



# Pakistan Remittance Initiative - A Brief

LAST UPDATE OCT 2019

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## Background

In order to provide ownership structure in Pakistan for remittance facilitation, Ministry of Finance, State Bank of Pakistan and Ministry of Overseas Pakistanis launched Pakistan Remittance Initiative (PRI) in 2009. The major objective of PRI is to facilitate and ensure faster, cheaper, convenient and efficient flow of remittances in the country.

PRI is sole responsible for entire home remittance ecosystem of Pakistan that mainly comprises of strategy, policy and implementation framework with commercial banks, microfinance banks, branchless banking operators and exchange companies in Pakistan.

PRI analyzed the dynamics of remittance market to formulate a comprehensive strategy aimed at greater commitment of financial sector towards remittance services and resultant inculcation of remittance culture, transparency of remittance market with adequate consumer protection, efficiency of payment system infrastructure, and incentives for the remitters, beneficiaries and financial institutions.

## Enhancing Outreach

Before the inception of PRI, only fewer banks and exchange companies were mobilizing home remittances in the absence of any centralized ownership structure with inefficient payment mechanism.

Domestic outreach has been increasing through inclusion of new domestic financial institutions in home remittance business that include commercial banks, Microfinance banks, exchange companies and in the recent years Islamic banks. Presently, remittance distribution network consists of 24 banks, 5 microfinance banks and 17 exchange companies. In order to further enhance outreach, Branchless Banking Operators (BBOs) had been allowed to disburse remittance payments received through Mobile Wallets. Presently, 12 BBOs are operating in the country with over 400,000 branchless banking agents.

Similarly, global outreach is increasing through new home remittance related agency arrangements of domestic financial institutions with overseas entities. In this respect, strategy is to focus on non-exclusive bilateral arrangements. In 2009, total agency *arrangements* of domestic financial institutions with overseas entities *were only around 80* –this figure is over 1000 by end-June 2019.

## Reimbursement of T.T. Charges Scheme (Free-send Model)

In order to support Overseas Pakistanis and their families back home, a scheme for reimbursement of the cost of sending remittances is in vogue since 1985. At present, Government of Pakistan, through State Bank of Pakistan, reimburse Saudi Riyal (SAR) 20 per transaction of USD 200 or above to the banks in Pakistan. Domestic banks share dominating part of this rebate with their counterpart overseas entities as per the mutually agreed ratio.

## Improvements in Payment System Infrastructure

Reliable and efficient payment system is vital to facilitate delivery of home remittances securely and efficiently. This goal has been achieved through phased implementation of payment system strategy with the support of State Bank of Pakistan.

- a. **Implementation of RTGS:** In the first phase, SBP allowed banks to use RTGS without cost to transfer and settle inter-bank home remittance transactions. This has enabled banks to transfer inter-bank transactions into beneficiaries' accounts on the same day.

- b. Apart from RTGS, through ATM Switch, instant A/C credit facility is also available for beneficiaries through **Inter Bank Fund Transfer (IBFT)**.
- c. **Implementation of Mandatory MT-102 for Home Remittances:** In order to move towards Straight Through Processing to bring efficiency in interbank transfer of home remittances and to discontinue issuance of Demand Drafts/Payment Orders by non-PRI participating banks, PSD, on request of PRI, has implemented MT-102 format for all banks in Pakistan. The timeline for mandatory implementation of MT-102 was 31<sup>st</sup> December, 2016.
- d. Generating confirmation SMS to the beneficiary.
- e. **IBAN Account Number:** In order to further facilitate remittance customers, International Bank Account Number (IBAN) format has been introduced for banks and overseas entities. If beneficiary's IBAN number is provided by the remitter for account credit transactions, it will be convenient for banks' system to process the transactions more efficiently. The use of IBAN will also help reduce instances where remittance transactions are returned due to incomplete account numbers.
- f. In view of low financial inclusion, PRI facilitated banks to introduce **cash over the counter (COC)** payments of Home Remittances being a popular mode of collecting remittances in Pakistan. All PRI participating banks are processing COC payments for remittances. This is an instant service introduced by PRI and has a great impact in competing with informal channels.
- g. Dedicated Home Remittance Cells (HRCs) have been established in all participating banks on recommendation of PRI. These HRCs are focal point for all issues related to home remittances including complaint resolution.



