theoretically supported by several theories. The Pecking Order Theory states that firms would rather finance their operations from internal sources than external sources due to financing costs and information asymmetry (Sulawati et al., 2025). The inflow of remittances may enhance the liquidity of the financial markets, which could also have an indirect impact on the firms' financing capacity. Empirically, it has also been found that remittances facilitate financial intermediation and financing of investments in developing economies (Nwokolo et al., 2021). Financial resources and liquidity are strategic resources which make firms more investment

capacity and competitive advantage according to Resource-Based View (RBV). Financial Constraint Theory is a theory that states that the likelihood of a firm's experiencing underinvestment problems is higher when it has a limited access to external financing. Remittances inflows can increase liquidity and thus alleviate such constraints. Agency Theory also provides an explanation as to how inefficient investments can occur due to managerial self-interest and lack of information for the management and shareholders. This could, in turn, affect investment efficiency and corporate decisions of firms due to ownership structure and financing constraints (Farooq et al., 2022).

### **Conceptual Framework**

This study's conceptual framework shows the link between remittances sent by workers and the efficiency of investment by listed firms in Pakistan. In this context, workers' remittances are treated as exogenous as remittance inflows help promote liquidity and financial market development. The dependent variable is corporate investment efficiency since the study seeks to investigate the effect of remittance inflows on the investment behavior and financial resource allocation of firms. Earlier research has found that remittance inflows finance investment in emerging economies, help them meet capital requirements, and contribute to financial development (Benhamou & Cassin,

2020; Mohammed & Karagöl, 2023). The conceptual framework of the study is shown in figure 1. A number of control variables that can affect investment efficiency are also included in the framework such as firm size, leverage, profitability, cash

flow and growth opportunities. In the corporate finance literature, these are the factors typically employed to account for differences in firms' investment patterns and financial outcomes (see Figure 1).

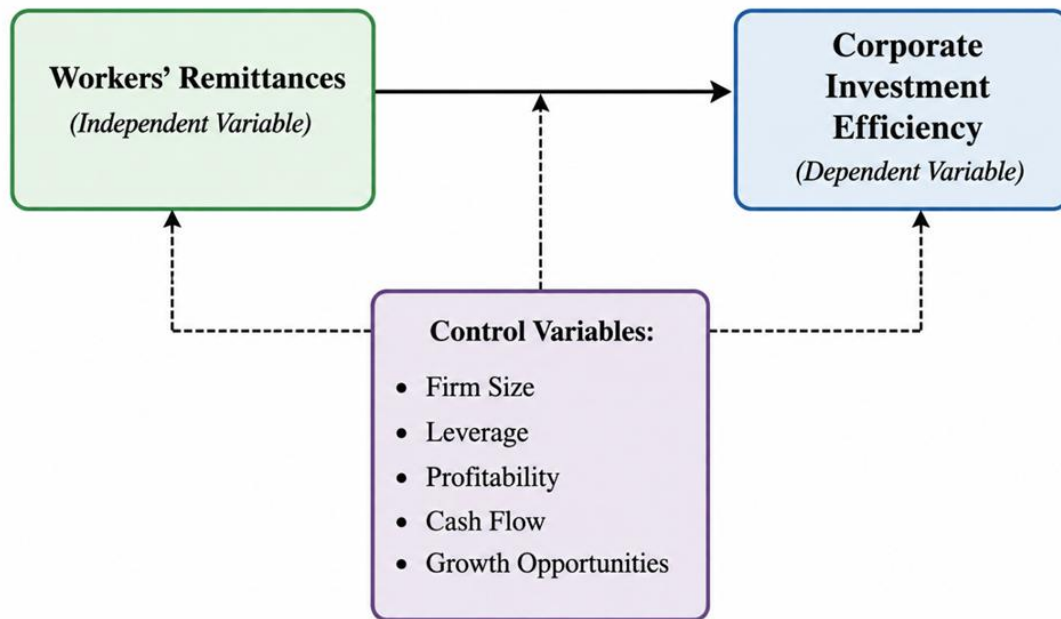


Figure 1: Conceptual Framework of the Study

**Hypotheses Development**

H1 Workers' remittances significantly affect corporate investment efficiency among listed firms in Pakistan.

