

Ques:
Ans:

Pakistan's Informal economy: The way forward.

Outline:

(1) Introduction:

Thesis: Pakistan's informal economy, on long term, is only harming country's economy so that's why, Policies such as: Providing tax relief to salaried person, providing jobs, fulfilling the basic rights of children, free education to each children, imposing high taxes on illegal jobs can reduce informal economy.

(2) Understanding the informal economy.

(3) Causes of Informal economy

- (3.1) high tax system of Government.
- (3.2) Increased unemployment in country.

(4) Negative impacts of Informal economy.

- (3.1) Country's economy is not improved by informal economy
- (3.2) No job security to people
- (3.3) Gender disparity increased, as women will get less salary than man.

(3.4)

(4) Positive impacts of Informal economy.

- (4.1) It can reduce poverty for short time.
- (4.2) It fulfills people's basic needs.

(5) Recommendations needed for overcoming informal economy.

- (5.1) Provide substantial tax relief to the salaried can reduce poverty
- (5.2) Provide jobs to people
- (5.3) Need to improve education system.
- (5.4) Strong democracy can build trust among people.
- (5.5) Reduction of Government expenditure can equalize budget.

(6) Conclusion

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From fiscal year, 2022 to 2023, there is a drastic decline in Pakistan's economy. It has decreased from 6.17% in FY 2022 to -0.17% in FY 2023. This shows how severe crises of Economy, Pakistan is facing.

This bad economy has increased unemployment, poverty and crimes in Pakistan. High taxes, poverty, unemployment leads to informal economy. Informal economy, which is the source of economy which is not regulated by Government. People choose this to avoid high taxes. Informal economy can provide short term benefits to people but on long term, it is only harming country's economy. It has many negative impacts such as:

Informal economy can lead people to crimes, gender disparity is created on high level. It is necessary to take steps to reduce informal economy. Some policies such as; Providing

jobs, Providing substantial tax relief to salaried person can reduce poverty, fulfilling the basic right of education to children. All these steps can reduce informal economy. Reduction of informal economy can improve Pakistan's economy.

Informal economy is not regulated by Government. People are not bound to pay taxes. Those sources of economy which come in informal economy are: Polishing the shoes, Selling any thing on roads, these are some type of informal economy. It can betterment in life of common people but not to state. Informal economy is highly occurring in developing countries. Poor countries have high ratio of informal economy which is more worsening the condition of country. Only 5% of people in South are able to fulfill the basic need of life. This shows the need of people to went for 'informal economy'.

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High tax system is one of the causes that people move to informal economy. Governments take taxes from property to goods which they sell. High taxes people can not afford any property on which they have to pay high taxes. This makes people's life more difficult. That is why people move to informal economy more rapidly after getting frustrated by paying taxes. Taxes on agrarian system of Pakistan are worsening conditions of farmers. Farmers are not getting benefits or profits due to high taxes. Farmers will start to move to informal economy if they don't see any benefit in this. This shows, how high tax system move people from formal economy to informal economy.

High tax is the foremost cause of increasing informal economy. Rising unemployment is another cause of informal economy. Pakistan

one country who have more youth but more percent of youth is unemployed because of many reasons, either they are not educated who get jobs and other reason is lack of skills which are required but main reason is that unavailability of jobs. This lead them to informal economy. They started to find another source of income. Pakistan ranked 168th position in Human development index. This shows how much unemployment is present in Pakistan. Unemployment in Pakistan is the major cause of informal economy.

After success, let's discuss it's negative impacts which are affecting Pakistan's economy.

Informal economy is not giving any benefit to country's economy - Although it is affecting it because people are not paying taxes. Low taxes ultimately harm economy. It is that source of income which is only

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fulfilling basic needs and fulfilling basic needs is government's responsibility. For suppose, person is polishing shoes on steel in whole day. This only will fulfill his basic needs, he will not do any kind of success in this. This proves that he is not giving any benefit to state and this will effect economy.

This source of income has no job security. This is another negative impactive of informal economy. It is only fulfilling

day basis needs of family. If that person falls ill, what will that family will eat on that day. No job

security to people make them depressed - Pakistan ranked 102

out of 149 countries in happiness index - This is all because

of no job security. All

sources of income of informal economy has no job security

at all. It shows how it

is insecure to move to

informal economy in which

no permanent security is provided.