#### Innovative Remittance Products

PRI provides advisory services to banks for introducing innovative remittance products such as Special NRP accounts, Pardes Cards (a generic name for all PRI co-branded cards for beneficiaries issued by all participating banks), Internet Based remittances, home delivery of remittances etc.



More recently, Pakistan becomes the first South Asian country after introducing block-chain based remittance service from Malaysia.

### Pre Departure Briefings

PRI in coordination with Bureau of Emigration & Overseas Employment (BE&OE) and commercial banks is conducting a financial training program to create awareness amongst intended emigrant workers regarding sending remittances through formal channels. As part of the marketing and financial inclusion strategy, **Pre Departure Briefings Program** has been launched at Bureau's **7 Protectorate Offices** across Pakistan to (a) raise awareness amongst intended emigrants to send remittances through formal channels (b) and encourage them to open bank accounts before leaving the country. To reiterate the above message, PRI standees and brochures have been placed at **8 International Airports** Departure Lounges.



Accordingly, PRI in collaboration with MoF conducted PRI Awareness Sessions for all relevant stakeholders that comprises of Ministry of Finance, Ministry of Foreign Affairs, Ministry of Overseas Pakistanis, Overseas Pakistanis Foundation, Bureau of Emigration & Overseas Employment (BE&OE), Aviation Division, Civil Aviation Authority and Pakistan Post at NIBAF, Islamabad.



One of PRI strategies is to conduct trainings and awareness sessions for **Pakistani missions abroad, Community Welfare Attaches and Embassies**. In this regard it is also agreed upon that in future orientation sessions of Community Welfare Attaches in Pakistan, PRI will be invited to give awareness about Pakistani Remittances Market, remittance products and to spread the same message at overseas Pakistanis to use legal channels.

### Awareness Sessions at Universities and Colleges

In continuation to PRI marketing and awareness efforts, PRI has initiated series of awareness sessions at different universities and colleges in remittance rich areas. Recently a session was conducted at Karachi University and sessions at universities in Gujrat & Gujranwala are planned in December.



### Complaints Handling and Feedback Mechanism

PRI Service Boards are placed in almost all participating bank branches with call center number of PRI call center as an instant complaint resolution mechanism to remittance customers. Remitters and recipients of remittances can lodge their complaints to PRI through following methods:

- a. Through PRI call center: (021) 111-727-774 (111-SBP-PRI) between 9:00 am till 5:00 pm.
- b. Through PRI web-site: [www.pri.gov.pk](http://www.pri.gov.pk)
- c. Through e-mail: [complaints@pri.gov.pk](mailto:complaints@pri.gov.pk).



### Monetary Penalty on Delay in Remittance

With a view to encourage the use of bank account by the remitters and beneficiaries, and to ensure efficient handling of direct to banks account transaction (D2B) by the banks, banks are required to pay sixty five (65) paisa per thousand Rupees per day for the number of days credit/payment on account of remittance was delayed.

### PRI Quoted as best practices at National & International level

- ♣ International Association of Money Transfer Network (IAMTN) Award for PRI
- ♣ Recognition of PRI by FATF as an effective tool to combat Hawala
- ♣ Creation of PRI Blog at World Bank website
- ♣ Representation of PRI at ILO as best model for remittance services management
- ♣ PRI partnership with overseas authorities
- ♣ Recognition of PRI as major factor behind growth in home remittances by PIDE, SBP, Planning Commission, Lahore School of Economics
- ♣ Research study conducted by University of Illinois at Chicago

