



Analysis and Impact of Foreign Remittance and Roshan Digital Accounts on Pakistan's Economy - How to Reduce Poverty and Develop Economic Growth through Islamic Banking

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Abstract: The purpose of this study is to understand the impact of Foreign Remittance and Roshan Digital Accounts on the Pakistan's economy and how Roshan Digital Accounts (RDAs) could be used to reduce poverty and initiate a positive economic growth on Pakistan's economy as far as remittances are considered to be one of major factor in economic growth as more people are willing to send foreign currency and have trade agreements signed due to country stability and economic growth increase chances of trade and reduces crime rate because if foreign currency reserves are more and more investment comes in Pakistan which results in improvement of GDP and increase in job rate so therefore there should be a smooth and trustworthy relationship between foreign investors and country politicians as far as research is concerned. Roshan Digital Accounts are used to increase inflow of cash and investment for foreign Pakistani in order to facilitate them from abroad. If business tie ups are increased, proper control and trust environment builds a positive relationship in country growth and development. Pakistani people living in abroad needs to send their beloved ones including family, friends plus they also want to participate in social welfare causes in form of charity etc. Our study is applied quantitative methodology in which we developed a questionnaire in order to collect data through sampling for this study which aimed to find out the views and opinions of the overseas as well as local residents who are relative to overseas Pakistanis. The findings of this study showed the relationship between RDAs and the economy.

Keywords: Economic Growth, Remittances, Foreign Direct Investment, Roshan Digital Accounts, GDP, Foreign Inflows, Non-Resident Pakistanis

1. Introduction

1.1. Background of Study

Roshan Digital Accounts (RDAs) is an initiative of State Bank of Pakistan to stimulate the overseas Pakistanis involvement in the country. The purpose is to streamline the process of transferring money from outside the country, into Pakistan. With digital remittances up to 2.1 [1] percentage

points cheaper than offline remittances, more funds are expected to be available to households to spend on needs such as education, family well off etc. which in turn would make an impact on the economy. These accounts [2] provide innovative banking solutions for millions of Non-Resident Pakistanis (NRPs), including Non-Resident Pakistan Origin Card (POC) holders, seeking to undertake banking, payment and investment activities in Pakistan. With the introduction of RDA in Pakistan, now the Non-Resident Pakistanis (NRP)

can digitally open their accounts with up to 14 commercial banks in the country. This in return would not only increase the remittances but would also help to increase the long-term investment. Moreover, these would also help the NRP to invest in Naya Pakistan Certificates which is an initiative of GoP [8]. It is used to provide digital access to account services including funds transfer, bills and fee payments, and e-commerce. Funds which are available in the Roshan Digital account can be remitted back from Pakistan without any approval from bank or State Bank of Pakistan.

Furthermore, the economic prosperity [8] stimulated from remittance flows can make multiplier effects that can support progress in other capacities to great extents and this injection into the circular flow of income could help fund similar infrastructure projects in Pakistan, jobs, increasing consumption, stimulating demand and generating long-term economic growth [13].

Other than that those Pakistanis who are settled in Middle Eastern countries can invest in their country of origin through RDAs as they would be unable to invest their due to not having the citizenship of the respective countries. This would not only help to keep the money [9] save but also makes a solid foundation for themselves once they opt to return back.

Therefore, our reason [10] for research stems from our observations, personal experience, through the data of SBP and various other relevant institutions more than 456,732 Roshan digital accounts have been opened and more than 4,981 million USD funds have been received through RDAs and NPC booked is 3,185 million USD. Out of these account holders 1% have availed the option of investing in the stock market and 64% in Naya Pakistan Certificate. Even [14] though the percentage of deposit is low but it's expected to grow as the country achieves the economic stability.

1.2. Statement of the Problem

Numerous studies have been undertaken to better understand the impact of Roshan digital accounts and remittances on the economy. There were also studies that concentrated on the alternative options where Roshan digital accounts can be helpful such as investment in different forms etc. Our objective is to study the relationship of RDAs and economy and how it helps to makes an impact on the economy.