Informal economy has another major impact that it creates increased Gender disparity - In this system, women are earning less than men - In Government and Private institution has started to provide equal salary to everyone despite of their Gender but in informal economy no one is bound by this law because they are not regulated by state. Women, despite of being more in numbers than man. Women in Pakistan are 51% and men's percentage is 49% but women's participation in economy is only 24%. This shows a condition under government. It will worse if it is taken away from government. Hence it is proved that gender disparity is increased by informal economy.

Informal economy has more negative impact but it has also some positive impacts on economy.

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poverty. People will find any source of income, more people are able to fulfill needs. This will decrease poverty for shorter period of time. This type of source of income is encouraged in developing countries where poverty is high in ratio. According to UN, 30% of people of developing countries relied on this source of income. This number has clarified, if government stole their source of income from them, then poverty will increase here for shorter time but it is responsible for sedition of poverty.

Informal economy is fulfilling people's basic needs which is state's responsibility. In other words, it can be said that Informal economy is doing state's work of fulfilling ~~responsibility~~ basic needs of people such as food, home, security. but they are doing this at the cost of

other basic rights. Pakistan's majority of men are doing job of labour - labour is only has ability to fulfill basic needs. Most men of Pakistan are uneducated and finding this way of source of income - Informal economy is responsible for fulfilling the basic needs of half of the nation -

After discussing positive and negative impacts of informal economy - There are some recommendations which are highly needed to overcome informal economy.

Providing substantial tax relief to salaried person can reduce poverty is the foremost recommendation - This reform is highly needed in system, some relief on tax can better condition of middle class men. 38% of salary of people got cut in tax which is very concerning for salaried person. This high cut of salary, They are not able to fulfill

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basic needs. Providing tax relief is one needed reform.

Government should provide jobs to people to overcome unemployment. Projects like CPEC, green initiative, Usaan Pakistan has increased jobs for people. It needed some transparency, that eight people will get job. People will attacted to jobs more than earning through informal economy. In 2016, when CPEC came, people of Pakistan got more opportunity of jobs and Pakistan has showed great improvement in GDP that year. Hence it is proved jobs are needed by people and Government should provide jobs to them.

Providing education to every children of Pakistan is much needed for reducing informal economy. Uneducated ones got more attracted to those sources of income but if they got education,

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Educated youth play sole in
increasing economy of country.

In Pakistan, 75% of
Balochistan's children are out
of school, 33% of Punjab's
children are out of school.

If youth is uneducated, they
are not able to get jobs. So
education is necessary for
overcoming informal economy.

After education, strong
democracy is needed to build
trust among people. For doing
business, one needs strong
establishment in country because
political instability can effect
its business - Policies are changed
when governments changed. It
is dangerous for those who are
doing business and Shattered
democracy also effect

Jobians who are not getting
any increment of salaries
under shattered democracy.

USA, France, Canada are
those countries who have
strong democracy and it
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them to work under Government
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strong democracy is one of
the strong solution to
overcome informal economy.
Government expenses must be
reduced to benefit people. Pakistan
Government has high expenses
such as now FBR has done
meeting where it requested
for high bill for bullet proof
jackets and cars. If government
reduced its expenses such as
expenses on their travelling, on
their security can be reduced
to somehow extent - Pakistan's
government has passed an budget
of 3 billion for their expenses.
hence it is proved that
high expenses of Government
which are not much needed -
Government ~~can~~ should use this
money on education.

Pakistan's informal economy
can have positive and negative
impacts but it has more
negative impacts such as
it does not improve country's

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economy. it has another negative impact on gender disparity. These all impacts increased by increasing unemployment. To overcome informal economy Pakistan's establishment need some reforms such as lowering taxes, work for betterment of education in country, imposing taxes on crimes related jobs. Forming policies is one thing and implementation of these policies is necessary. These policies can be implemented if transparency in system is brought. For this purpose country needs statesman not politicians who think of saving government expenses - Road map exists, resource exists, technology exists. It is now up to the government / State to act with resolve, with clarity and with urgency.

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