

## **The Fiscal Year 2020-21 Guide Towards Sustaining the Rising Remittance Flow in Pakistan**

The early days of the pandemic witnessed a dip in remittances, as witnessed in the month of May 2020, when they fell down by 19%. However, after June 2020, these numbers kept climbing up the ladder. In a report of the State Bank of Pakistan, data shows us that remittances bounced up by 29% to \$24.2 bn during the first ten-month period of the fiscal year 2020-21.

The rising remittance market proved to be an economic shock absorber during the unprecedented times of the pandemic. While this rejuvenated our economy, the true fate of the economy lies in the sustenance of this ascending flow of remittances. By analyzing the structural changes that drove these numbers up during the fiscal year 2020-21, we can map out the route for the future stability of this flow.

The main reason might be the transfer of cash through formal channels. Before the pandemic, a large chunk of cash was carried back in the country inside the luggage of Pakistanis. This informal mode of cash transfer was disrupted due to the imposition of lockdown and travel limitations. Another reason behind the disruption of informal transfer was FIA operations against hawala businesses. Hawala, also known as hundi, is an informal mode of cash transfer that relies mainly on trust and word of mouth rather than on a proper contractual procedure. For future sustenance of this formal cash transfer procedure, a system like hawala needs to be on a constant radar to be removed from the grey list of Financial Action Task Force (FATF). With that, the State Bank of Pakistan and Federal Investigation Agencies of foreign exchange companies must scrutinize and cease the cash transfers via other informal and illegal means.

These informal transfer means can also be hampered by making the formal money transfer process easy for non-resident Pakistanis. The initiative took by the government, 'Roshan Digital Bank', helped make this process less complicated. This was done so by shifting the means of remittance transfer from cash to digital. A benefit that a digitized system has is that it is 2.1% cheaper than offline cash transfer. Also, overseas residents easily get connected to eight commercial banks of Pakistan without going through the tiresome paperwork procedure. All this encouraged overseas Pakistanis to trust the formal banking procedure and shift away from any informal or illegal means. Hence, by evaluating this digital procedure, two main benefits can be observed here: lowering of transfer fees and digital connection of NRPs with commercial banks of Pakistan. In subsequent years, to limit the informal means of transfer, it is essential to understand the issues from the perspective of overseas Pakistan and, as a result, make the cash transfer process easy for them. The transfer process must not be costly. As technology advances, the digitized system must be updated, regularized, and protected from cyber threats.

Another reason for the uprising remittance flow might be the increase in investments by the Pakistani diaspora. The weakened economies of developed countries in the pandemic gave overseas Pakistanis a reason to invest in their home country Pakistan. The amount invested in

the State Bank of Pakistan's Roshan Digital Account by September 2020 was \$200 million. The two main sectors where investment was made were real estate and construction. Between one third to half of the remitted amounts are spent on purchasing pieces of land and constructing houses. Besides these sectors, RDA has also encouraged non-resident Pakistanis to invest in Naya Pakistan certificates which is a fixed-income security issued digitally by the government. For the sustenance of this investment, policies to enhance these sectors must be made. There should be fewer regulations and fluent investment mechanisms on the source of investment. For instance, the policies in Naya Pakistan Housing Scheme must be implemented. They should become a reality for the lower and middle-income class as well. This, along with other investments in our country, will help continue the uprising of remittances.

Furthermore, an increase in the workforce being sent overseas leads to more remittances being sent back to Pakistan. To maintain this workforce export, the government must expand the ratio of skilled workers in the country. It must allow growth for quality labor that can earn a higher income per person. The Bureau of Immigration and Overseas Employment report tells us that more than 50% of the Pakistani diaspora is either unskilled or semi-skilled. These statistics are alarming for a country that is still in its developing stages. We have fewer resources and jobs to host a large number of unskilled workforces residing overseas. To tackle this issue, resources need to be shifted towards the skill development and education of the population within the country. Skill programs introduced by the government, such as Skills-For-All-Program that fall under the Kamyab Jawan Program and Digi Skills platforms must be kept transparent, on merit, and free of political interference. More such initiatives are required to equip the labor force with the necessary skills to be a qualified workforce export.

This surplus workforce exports may also result from the Memorandum of Understanding (MoUs) being signed with other countries. The primary migrant abode to Pakistan has been Saudi Arabia, wherein in the year 2019, migrants increased from 100,910 to 332,713. An MoU inked with Japan helped export Pakistani skilled workforce in fourteen different sectors, including construction, nursing care, and agriculture. Other MoUs with UAE, Bahrain, Qatar, Oman, and Malaysia lead towards the same step. For future growth, new and healthy networks need to be made with other countries that may offer Pakistan job opportunities and hence continue the chain of rising remittances.

To sum it all up, we can say that by taking a look back at the fiscal year 2020-21, we can evaluate the positives that pushed the remittances up and hence, establish further steps that can be taken for sustaining it.