1.3. Purpose Statement

The purpose of this research paper is to study how Roshan Digital Accounts (RDA) and Foreign Remittance makes an impact on the economy in a cyclical form and the impact it makes on the development prospect of the country as being a developing nation, Foreign Remittance s are the backbone of our economy.

1.4. Research Objectives

RO1: To study the relation between RDAs and the economy.

1.5. Research Questions

RQ1: What is the relation between RDAs and the economy?

1.6. Significance of Study

The importance of this study from the absolute benefit it will bring to the people to understand and know the impact of Roshan digital accounts on the economy. Remittances are the saving grace of Pakistan since the current account would be in significantly worse shape without them. They have remained consistent and in fact, increased during times of crisis. They have provided more cash inflow than any other official assistance packages and during the COVID [7] pandemic, reached an all-time quarterly high between July and September 2020 of that time.

The overseas [3] Pakistani workers' remittances enhances by 6.1 per cent in fiscal year (Jul-June) 2021-22 to \$31.2 billion against the inflows of \$29.45 billion in same period of the preceding year.

On year-on-year basis, the remittances increased by 1.7 per cent from \$2.71 billion in June 2021 to \$2.76 billion in same period of the fiscal year 2021-22. On month-on-month basis, the inflows of remittances increased by 18.4 per cent when compared to the inflows of \$2.3 billion recorded in May, 2022.

According to data released by State Bank of Pakistan (SBP) on Monday, remittances' inflows during June 2022 were mainly sourced from Saudi Arabia at \$666.4 million, United Arab Emirates at \$494.7 million, United Kingdom at \$454.9 million and the United States of America \$284.7 million.

To facilitate customers [12], RDA banks have made special arrangements with some correspondent banks (Citi Bank, Deutsche Bank, JP Morgan, and Standard Chartered Bank) to bring the transfer charges down to \$5-\$9.

Remittances contribute directly to our secondary income balance and account for a large proportion of our otherwise massive deficit. By reducing this deficit, we are able to maintain the value of our currency in a market based exchange rate regime and avoid further devaluation. Moreover, remittances help to develop our infrastructure which ultimately leads to development opportunities. The reality is that remittances act as a backbone to a derailing Pakistan's economy. Without them, the development or maybe the survival would be difficult. Therefore, by showing the impact Roshan digital accounts have on economy, we hope the Non Resident Pakistanis (NRP) to open more Roshan digital accounts and send in more remittances.

Roshan Digital Accounts [9] can be opened as (Non-resident Pakistani) Rupee Value Account or a Foreign Currency Value Account so funds to they are credited by converting FCY to PKR. Foreign Currency Value Account facility is available to both non-resident Pakistanis and those resident Pakistanis who have declared their assets abroad with FBR.

2. Literature Review

2.1. External Determinants

The relationship between external determinants and economic growth has been examined in the literature by various researchers. For example, remittances, FDI, Foreign

Imports-Growth [5] nexus has been tested extensively and a study (Foreign Remittance s, Foreign Direct Investment, Foreign Imports and Economic Growth in Pakistan, by Muhammad Tahir reveals that remittances have played a vital role in the growth process of Pakistan's economy which increases foreign reserves which in turn stabilizes the domestic economy. External determinants matter for achieving the long-run economic growth [6].

2.2. Economic Growth of Pakistan

Remittances-Growth has been thoroughly examined in the literature, and the findings show a significant correlation between remittance flows and economic growth. However, in some cases, this correlation is null, as was the case with Barajas [11] et al's finding that worker remittances have no effect on economic growth. However, numerous research have found a link between remittances and economic growth.

Shafiq, Driffield and Jones [4]; a significant investigation into the factors that influence Kock and Sun (2011) do research on remittances in the context of Pakistan. In this study, the authors uncover the causes behind the continued and even accelerating remittance flows to Pakistan despite the global economic recession and in particular the economic downturn in the Gulf Cooperation Council (GCC) and other significant host nations for Pakistani workers. Their key results were a rise in labor migration that was highlighted by an increase in the amount of remittances sent home by employees to Pakistan; skilled immigrants, investment returns in the host nation, stable currency rates; and more resilient remittance flows can be attributed in large part to improvements in Pakistan's economic situation and other factors. Agriculture output and the comparative return on investments made in the host and home nations are the main drivers of remittance flows to Pakistan.