H2 Workers' remittances positively influence firms' financial flexibility and investment decisions.

H3 Workers' remittances significantly reduce financing constraints and improve productive investment activities.

**Research Methodology**

The study employed a design combining quantitative research with secondary data to analyze the association between workers'

remittances and corporate investment efficiency in Pakistan's publicly listed companies. The research design was of a longitudinal panel data type. It was explanatory in nature and involved the assessment of multiple years of firm level financial data to analyze the behaviors exhibited by firms concerning investment after receiving remittances. The longitudinal design was appropriate as it provided the researcher the opportunity to assess the dynamics of corporate investment efficiency over time and to assess the ultimate impact of workers' remittances on



the investment decisions and financial performance of firms.

Non-financial companies listed on the Pakistan Stock Exchange were the subjects of the study. The non-financial firms were chosen as they were from a variety of industrial sectors and had similar financial reporting requirements given the relative similarity of the financial relationships.

The Pakistan Stock Exchange (PSX) provided 180 non-financial listed companies as samples. The study covered a span of ten years, 2015 – 2024, to have adequate longitudinal data for analysis of panels. Financial data was collected using purposive sampling, as availability and fullness of data were the criteria. Some financial firms, such as banks, insurance firms and other financial institutions, were not included due to the different financial regulations and reporting standards.

The study was of secondary data obtained from various authentic sources. The financial information of companies was collected from listed companies' annual report and from the database of Pakistan Stock Exchange at the firm level. The State Bank of Pakistan remittance statistics was used to gather the data on workers' remittances. World Bank World Development Indicators (WDI) database was used to get macroeconomic indicators and supporting data.

Workers' Remittances was the independent variable of the study

and Corporate Investment efficiency was the dependent variable of the study. A number of control factors were also included in the study and these were commonly linked to the investment decision and financial performance of the firm, such as: firm size, leverage, profitability, cash flow and growth opportunities.

The measurement formulas that were used to operationalize all variables were taken from the previous studies in the field of corporate finance. The data on remittance inflow for the workers was taken over annual basis from State Bank of Pakistan and presented in workers' remittances. The measurement of the efficiency of corporate investment was based on deviations from the expected level of investment. The firm size is represented by the natural logarithm of total assets and the leverage ratio is measured as debt to assets ratio. Profitability was estimated by the return on assets, cash flow through operating cash flow ratios and growth opportunity by market-to-book value ratios.

To investigate the effects of workers' remittances on corporate investment efficiency, the study used panel regression analysis. Both Fixed Effect Model (FEM) and Random Effect Model (REM) were estimated to analyze the panel data. A Hausman specification test was performed to decide which regression model is most suitable for the study.



The characteristics of the data were summarized using descriptive statistics such as mean, standard deviation, minimum and maximum values. Pearson correlation analysis was used to investigate the associations among variables. Panel data regression analysis was used to test the study hypotheses. Some diagnostic tests were also performed such as Variance Inflation Factor (VIF) test for multicollinearity, Breusch-Pagan test for heteroscedasticity, Wooldridge test for autocorrelation, and Hausman test for model selection.

**Table 1: Descriptive Statistics**

Variables		Mean	Std. Deviation	Minimum	Maximum
Investment Efficiency (INV_EFF)		0.547	0.218	0.102	1.143
Workers' Remittances (REM)		29.864	4.921	18.210	38.450
Firm Size (FSIZE)		15.473	1.632	11.245	19.872
Leverage (LEV)		0.428	0.173	0.081	0.812
Profitability (ROA)		0.094	0.061	-0.118	0.284
Cash Flow (CF)		0.137	0.084	-0.092	0.391
Growth Opportunities (GROWTH)		1.862	0.746	0.541	4.925
Observations		1800			

