

A Comparative Analysis of Workers' Remittances: Pakistan and SAARC Nations

Remittances play a pivotal role in the economic development of countries by stimulating GDP growth, alleviating poverty, ensuring household stability, and bolstering foreign exchange reserves. All these development help in improving the country's current account deficit (CAD). Remittances are a critical income source for SAARC nations, notably India, Pakistan, and Bangladesh. According to the World Bank's 'Migration and Development Brief 38 [June 2023]', remittances to South Asia in 2022 reached \$176 billion, a substantial increase of nearly \$13 billion from the previous forecast in Migration Development Brief 37. India's remittance flows soared beyond the \$100 billion mark by an additional \$11 billion, significantly contributing to the region's remarkable overall remittances.

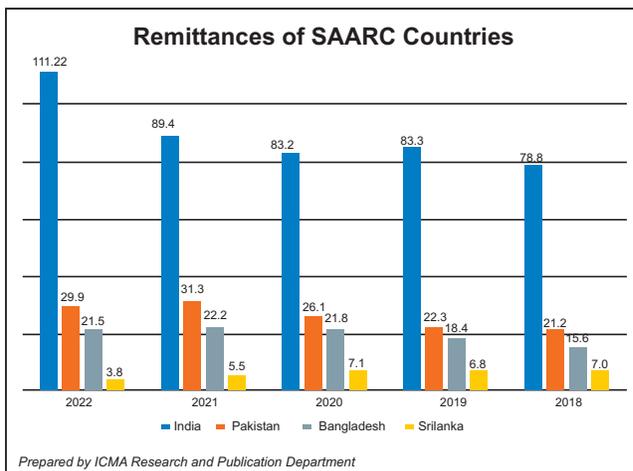
The WB report further highlights a 12.2 percent growth in remittances to South Asia in 2022, nearly twice the rate in 2021, with the exception of Bangladesh, Pakistan, and Sri Lanka. All South Asian countries benefited from favorable labor market conditions and wage increments in high-income destination economies, coupled with increased energy prices in the GCC countries-crucial destinations for less-skilled migrants.

India has emerged as the leading recipient of remittances, with a significant portion originating from the USA and the UAE, accounting for 23% and 18%, respectively, of the total remittances received in 2022. The trend in Indian remittances shows a consistent increase, rising from \$78.79 billion in 2018 to \$111.22 billion in 2022.

Pakistan follows as the second-largest recipient of remittances in South Asia. Similar to India, Pakistan's remittances have displayed an upward trajectory, escalating from \$21.19 billion in 2018 to \$29.87 billion in 2022. Saudi Arabia stands as the highest contributor to Pakistan's remittances, amounting to \$2.8 billion, followed by the UAE with \$2.08 billion.

Remittances of SAARC Countries in Billion Dollars (\$)					
Countries	2022	2021	2020	2019	2018
India	111.22	89.38	83.15	83.33	78.79
Pakistan	29.87	31.31	26.09	22.25	21.19
Bangladesh	21.50	22.21	21.75	18.36	15.57
Sri Lanka	3.82	5.52	7.14	6.75	7.04

The share of remittances in the national GDP is approximately 23% for India, 8% for Pakistan, 5% for Sri Lanka, and 4.7% for Bangladesh. Pakistan should aim to increase its remittances to above 10% by exploring employment opportunities for Pakistani workers, particularly the skilled labor force, in the USA and European countries.



Recommendations

- The government may explore partnerships with countries in need of skilled labor, fostering improved diplomatic relations to create better job opportunities abroad for Pakistani workers, particularly in sectors where they excel.
- Consider reducing remittance fees in official channels, especially for smaller amounts, aiming to regulate informal channels more effectively.
- Create attractive policies and incentives to encourage investment by the Pakistani diaspora in productive sectors, aiming for sustained economic growth.
- Encourage rural recipients to invest a portion of remittances into Small and Medium Enterprises (SMEs) to drive productive growth.
- Promote entrepreneurship among returning migrants, improve financial literacy, and actively engage with the Pakistani diaspora to increase remittance inflows.