### Empirical Research on Impact of PRI - Key Findings

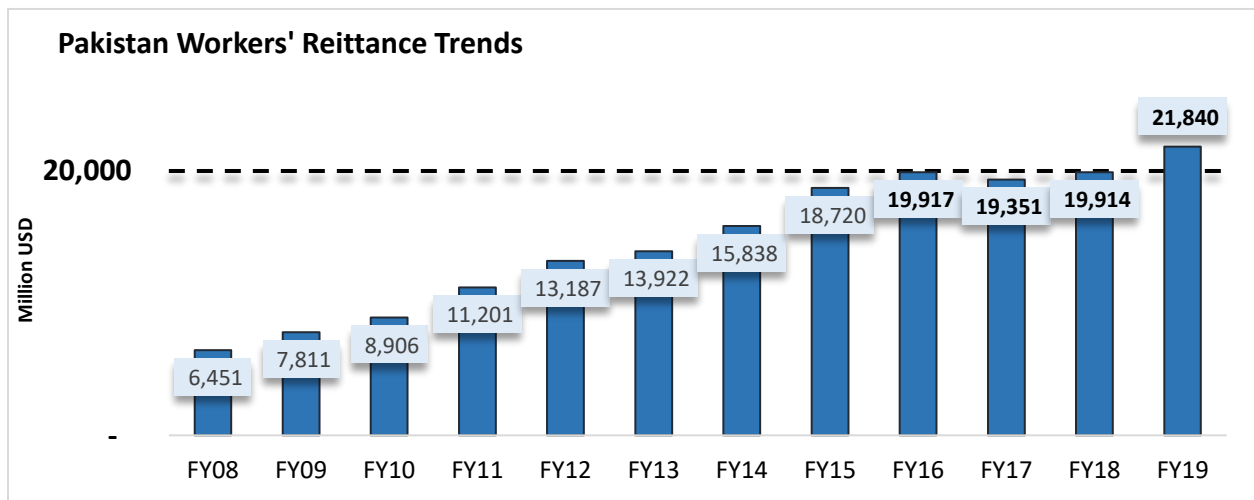
Dr. Javaeria A. Qureshi of University of Illinois-Chicago conducted a comprehensive empirical research on “**Remittances and Entrepreneurship: Evidence from the Pakistan Remittance Initiative**”. This research has been sponsored by US Aid, International Food Policy Research Institute (IFPRI) and Pakistan Strategy Support Program (PSSP). The main findings of the study related to PRI are given below:

- ♣ PRI has a significant positive relationship with remittance receipt on the extensive margin. PRI is associated with a sizeable 25% increase in the probability that a Pakistani households reports receiving any foreign remittances.
- ♣ PRI is significantly associated with an increase in monthly formal remittances of PKR 7.044 billion. Compared to the mean amount of monthly remittances received prior to the implementation of

the PRI – PKR 55.1 billion – the PRI is associated with a 13% increase in formal remittance flows to Pakistan.

- ♣ This monthly increase in formal remittance flows is both statistically and economically significant and exists after allowing for a flexible trend in formal remittance flows and adjusting for several, time-varying remittance determinants.
- ♣ PRI has been very effective at facilitating remittance transfer through the formal channels in a short time. It is associated with a 100% increase in the use of banking channels for remittance transfer and PRI is also associated with a statistically significant decline in the use of other channels for remittance transfer. The use of other channels has declined by 34 percentage points.
- ♣ Based on the HIES/PSLM data, 27.5% of remittance-recipient households reported receiving remittances through Hundi in 2007-2008 immediately before the passing of the PRI. Further analysis shows that the PRI reduces the use of Hundi by 11.4 percentage points. By re-allocating 11% of the households from Hundi to formal channels, the PRI could, therefore, have shifted about PKR 8.36 billion per month that used to be sent through Hundi into formal channels.
- ♣ PRI has been successful at meeting its short term goal of shifting remittances from informal channels to formal channels, future work should explore the policy tools that can be leveraged to increase total remittances and how remittances can be better utilized to create investment and growth in Pakistan which is a long term goal of the PRI.