According to a survey conducted by Institute of Bankers Pakistan reveals that, since launch of the Roshan Digital Account on September 2020, it has proved to be significant on Pakistan economy.

A Solo-Swan economic model [15] Karachi studied and tested the impact of Gross Capital Formation-FDI-Exports-GDP of four different nations i.e. India, Pakistan, Bangladesh & Srilanka and found that Pakistan and India is an emerging economy. A transitional enactment signifies a developing relationship between parameters which are Foreign direct investment, Gross Capital formulation, and exports, respectively. Pakistan is in the process of reengineering in Policies of new segments like Real Estate Sectors, Naya Pakistan Certificates, Roshan Digital Accounts, and other development policies like automobiles reforms, Digitalization, and the list is Never-ending. It makes a better position and confidence for NRP's to invest in Pakistan with an Adherence compliance AML/CFT policies to legal remittance money rather than hundi/hawala,

Where India is also focused on the export markets to curtail the externalities in the business sector.

Hence, both of the countries are in an emerging process to boon on economic growth.

These recent research have not consistently demonstrated

that there is a strong relationship between external factors and economic growth in Pakistan. The findings of some studies indicate that external determinants have a beneficial impact on economic growth, whereas the findings of other studies indicate that external variables have a negative impact. Consequently, empirical research into the connection between external Economic growth and factors are undoubtedly essential. more deepening financial system helps to strengthen the growth-enhancing impacts of remittances [16].

3. Research Method

3.1. Theoretical Framework

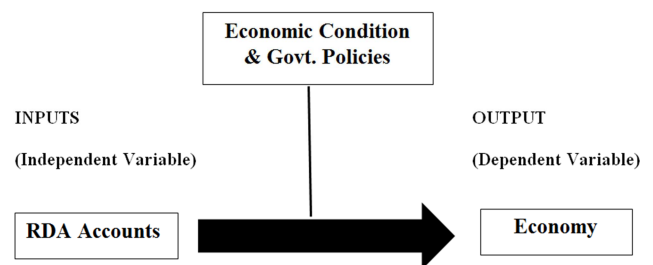


Figure 1. Theoretical framework of government condition and policies.

3.2. Hypothesis

H0: There is no relationship between Roshan digital accounts and Economy.

H1: There's a significant relationship between Roshan digital accounts and Economy.

3.3. Research Approach

Quantitative. Since our research design is correlational and we are testing our hypothesis through SPSS.

3.4. Research Design

It is correlational research as we are investigating the relationship between three variables without controlling or manipulating any of the them.

3.5. Sampling Design

3.5.1. Target Population

The population considered for the research were both overseas or local Pakistanis who might or would have an experience of using RDA to send the foreign currency to their origin country.

3.5.2. Sample Size

The sample consists of 169 participants with a mean age of 26 to 30 years. The majority belonged to the 26 to 30 years bracket. Moreover, the gender breakdown was 56% for male and 44% for female amongst the respondents. Also in order to ensure diversity as well as to collect responses from a wider audience, the responders were both the overseas as well as local residents. This also helped us to know how much of our sample possessed the knowledge about Roshan Digital Accounts in terms of both overseas and locals.

3.5.3. Sampling Technique

In order to know the responses on the research topic, convenience sampling was used as the questionnaire was distributed amongst students, family and friends.

3.6. Instrument

Survey questionnaire was distributed on the basis of Likert Scale.

Table 1. Variable studied and measures.

SR. NO.	VARIABLES STUDIED	MEASURE
1	Roshan Digital Accounts (RDA)	I know what are Roshan digital accounts. I have previously heard about Roshan digital accounts. I know how Roshan digital accounts work. The government has taken a big step for overseas Pakistanis. If given chance I would use Roshan digital accounts.
2	Economy	Roshan digital accounts have revolutionized the system for overseas Pakistanis. Roshan digital accounts have positively impacted the economy of Pakistan. The inflow of foreign currencies has increased due to Roshan digital accounts. Roshan digital accounts are more convenient than the previous ways for sending remittances.

