



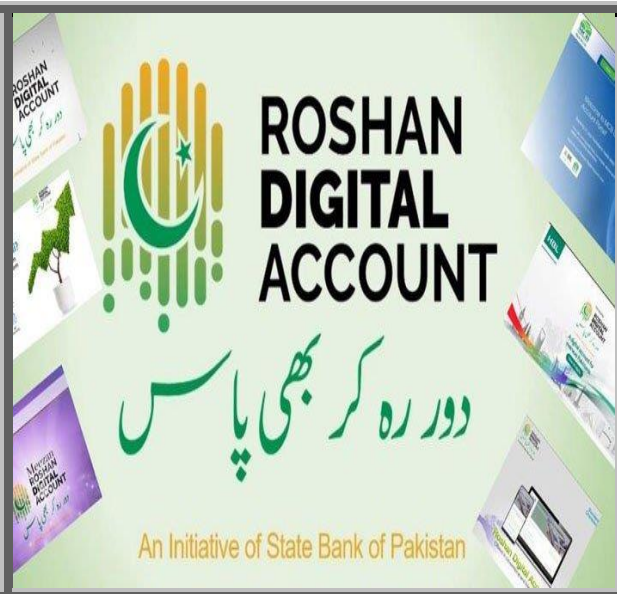
ROSHAN DIGITAL ACCOUNT

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(Views expressed in the brief are those of the author, and do not represent those of ISSI)



Roshan Digital Account (RDA) is a State Bank of Pakistan's (SBP) initiative in collaboration with the commercial banks in Pakistan. Prime Minister Imran Khan inaugurated the RDA service on September 10, 2020. Initially, eight commercial banks operating in Pakistan were part of the programme. Later, more banks have joined the initiative to facilitate the overseas Pakistani community.¹ The RDA aims to provide an innovative banking system for millions of Non-Resident Pakistanis (NRPs) seeking to undertake payment, banking and investment in Pakistan for the first time in the history of Pakistan. NRPs are being provided with the opportunity to remotely open a digital account in Pakistan through a digital and online process without the need to visit the bank branch.

According to SBP, the country has received more than US\$2 billion foreign exchange inflows through nearly 200,000 digital accounts opened by overseas Pakistanis across 175 countries worldwide since the scheme was introduced.² According to SBP Governor, Dr Baqir, overseas Pakistanis have made RDA a big success especially NRPs, in Saudi Arabia and the UAE, who have remitted record money

¹ "Roshan Account Receives \$7.7m in a single day," *Dawn*, December 11, 2020, <https://www.dawn.com/news/1595143>

² "A New Era of Banking in Pakistan," SBP, <https://www.sbp.org.pk/RDA/index.html>

through official channels. Prime Minister Imran Khan has also appreciated the overseas Pakistanis and SBP for their support to improve the country's foreign exchange inflows.³

In addition to enabling NRPs to invest in the country's stock market, RDA will allow them to invest in fixed deposit products offered by banks. Going forward, it will also enable NRPs to undertake residential and commercial real estate-related transactions. This is yet another initiative to encourage the sixth-largest diaspora consisting of 8.5 million people in the world to invest in Pakistan's capital markets. RDA will ultimately be converted into digital banking in the long run to ease the doing of business in the country.⁴

With RDA, the government is working to introduce different incentives programmes to curb the use of Hundi and Hawala, which are indirect means of transferring money to the country. All efforts are being made by the government to make it a one-window operation, which also allows repatriation of funds with the ease of doing business. Since its inauguration in September 2020, RDA inflows have been increasing every month. More banks have been joining the RDA scheme and are making efforts for its success.⁵

RDA aims to change the banking culture of Pakistan by fully integrating the Pakistani diaspora with the Pakistan banking and payment system. It provides several services with digital access to all the conventional account services, which include bills, funds transfer, fee payment and e-commerce.⁶ The higher inflow in RDA is a sign of improved confidence of overseas Pakistanis in the economy, as the country succeeded in increasing its foreign exchange reserve and regained current account surplus from a huge US\$20 billion deficit in FY18. The current account is surplus with US\$959 million at the end of the third quarter of FY2021.⁷

RDA can also act as another door for potential dollar inflows in Pakistan, which is expected to encourage formal digital channel payments. The key purpose of RDA is to attract investments in the Pakistan Stock Exchange (PSX) and Naya Pakistan Certificates (NPC) that offer various dollar-based and PKR-based returns. The major aim of RDA is to attract millions of Pakistanis living abroad by

³ Shahid Iqbal, "Pakistanis send back record \$29.4bn in year," *Dawn*, July 14, 2021, <https://www.dawn.com/news/1634886>

⁴ "RDAs to be converted to digital banking," *Tribune*, May 04, 2021, <https://tribune.com.pk/story/2298069/rdas-to-be-converted-to-digital-banking>

⁵ Shahid Iqbal, "Roshan Digital Accounts Attract Historic \$1bn," *Dawn*, April 25, 2021, <https://www.dawn.com/news/1620226>

⁶ Muzaffar Rizvi, "Pakistan to get up to \$1.5B Investments through Roshan Digital Accounts," *Khaleej Times*, March 13, 2021, <https://www.khaleejtimes.com/business/economy/pakistan-to-get-up-to-15b-investments-through-roshan-digital-accounts>

⁷ "Overseas Pakistanis urged to take Benefit of RDA," *Tribune*, June 05, 2021, <https://tribune.com.pk/story/2303523/overseas-pakistanis-urged-to-take-benefit-of-rda>

offering much higher returns on deposits than those in developed economies. RDA is going to be the third major source of foreign currency inflows into the country after rising remittances and steady exports.⁸

Although, it is a challenge for Pakistan's financial sector to be able to leverage this initiative and get the best results. The core objective of the initiative will be lost if NRPs are unable to invest in the capital market through their RDAs. It must continue the momentum that has been achieved. It should ensure that NRPs could achieve the maximum benefit out of this initiative. The digital account initiative should not be restricted to investment in stocks and some other schemes. It should also be allowed for investments in all avenues and should be extended to include all foreign investors.⁹

Furthermore, Pakistani investors who wished to invest in industrial products should also be freed from the intermediary role of the SBP to avoid bottlenecks. It would give the investor quicker access to the Pakistani entrepreneur and result in a rapid digital transformation which will play an important role in reducing gaps in the banking system by narrowing down the risks and boosting business activities in the industry.¹⁰

Pakistan has pinned high hopes on the successful RDA scheme to achieve the financial stability that will pave the way for a sustainable long-term economic growth of the country. The initiative has the potential to grow manifold in coming years and may become the third major source of earning foreign exchange after remittances and exports, as the foreign direct investment is yet to pick up the momentum. With RDA initiative, the SBP has provided Pakistanis with a channel to stay connected with the country's growth potential. Foreign investors have long been investing in Pakistan and achieving good yields on their investments. Now Pakistanis living abroad can also make gains over time and build on their wealth. Whether it is to diversify their investments or achieve improved returns, Pakistan is the place to focus on.

⁸ Mohiuddin Aazim, "Rebalancing the Sources of Forex Inflows," *Dawn*, May 3, 2021, <https://www.dawn.com/news/1621763>

⁹ Raeda Hashim, "The RDA Challenge," *Dawn*, April 12, 2021, <https://www.dawn.com/news/1617648>

¹⁰ "Steps Underway to Facilitate Investors," *Tribune*, August 25, 2021, <https://tribune.com.pk/story/2316981/steps-underway-to-facilitate-investors>