### Recent Trends in Home Remittances



## Country-wise Home Remittance – FY19

(Provisional)  
(Million US Dollar)

Country	June	May	June	Jul-June				
				Amount			YoY growth (percent)	
				2019	2019	2018	FY19	FY18
<b>I. Cash</b>	<b>1,650.52</b>	<b>2,315.74</b>	<b>1,627.65</b>	<b>21,841.50</b>	<b>19,913.55</b>	<b>19,351.36</b>	<b>9.68</b>	<b>2.91</b>
1. USA	276.76	346.81	260.32	3,409.98	2,838.04	2,452.93	20.15	15.70
2. U.K.	268.97	387.09	260.25	3,411.60	2,892.37	2,341.66	17.95	23.52
3. Saudi Arabia	333.99	493.73	336.61	5,003.05	4,858.78	5,469.81	2.97	-11.17
4. UAE	356.03	476.57	345.31	4,619.52	4,358.98	4,328.15	5.98	0.71
Dubai	235.45	309.02	237.25	3,077.63	3,173.72	2,845.31	-3.03	11.54
Abu Dhabi	116.41	161.94	104.76	1,488.01	1,132.69	1,426.81	31.37	-20.61
Sharjah	2.25	3.17	2.84	37.19	47.56	50.54	-21.81	-5.90
Other	1.91	2.44	0.46	16.69	5.01	5.49	233.13	-8.74
5. Other GCC Countries	163.46	237.76	163.53	2,119.12	2,158.31	2,325.48	-1.82	-7.19
Bahrain	24.98	41.98	22.02	340.16	355.67	396.39	-4.36	-10.27
Kuwait	55.64	70.88	63.72	725.80	774.22	763.80	-6.25	1.36
Qatar	28.65	42.29	28.72	385.97	371.09	404.40	4.01	-8.24
Oman	54.18	82.62	49.07	667.19	657.33	760.89	1.50	-13.61
6. EU Countries	52.49	70.61	62.16	608.99	658.08	482.69	-7.46	36.34
Germany	9.80	12.41	12.17	123.46	127.77	94.09	-3.37	35.80
France	5.76	7.31	4.87	61.41	54.14	47.40	13.43	14.22
Netherland	0.53	0.87	0.63	6.84	7.03	5.53	-2.77	27.12
Spain	11.40	21.78	12.10	150.94	129.52	55.81	16.54	132.07
Italy	12.03	11.99	9.41	111.15	98.08	60.71	13.32	61.55
Greece	5.72	5.87	3.39	49.61	32.12	23.17	54.46	38.63
Sweden	1.16	1.68	1.59	16.94	19.36	18.91	-12.50	2.38
Denmark	1.16	2.12	1.09	15.82	13.66	12.80	15.85	6.72
Ireland	2.94	4.26	15.39	51.15	159.44	155.32	-67.92	2.65
Belgium	2.00	2.32	1.52	21.66	16.96	8.95	27.70	89.50
7. Malaysia	113.20	175.91	100.10	1,551.77	1,148.13	1,067.41	35.16	7.56
8. Norway	3.82	5.27	4.42	43.48	47.75	41.31	-8.94	15.59
9. Switzerland	1.68	5.22	2.18	31.08	27.42	26.36	13.36	4.02
10. Australia	16.10	29.61	18.52	246.06	230.58	204.71	6.71	12.64
11. Canada	14.94	30.99	19.14	213.00	211.07	187.42	0.92	12.62
12. Japan	1.75	5.81	1.53	22.95	22.79	14.31	0.70	59.26
13. Other Countries	47.32	50.37	53.58	560.88	461.25	409.12	21.60	12.74
II. Encashment and Profit in Pak.Rs. of Foreign Exchange Bearer Certificates (FEBCs) & Foreign Currency Bearer Certificates (FCBCs)	0.00	0.00	0.00	0.01	...	0.04	...	...
<b>TOTAL</b>	<b>1,650.52</b>	<b>2,315.74</b>	<b>1,627.65</b>	<b>21,841.51</b>	<b>19,913.55</b>	<b>19,351.40</b>	<b>9.68</b>	<b>2.90</b>