The descriptive statistics revealed that the investment efficiency of the listed companies in the corporate sector was at moderate level, as the average investment efficiency of the listed companies for the study period was 0.547. The mean value of workers remittances was 29.864, which is clearly a considerable inflow of remittance in the Pakistani economy. The variation of firm size

**Results**

**Descriptive Statistics**

Table 1 presents the descriptive statistics of the study variables, including workers' remittances, corporate investment efficiency, firm size, leverage, profitability, cash flow, and growth opportunities for listed firms in Pakistan during the period 2015–2024. The total sample size of the study was 180 non-financial listed companies during the 10-year period, which totals 1,800 firm-year observations.

was relatively low, and the leverage level showed medium dependence on financing with loans among listed companies. Profitability and cash flow values indicated that majority of firms had positive operational and financial performance. There were also differences in growth prospects between companies, depending on market expansion and investment potential.

The results also indicated that the remittance inflows could increase the overall economic liquidity and financial flexibility of the corporate sector in Pakistan. Increased liquidity conditions can ease financing pressures and facilitate

firms' investment activities in emerging market environments.

**Correlation Analysis**

Table 2 presents the Pearson correlation matrix showing the relationships among study variables.

**Table 2: Correlation Matrix**

Variables	INV_EFF	REM	FSIZE	LEV	ROA	CF	GROWTH
INV_EFF	1						
REM	.482***	1					
FSIZE	.295***	.344***	1				
LEV	-.271**	-.198*	-.214*	1			
ROA	.413***	.281***	.326***	-	1		
CF	.391***	.247**	.288***	-.196*	.514***	1	
GROWTH	.358***	.219**	.241***	-.144	.307***	.282***	1

Note: \*\*\*p < 0.01, \*\*p < 0.05, \*p < 0.10

The correlation results showed that there was a positive and statistically significant relation between workers' remittance and corporate investment efficiency (r = .482, p < 0.01), which means that higher the volume of remittance inflows, higher the efficiency of the investment of listed companies. The profitability and cash flow also showed positive association to investment efficiency; it means that financially sound companies were more efficient in investment decision making. Leverage was, on the contrary, negatively related to investment efficiency, suggesting that greater

leverage could work against efficient use of financial resources by the firms. The findings also showed that remittance receipts can help in financial flexibility and lessen the financing constraints in the Pakistani corporate sector.

**Regression Analysis**

**Fixed Effect Regression Analysis**

The Hausman specification test showed that the Fixed Effective Model (FEM) is preferable to the Random Effective Model (REM). Hence the Fixed Effect Model was used to explore the effect of workers remittance on the efficiency of listed companies in Pakistan.

**Table 3: Fixed Effect Regression Analysis**

Variables	Coefficient (β)	Std. Error	t-Statistic	p-value
Constant	0.184	0.072	2.556	0.011
REM	0.318	0.064	4.969	0.000



FSIZE	0.142	0.039	3.641	0.001
LEV	-0.226	0.071	-3.183	0.002
ROA	0.287	0.082	3.500	0.001
CF	0.198	0.067	2.955	0.004
GROWTH	0.164	0.053	3.094	0.003

Model Statistics	Values
R <sup>2</sup>	0.537
Adjusted R <sup>2</sup>	0.521
F-statistic	34.281
Prob (F-statistic)	0.000
Observations	1800

Note: \*\*\*p < 0.01, \*\*p < 0.05, \*p < 0.10

Remittance inflows positively and significantly impacted investment inefficiency ( $\beta = 0.318, p < 0.001$ ). This indicates that, with the increasing inflow of remittances, the investment decisions of the company and the allocation of financial resources improved. This showed that remittance inflows improved the liquidity of the company and reduced the financial constraints that are faced by companies in Pakistan. Investment inefficiency is positively and significantly affected by the size of the company. This shows the flexibility, sufficiency of large-sized companies and in large companies the financial resources are sufficient for the company to make an investment. Profitability and cash flow positively and significantly affect investment inefficiency. This

means that financially strong firms are better poised and able to undertake the productive investment. Growth opportunities further positively impact investment inefficiency. Firms with greater market opportunities undertake profitable projects and as a consequence utilize their resources. On the contrary, the impact of leverage on investment inefficiency is negative. This shows that, the greater the debt burden the greater the financial risk and the greater the financial risk the more the financial constraints the firm has to make investments. The model explains about 53.7% of Corporate Investment Efficiency which indicates good explanatory power for the panel data analysis.



