

Pakistan's informal economy: the way forward

OUTLINE

1- Introduction

Thesis Statement: A large chunk of the country's economy consists of the informal sector. This has led to a number of socio-economic woes for the country. Various relevant measures, if taken, can rehabilitate this worrisome situation.

2- Presence of the informal sector in the country's economic landscape

3- Negative Implications of the Informal Economy

a- Persistent tax evasion leads to economic disturbances

b- Financial irregularities adulterate the political climate

c- Revenue reduction nurtures a decline in Human Development Index (HDI)

4- Suggestions to Ameliorate the Anomaly

a- Removing bureaucratic hurdles to simplify the process of documentation

b- Capacity-building of the FBR and the local authorities to regularise all the businesses

c- Endorsing a reduction in General Sales Tax (GST) to promote documentation

d- Empowering the Financial Monitoring Unit (FMU)

to trace down any suspicious transaction

e- Tax holidays for the export-generating informal sector to coerce them into regular network

f- Initiating a crack-down against hundi system, the backbone of informal economy

g- Employing strict compliance to the regulations of FATF to subdue the undocumented sector

h- Promoting tax culture through tax literacy

i- Financially incentivising the public to report the undocumented businesses

j- Provision of technological advancements to the documented enterprises to attract the undocumented ones

5- Conclusion