

Pakistan Informal Economy: The way forward

(1) Introduction

Economic activities that operate outside the legal and regulatory framework are included in category of informal economy. Such kind of economic activities, which are not reported in national income accounts come under the definition of informal economy. It is called subordinate ^{zone of} economy, which can play a positive role for growth of formal sector of any economy. Pakistan has been facing challenges of informal economy including corruption by tax authorities, Budget deficits face by Pakistan, ill practices of amnesty schemes, workplace insecurities and many other factors. Despite of these challenges, some policy recommendations should be taken including proclamation of legal actions.

(2) Impact of Informal economy on formal economy

- ### (3) Challenges faced by Informal economy
- (a) Informal workers lack legal recognition
 - (b) limit public investment in ^{infra} legal structure
 - (c) Corruption by tax authorities
 - (d) Budget deficits face by Pakistan
 - (e) Ill practices of amnesty schemes.

(4) Pakistan Informal economy: The way forward

- (a) Promote awareness about importance of tax
- (b) Proclamation of legal activities
- (c) Strict check and balance on officials of FBR
- (d) Serious actions against illegal transportation system
- (e) Eradication of non-documented housing schemes
- (f) Encourage practices of tax evasion in Pakistan
- (g) Addressing the FATF's 27-point action plan
- (h) Check and balance on practices of amnesty schemes
- (i) Eradication of workplace insecurities

(5) Conclusion

In a conclusion, Informal economy is expanding its growth with a rapid pace in Pakistan from last couple of years. Informal Economy and its challenges if not addressed properly impedes the growth of formal economy. Proper implementation of tax in different sectors, awareness about the tax evasion, eradication of illegal schemes and check on the officials of tax department save Pakistan from the

burden of economy. ✓ The time has come
for Pakistan to address inequity - In this
way both formal and informal economy
paved the way for the Progress of a country. ✓

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