
Investigating the Perceived Contribution of Migrant Communities to Economic Diversification Competitiveness and Development Beyond Remittance Inflows**Gilal Ashfaq Ali¹**

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Abstract

This study investigated the perceived contribution of overseas Pakistani migrant communities to economic diversification, competitiveness, and development beyond remittance inflows. Using an exploratory qualitative design, data were collected from 16 respondents, including economists, bank officers, SME owners, diaspora-linked entrepreneurs, migrant family members, policy representatives, digital finance professionals, and academic researchers. Semi-structured interviews were analyzed through thematic analysis. The findings showed that overseas Pakistani communities contributed through five connected channels: financial support, entrepreneurship, knowledge transfer, market linkages, and institutional engagement. Remittances remained important for household welfare, but their development value increased when linked with SMEs, exports, digital finance, skills development, and productive investment. Respondents also identified weak institutional trust, limited SME finance, poor investment facilitation, and lack of diaspora mapping as major barriers. The study concludes that Pakistan should treat overseas migrant communities as strategic development partners for diversification and inclusive economic growth.

Keywords: Migrant Communities, Economic Diversification, Economic Competitiveness, Remittance Inflows, Diaspora Entrepreneurship

Introduction

International migration has played an important role in Pakistan's economy because overseas Pakistani communities influence household income, foreign exchange stability, financial inclusion, entrepreneurship, investment decisions, and local development. In Pakistan, remittances have often been discussed as a major source of external finance because they support household consumption, education, health, savings, poverty reduction, and banking access. Existing research also shows that remittances contribute to welfare and financial inclusion in developing economies (Kacou et al., 2022; Mutai et al., 2025; Wainaina & Wainaina, 2026). This remittance-focused view remains important, but it does not fully explain the wider economic role of migrant communities. Overseas Pakistanis also contribute through business knowledge, skills transfer, trade connections,

digital finance use, investment ideas, entrepreneurial networks, and social capital. These wider contributions link migrant communities with economic diversification, competitiveness, and long-term development in Pakistan.

This study investigated the perceived contribution of migrant communities to Pakistan's economic diversification, competitiveness, and development beyond remittance inflows. The focus was placed on how migrant communities support business formation, market linkages, productive investment, knowledge circulation, digital financial participation, and policy engagement. Recent studies show that migrant entrepreneurs use foreign market knowledge, family networks, institutional experience, and cross-border resources to establish firms and expand business activity (Arrighetti & Canello, 2025). Migrant entrepreneurship also contributes to local development by creating employment, introducing new business practices, and connecting local markets with wider economic opportunities (Jones et al., 2019; Raimi & Mahmoud, 2025). Similarly, remittances have been linked with export complexity, new firm creation, economic complexity, and productive efficiency when they move toward productive sectors (Saadi, 2020; Piras, 2023; Verma et al., 2025). Therefore, this study treated migrant communities as development partners in Pakistan rather than viewing them only as remittance senders.

Background of Research

Migration and remittances have received strong attention in Pakistan's economic discussion because overseas Pakistani workers contribute to household welfare and foreign exchange inflows. Many studies examine the role of remittances in growth, poverty reduction, financial inclusion, sustainable development, and external finance (Kacou et al., 2022; Sekmen et al., 2025; Wainaina & Wainaina, 2026). In Pakistan, remittances help families manage daily expenses, improve education, access health facilities, build savings, and maintain social mobility. Their long-term development value, though, depends on whether these inflows move into productive investment, business creation, exports, technology, and skills development.

The broader role of overseas Pakistani communities has gained importance because migrants influence development through entrepreneurship, diversity, firm creation, innovation, and market linkages (Yavuz & Bahadir, 2022; Arrighetti & Canello, 2025). Many migrant-linked households in Pakistan use overseas income and foreign exposure to support small businesses, education, real estate, professional training, and trade-related activity. Digital finance has also changed cross-border economic participation. Decentralized digital wallets and blockchain-based payment systems support secure and low-cost cross-border payments, especially in Pakistan and the United Kingdom context (Arzu et al., 2026). At the same time, banking barriers and SME finance constraints limit the productive use of migrant resources in Pakistan (Ashraf et al., 2025). Social relations also matter because migrant support includes reciprocity, family obligations, reverse flows, and community-level expectations (Yeboah et al., 2021). These dimensions show that migrant communities affect Pakistan's development through financial, social, entrepreneurial, digital, and institutional channels.