**Diagnostic Tests**  
**Multicollinearity Test**

**Table 4: Variance Inflation Factor (VIF) Test**

Variables	VIF	Tolerance
REM	1.72	0.581
FSIZE	1.88	0.532
LEV	1.43	0.699
ROA	2.14	0.467
CF	1.96	0.510
GROWTH	1.58	0.633

For all the study's independent variables, the VIF values were all under the cutoff of 10, and tolerance values were all over 0.10. Hence, multicollinearity for the study variables was not a problem, and therefore, there was justifiable confidence in the regression estimates.

**Heteroscedasticity Test**

**Table 5: Breusch-Pagan Test**

Test	Chi-Square	p-value
Breusch-Pagan	1.842	0.174

The result from the Breusch-Pagan test showed that ( $p > 0.05$ ) that the null hypothesis for the presence of heteroscedasticity in the regression model could not be rejected. Thus, the variance of the residuals was constant across the observations.

**Autocorrelation Test**

**Table 6: Wooldridge Test for Autocorrelation**

Test	F-value	p-value
Wooldridge Test	1.294	0.263

The Wooldridge test results indicated the absence of autocorrelation as the p-value was greater than 0.05. This result verified the independence of the residual terms over time.

**Hausman Specification Test**

**Table 7: Hausman Test**

Test	Chi-Square	p-value
Hausman Test	16.283	0.008

Because of the statistically significant result of the Hausman test ( $p < 0.05$ ), we determined that the Fixed Effect Model was the most appropriate



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option compared to the Random Effect Model. As such, the Fixed Effect Model was applied for

hypothesis testing and regression analysis.

**Hypotheses Testing**

**Table 8: Hypotheses Testing Results**

Hypotheses	Results	Decision
H1: Workers' remittances significantly affect corporate investment efficiency among listed firms in Pakistan.	Supported	Accepted
H2: Workers' remittances positively influence firms' financial flexibility and investment decisions.	Supported	Accepted
H3: Workers' remittances significantly reduce financing constraints and improve productive investment activities.	Supported	Accepted

The regression results validated that remittances positively affected corporate investment decision-making and the efficiency of corporate investment in publicly traded firms of Pakistan. It was also evident that remittance streams impacted the financial flexibility of remittance receiving firms and reduced financing constraints, thus promoting productive investments. Hence, all the proposed hypotheses of the study were accepted.

**Discussion of Findings**

The results of this study indicated that workers' remittances had a positive and significant effect on investment efficiency of listed firms in Pakistan. The findings indicated that the flow of remittances resulted in better liquidity conditions, greater financial flexibility, and better investment decision making. The results were in line with those of prior studies that found remittances to have a positive impact on investment and financial

development in emerging economies (Aggarwal et al., 2011; Benhamou & Cassin, 2020; Mohammed & Karagöl, 2023).

The positive correlation between workers remittances and the efficiency of the corporate investment suggested that remittances increased the liquidity of the banking sector and the financing constraints of firms. Remittance inflows are a major source of foreign exchange reserves and financial stability in Pakistan, which can enhance the access of firms to financial sources and productive investment opportunities in the face of macroeconomic uncertainties (Benhamou & Cassin, 2020). The results were consistent with previous Pakistani studies, which showed that remittances have a positive impact on financial development and investment development (Baloch et al., 2022; Yasmeen et al., 2011).