3.7. Statistical Technique

Through SPSS, we took out the averages of the data (the descriptive stats part). It was also tried to test reliability, correlation, KMO and other details on the basis of the data collected from the questionnaire. Moreover, we also tested our hypothesis through multiple regression analysis.

gender segment (Male 1, Female 2), the observation interpreted shows an 56% to 44% ratio in terms of gender whereas in education segment, (Matric/O-Levels, Intermediate/A-Levels, Associate Ordinary Bachelor, Bachelor, Master, Doctoral (PhD)) the observation found that respondents were higher in number from Bachelors.

Table 2. Descriptive Statistics.

Statistics		Gender	Age	Qualification	Status
N	Valid	169	169	169	169
	Missing	0	0	0	0
Mean		1.44	3.18	3.24	1.39
Median		1.00	3.00	3.00	1.00
Mode		1	2	3	1
Std. Deviation		.498	1.293	.703	.489
Range		1	5	4	1
Sum		243	537	548	235

4. Methodology

4.1. Descriptive Profile of the Data

Sample size of 169 by convenience sampling was observed. These observations have provided more precise estimates mean median, mode and standard deviation. In age segment, (25 years or less, 26-30, 31-35, 36-40, 41-45 and more than 45 years old) the observations represents that the age segment from (26 to 30 years) had a greater response. In

Table 3. Age.

Age		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	25 years or less	12	7.1	7.1	7.1
	26 to 30 years	48	28.4	28.4	35.5
	31 to 35 years	42	24.9	24.9	60.4
	36 to 40 years	41	24.3	24.3	84.6
	41 to 45 years	17	10.1	10.1	94.7
	More than 45 years	9	5.3	5.3	100.0
	Total	169	100.0	100.0	

The respondents were from different age groups, hence there were 6 age groups. Out of 169 respondents, the majority (48 participants) were in the age group of 26 to 30 years whereas 31 to 35 years came second in terms of (42 participants) majority.

Table 4. Gender.

Gender		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Male	95	56.2	56.2	56.2
	Female	74	43.8	43.8	100.0
	Total	169	100.0	100.0	

Random Data was collected from 169 people in whom gender was counted as 56% (95 in total) to 44% (74 in total) males and females respectively.

Table 5. Qualification.

Qualification		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Matric/O-Levels	3	1.8	1.8	1.8
	Inter/A-Levels	9	5.3	5.3	7.1
	Bachelor	109	64.5	64.5	71.6
	Masters	40	23.7	23.7	95.3
	Doctoral (PhD)	8	4.7	4.7	100.0
	Total	169	100.0	100.0	

The level of education of participants was different, as majority of the participants were from bachelors (109 in number) but as we need to get responses from a wider audience, the stats shows numbers from other qualifications segment too. Masters made the second spot. The reason

being that right after doing bachelors people tend to move out to continue with their higher studies and then settle overseas. Moreover, some people prefer moving out after masters hence it was on 2nd spot.

Table 6. Status.

Status		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Overseas Pakistani	103	60.9	60.9	60.9
	Local / Pakistani Resident	66	39.1	39.1	100.0
	Total	169	100.0	100.0	

The overseas Pakistanis made the majority of the sample since Roshan Digital Accounts are primarily for their use. However, we also took samples from local residents that were directly related to the overseas Pakistanis in order to know their opinions regarding the new initiative by the Pakistani Government.

Significance of variables through correlation matrix

Table 7. Correlation.

Correlations			
		RDA 1	E 1
RDA 1	Pearson Correlation	1	.785**
	Sig. (2-tailed)		.000
	N	169	169
E 1	Pearson Correlation	.785**	1
	Sig. (2-tailed)	.000	
	N	169	169

** . Correlation is significant at the 0.01 level (2-tailed).

Correlation Matrix shows the relationship of independent and dependent variable. The independent variable is strongly connected with the dependent variable. This shows that the RDAs (0.000), is less than the recommended probability value of 0.05. This shows the construct is strongly connected and represents positive or significant relationship with Economy.

Reliability Testing and Analysis
For independent variable 'RDAs'

Table 8. For independent variable.

