



# Pakistan's informal economy: Issues and policy responses

## Outline

### 1- Introduction

**Thesis statement:** Several issues are leading to Pakistan's informal economy, which needs active policy responses. Cash reliance for goods and services, local entrepreneurship running on cash, and strong role of the institutions regulating income capacity etc are few among evidences. Thereby, some active policy measures will curb informal economy of Pakistan.

### 2- A glance at the informal economy

### 3- Issues of Pakistan's informal economy

- Public reliance on cash for goods and services
- Local entrepreneurship running on cash facility
- Weak institutional role to regulate income capacity
- Miserable banking system of the country
- Non-registered money exchangers of the country
- Usage of illegal transaction to escape from taxation
- Hidden and fake income data expression by people

### 4- Implications of Pakistan's informal economy

- A huge sum of amount on terrorist funding
- Pakistan's negative image in case of FATF regulation

c) Propaganda to isolate Pakistan in global politics

## 5- Pakistan's policy responses to escape from informal economy

- a) Strengthen the institutions to collect tax.
- b) Facilitate banking channel throughout the country
- c) Revolutionary step towards digitalization of financial services in Pakistan
- d) Encourage digital transactions in the country
- e) Promote role of big domestic entrepreneurship towards online payment
- f) Effective governance to regulate actual income data of people
- g) Promote civic engagement in framing public policies

## 6- Conclusion

### Attention G:

According to the research by Pew Centre, "Approximately 69% of Pakistani believe in cash facility for good and services." (Pew Research Centre, 2022). Has Pakistan deep roots in informal economy? The above statement highlights a specific reliance on informal economy as a major issue and needs rational policy measures.