BUSINESS RECORDER
Founded by M.A. Zuberi

12th January, 2019

Remittances highly critical for our economy

The Governor State Bank of Pakistan while launching online payment platform for remittances operated by Ani-Financial Services in collaboration with Telenor Microfinance Bank and Valou Malaysia emphasised the importance of remittances in the country's economy. He stated: "imagine if there were no remittances then the country's economy would have become unmanageable keeping in view massive imbalances on the external front." There is no doubt that remittances are a major source of 'desired' foreign exchange earnings, other than exports, and accounted for 19.3 billion dollars in 2016-17.

There is an upward trend in remittance inflows and the State Bank of Pakistan website indicates that during July-November 2016-17, the inflow was 7.9 billion dollars, and rose to 8 billion dollars in 2017-18 while in the comparable period in the current fiscal year (2018-19) remittances have increased to 9 billion dollars – a 12.5 percent rise. Saudi Arabia remained the largest source of remittances at an average of around 400 million dollars each month though there was a seasonal dip in November 2018 at 395 million dollars followed by the United Arab Emirates with 343 million dollars in November 2018 with 461 million dollars in August 2018. Other Gulf Cooperation Countries, including Bahrain, Kuwait, Qatar and Oman have witnessed a decline of negative 6.78 percent during the first five months of 2019 (July-November) compared to the comparable period of the year before.

To date, the PTI government has focused on acquiring loans to meet the country's significant foreign exchange requirements – around 11 billion dollars in interest/repayments in the current fiscal year as well as to strengthen the foreign exchange reserves that are not enough to meet even two months of imports at present – while little attention has been paid to generate foreign exchange earnings from 'desired' sources, notably exports and remittances. Efforts to increase exports have, in spite of a significant incentive package, both in terms of taxes and tariffs, and allowing the rupee to depreciate up to a point in marked contrast to the flawed policy of the Ishaq Dar-led finance ministry to keep the rupee massively overvalued that rendered our exports uncompetitive though in recent weeks, market intervention to keep the rupee value propped up is evident, have raised, albeit marginally, exports while imports have continued to rise therefore the need to revisit the export promotion package is obvious. Refunds need to be cleared to provide the much-needed liquidity to exporters.

Technology can play a critical role in raising remittances, pointed out the Governor, as it would not only make remitting money convenient but also reduce the time and the cost of legally sending money back to Pakistan. This observation is relevant for the large amount of remittance inflows. Thus one would hope that the Imran Khan administration's focus on 'economic diplomacy' shifts from merely procuring loans to negotiating jobs for Pakistanis in GCC countries which, as aforementioned, account for a marked decline as a source of remittance income. Additionally, given the large expatriate population in Saudi Arabia (though during the first three months of 2018 there was a 6 percent drop in the Saudi expatriate workforce when an estimated 234,000 foreign workers left the kingdom) with Pakistan's share at 10 percent only, and UAE (with Pakistan's workforce less than half of India's) there is scope for expansion and one would hope that the PTI government negotiates proactively on this front. But at the same time, given some horrendous recent footage on the electronic media, it is necessary for the government to work towards getting better treatment for Pakistanis working in the Arab world.

To conclude, to raise remittances requires not only facilitating the remitter through the use of technology but also for the government to negotiate more jobs for Pakistani workers and the Pakistani embassies must ensure that the rights of Pakistani workers are adequately protected.

Editorial