Case Processing Summary			
		N	%
Cases	Valid	169	100.0
	Excluded ^a	0	.0
	Total	169	100.0

a. Listwise deletion based on all variables in the procedure.

Table 9. For independent variable reliability test.

Reliability Statistics	
Cronbach's Alpha	N of Items
.936	5

For dependent Variable 'Economy'

Table 10. For independent variable.

Case Processing Summary			
		N	%
Cases	Valid	169	100.0
	Excluded ^a	0	.0
	Total	169	100.0

a. Listwise deletion based on all variables in the procedure.

Table 11. For dependent variable reliability test.

Reliability Statistics	
Cronbach's Alpha	N of Items
.905	4

The results of IRT (Internal Reliability test) evaluate the consistency of responses over the scale. The test evaluates the reliability of selected scale and items in the questionnaire. This is basically the reliability of tool for data collection. The minimum reliability researcher needs to evaluates the results and perform further tests is 0.6 or 60% as it shows that the results are reliable. In convenience sampling, five questions for RDAs were asked whereas there were four questions related to Economy.

The value of RDAs Cronbach's Alpha is 0.936 which shows that the consistency or reliability of the responses met the criteria. Economy's Cronbach Alpha shows the value of 0.905 which shows the consistency of response over the scale and constructs are reliable and consistent.

All variables questions were asked using the Likert Scale.

4.2. Hypotheses Testing

Hypothesis is being tested in order to determine relationship between Roshan digital account and Pakistan economy.

H0: There is no relationship between Roshan digital accounts and Economy.

H1: There's a significant relationship between Roshan digital accounts and Economy.

4.3. Hypotheses Assessment Summary

Analyzing the relationship of variables with multiple regression.

Table 12. Model Summary.

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.785 ^a	.615	.613	.700

a. Predictors: (Constant), RDA 1

The model summary elaborates the value of R Square shows the model predictability that how much all of these variables can predict the changes and impact on dependent variable. The R Square is .615, which shows that 61.5% predictability can be achieved through the RDA variable.

4.3.1. Significance of Model

The Summary of above tables elaborates the results of Variances and F Statistics shows and evaluate the overall model is significant or not. The value of F Statistics is 267.273 which is greater than 2 and probability value is 0.000.

Table 13. ANOVA.

ANOVA ^a						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	130.839	1	130.839	267.273	.000 ^b
	Residual	81.752	167	.490		
	Total	212.592	168			

a. Dependent Variable: E 1

b. Predictors: (Constant), RDA 1

Table 14. Coefficients.

Coefficients ^a						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.050	.197		5.337	.000
	RDA 1	.712	.044	.785	16.348	.000

a. Dependent Variable: E 1

4.3.2. Hypothesis Testing

Since, significant value is less than 0.05 i.e. 0.000, we reject null hypothesis and accept alternative hypothesis i.e. there is a relationship between RDAs and Economy. Moreover, as per rejection rule t-statistic is greater than 0.05 i.e. 4.128, we reject null hypothesis and accept alternative hypothesis. Since, beta is 0.785, the relationship exist is strong.

4.3.3. Variable Testing and Analysis

Table 15. KMO and Bartlett's Test.

KMO and Bartlett's Test		
Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.913
Approx. Chi-Square		1718.856
Bartlett's Test of Sphericity	df	36
	Sig.	.000

In Random Sampling 91.3% of sample is free of error.

As per value of Bartlett's Test is less than 0.05 so there is two correlations between questions.

Table 16. Communalities.

Communalities		
	Initial	Extraction
RDA 1	1.000	.782
RDA 2	1.000	.735
RDA 3	1.000	.760
RDA 4	1.000	.831
RDA 5	1.000	.794
E 1	1.000	.829
E 2	1.000	.758
E 3	1.000	.611
E 4	1.000	.771
Extraction Method: Principal Component Analysis.		

Table 17. Total Variance Explained.

Total Variance Explained						
Component	Initial Eigenvalues			Extraction Sums of Squared Loadings		
	Total	% of Variance	Cumulative%	Total	% of Variance	Cumulative%
1	6.870	76.332	76.332	6.870	76.332	76.332
2	.706	7.848	84.180			
3	.393	4.366	88.547			
4	.285	3.168	91.715			
5	.242	2.688	94.404			
6	.179	1.994	96.397			
7	.132	1.466	97.863			
8	.108	1.199	99.062			
9	.084	.938	100.000			

Extraction Method: Principal Component Analysis.