The results also verified the Pecking Order Theory, which suggested that the firms used their internally sourced financial resources, as this would be less costly for the firm and it would alleviate information asymmetry. It is therefore hypothesized that the increase in remittance inflows can boost internal liquidity and enhance firms' financing capacity. Likewise, the Resource-Based View (RBV) proposed that financial resources and liquidity were assets of the firm which increased the firms competitive advantage and investment efficiency.

The study also revealed that profitability, cash flow, and growth opportunities were found to positively affect the investment efficiency. The results corroborated with Khan and Safdar (2024) who stated that financially robust companies could take better investment decisions and could be able to conduct the profitable project. More profitable and less financed firms were more financially flexible and less reliant on external funds.

On the other hand, the negative impact of leverage on investment efficiency indicated that a higher debt funding ratio posed greater financial risk and limited the investment capacity of the companies. The results corroborated with Farooq et al. (2022) who found that financing constraints and debt burdens had adverse effects on investment behavior of the

companies in the emerging economies. The results also corroborated Financial Constraint Theory, which suggested that there was a relationship between financial constraints and underinvestment problems.

Overall, the results showed that the remittances of the workers had a significant impact on the efficiency of corporate investment, financing constraints and productive investment of listed companies in Pakistan. The study thus helped to build the body of literature on remittances, corporate finance and investment behaviour in emerging economies.

## Conclusion

The current study investigated the relationship between workers' remittances and the efficiency of corporate investment in the non-financial listed companies of Pakistan from 2015 to 2024. The results indicated that the positive and significant effect of workers' remittances on corporate efficiency of investment, financial flexibility, and productive investment activities. The regression analysis revealed that the higher remittance inflow, the better the liquidity situation was and the lesser the financing constraints faced by firms. The profitability, cash flow, size of firm, and growth opportunities also positively influenced investment efficiency, while leverage negatively influenced the investment decision of the firm.

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The study found that the contribution of workers' remittance in boosting the corporate investment activity and efficient use of financial resources is significant in emerging economies like Pakistan. Greater remittance inflows lead to financial stability, higher banking sector liquidity and the availability of productive investment opportunities for listed firms. Thus, remittances can be an important external financing source to support sustainable corporate expansion and investment efficiency.

### **Practical Implications**

The results have significant implications for companies, investors, policy makers and financial regulators. Businesses can enhance investment efficiency through the use of better liquidity and less over-dependence on debt financing. The economic stability associated with remittance is a positive sign for investors regarding corporate investment performance and the market growth.

The study also includes policy recommendations to government institutions and financial regulators. Build policies to promote formal remittances, bolster financial intermediation and enhance investment prospects in the corporate sector. Remittance-related liquidity can also be enacted by financial institutions to improve lending support to productive business investment.

### **Recommendations**

The study suggests that listed companies should enhance financial planning, and make optimum use of liquidity to boost productive investment activities. Companies also need to avoid over-leveraging and develop long-term financing plans for better investment efficiency. Government and financial regulators should create financial policies that are conducive to remittances, promote digital remittances, and enhance investment-friendly financial programs to direct remittance inflows into productive sectors of the economy.

### **Contribution to Knowledge**

This study is a contribution to the body of literature on corporate finance and emerging economy by providing empirical evidence on remittance-worker and their relationship with the efficiency of corporate investment in Pakistan. The study further extends the work done by other researchers by incorporating the inflows of remittance with theories of corporate finance such as Pecking Order Theory, Resource Based View and Financial Constraint Theory.

### **Limitations of the Study**

The study employed a secondary source of panel data from non-financial listed companies in Pakistan, which could result in limited availability of data and measurement errors in variables. The study was also geographically restricted to only Pakistan and



excluded financial sector firms due to different regulatory structure.

### Future Research Directions

Further research can carry out comparative regional analysis which can be conducted in the emerging economies or South Asian countries to find the difference in remittance's effect on corporate investment behaviour. A sector-wise analysis can also be carried out to explore the differences among the sectors. Further, longer-term longitudinal analysis of additional macroeconomic parameters could yield more insights into the remittance-Corporate investment efficiency relationship.

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