Table 18. Component Matrix.

Component Matrix ^a	
	Component
	1
RDA 1	.884
RDA 2	.857
RDA 3	.872
RDA 4	.912
RDA 5	.891
E 1	.910
E 2	.870
E 3	.782
E 4	.878

Extraction Method: Principal Component Analysis.

a. 1 components extracted.

Exploratory factor analysis is a statistical technique that is used to reduce data to a smaller set of summary variables and to explore the underlying theoretical structure of the phenomena. It is used to identify the structure of the relationship between the variable and the respondent.

5. Conclusion

The purpose of this research was to study the impact of Roshan Digital Accounts (RDA) on the overseas Pakistanis as well as on the economy. We developed a questionnaire which would help us identify how much the overseas Pakistanis are familiar with the newly launched Roshan Digital Accounts (RDA), what opinion they hold regarding the impact RDA's can make on the economy and how eager they are to use RDA's to send remittances to their country. We developed hypothesis which was to examine the relation between RDA's and the economy or in other words how can RDA's make an impact on the economy. As per the results, it was found that both are independent and dependent variables were strongly connected. On the basis of our findings, we reject null hypothesis and accept alternative hypothesis i.e. there is a relationship between RDAs and Economy. It is suggested to convert all RDA account in Islamic Banking so that economy of Pakistan can boost up as well as Foreign Remittance will grow.

Roshan Digital Accounts (RDAs) contribution to the Pakistan's economy cannot be denied. It forms the backbone

of our economy and without it our survival would be difficult due to lack of foreign reserves which would ultimately lead to a rise in inflation and causes havoc in the country as in present times. Unless we increase our exports and reduce our imports, Foreign Remittance s in the form of RDAs would continue to be our survival mechanism. Hence the analysis proved this point as the responses shows that RDAs are beneficial and makes an impact on the economy.

6. Limitations

One of the limitations faced in this research was the sample size. Finding the overseas Pakistani's wasn't easy as communicating with them through social media was difficult. Moreover, most of them wouldn't agree to fill the form citing different reasons such as privacy issues as the Google forms needed to be filled by using their email ID. Hence in order to get a solid number of sample to conduct the research we were forced to go for random/convenience sampling where we distributed the Google forms amongst the people who were overseas Pakistanis and their relatives had know-how of what are Roshan Digital Accounts (RDAs) etc. Furthermore, the limited no of people/responses made the collection and the analyzing of data difficult since we couldn't generalize the result for the population on the basis of 169 samples. Another limitation was that we were unable to distribute the questionnaire in the form of paper instead the services of Google form were used which can be a misleading indicator. The last limitation was the absence of literature on our topic or from the given literature in internet, to identify the research gap proved to be an uphill task for the group.

7. Future-Work

For the future researches, some things need to be noted that are bigger samples should be taken that can be used to generalize the opinion of overseas Pakistanis as well as how the RDAs can impact the economy. Moreover, some ways need to be derived that ease the communication with the overseas Pakistanis as well as ensure that using the Google forms cannot be misleading. The alternative to it can be having direct conversation with the overseas Pakistanis or adding some negative questions in the questionnaire that can help to cut down the misleading responses. Moreover,

adequate time need to be given to such type of researches as researches tend to take time in order to be conducted effectively. Not only does the analysis but the data collection also take time unless you are going with convenience sampling. Furthermore, the questionnaire should be adapted or adopted or in case they are being newly prepared than all the variables and factors be considered so that the analysis are done right and consistent responses can be ensured.

8. Suggestions

It is suggested to increase trade relation and more business tie ups and to build confidence of people so that they can trust in investment and can deposit more money in (Islamic) Roshan Accounts so that more flow of foreign reserves and currently along with internal trade increases which lead to reduction in unemployment rate and decrease in crime ratio and improve stability of country. Moreover government policies and political situation shall be more prone towards lifting in country economy.

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