Problem Statement

Most existing studies on Pakistan and other developing economies focus on migrant remittances as financial inflows, while limited attention has been given to the broader contribution of migrant communities to diversification, competitiveness, and development. This narrow focus creates an incomplete understanding of migration-led development because it overlooks business networks, knowledge transfer, skills circulation, diaspora entrepreneurship, export linkages, digital finance, and community development. Although previous studies have examined remittances, financial development, productivity, new firms, and sustainable development separately (Saadi, 2020; Piras, 2023; Verma et al., 2025; Sekmen et al., 2025), fewer studies have explained how Pakistani stakeholders perceive migrant communities as multidimensional economic actors. This gap is important because Pakistan needs wider sources of economic competitiveness beyond household consumption and foreign exchange support. The productive use of migrant resources depends on trust in institutions, access to finance, investment facilitation, SME support, digital payment systems, and diaspora engagement policy. Therefore, this study investigated how migrant communities contributed beyond remittance inflows and how these contributions supported long-term development, economic competitiveness, and sectoral diversification in Pakistan.

Research Questions

1. How did stakeholders perceive the contribution of migrant communities to economic diversification beyond remittance inflows in Pakistan?
2. How did migrant communities support entrepreneurship, firm creation, market linkages, and productive investment in Pakistan?
3. How did migrant networks, digital finance, and knowledge transfer influence Pakistan's economic competitiveness?
4. What barriers restricted the transformation of migrant resources into broader development outcomes in Pakistan?
5. What policy measures strengthened the role of migrant communities in diversification, competitiveness, and inclusive development?

Research Objectives

1. To explore stakeholder perceptions regarding the contribution of migrant communities to Pakistan's economic diversification beyond remittances.
2. To examine how migrant communities supported entrepreneurship, firm creation, productive investment, and market linkages in Pakistan.
3. To analyze the role of migrant networks, digital finance, and knowledge transfer in improving Pakistan's economic competitiveness.
4. To identify barriers that limited the productive use of migrant resources in Pakistan's economy.
5. To propose policy recommendations for integrating migrant communities into Pakistan's long-term development and diversification strategies.

Significance of the Research

This study is significant because it expands Pakistan's migration-development debate beyond remittance inflows. Academically, it contributes to literature on migrant entrepreneurship, economic complexity, diaspora development, and social capital by showing how migrant communities support development through financial and non-financial channels (Resende-Santos, 2016; Yeboah et al., 2021; Raimi & Mahmoud, 2025). The study also contributes to the Pakistani context by explaining how overseas Pakistani communities influence entrepreneurship, productive investment, market access, digital finance adoption, and institutional engagement.

Practically, the study provides useful insights for policymakers, banks, SME support institutions, chambers of commerce, fintech firms, and diaspora organizations in Pakistan. It highlights the need to connect migrant resources with entrepreneurship, exports, digital finance, productive investment, and local development. The findings also support improved policy thinking by presenting overseas Pakistani communities as strategic development partners whose role extends beyond sending money to their families. The study offers guidance for designing diaspora investment programs, migrant-linked SME financing, digital remittance systems, export networks, and trust-building institutional mechanisms. These measures are important for converting migrant resources into long-term diversification, competitiveness, and inclusive development in Pakistan.

Literature Review

The literature on migration and development has often examined remittance inflows as the main economic contribution of migrant communities. Remittances support household income, education, health, poverty reduction, savings, and financial inclusion in many developing economies (Kacou et al., 2022; Mutai et al., 2025; Wainaina & Wainaina, 2026). In Pakistan, remittances also hold economic importance because overseas Pakistani workers support family welfare, foreign exchange inflows, banking activity, and household-level financial stability. Yet, the remittance-centered view provides only a partial explanation of migrant communities' contribution to development. Overseas Pakistani communities also influence business knowledge, entrepreneurial learning, productive investment, digital finance adoption, market linkages, skills circulation, and social capital. This study examined these wider contributions by focusing on how migrant communities supported Pakistan's economic diversification, competitiveness, and development beyond remittance inflows.

Theoretical Framework

This study was guided by four connected theoretical perspectives: the Resource-Based View, diaspora development theory, social capital theory, and economic complexity theory. The Resource-Based View helped explain migrant communities as holders of valuable resources such as capital, skills, business knowledge, foreign exposure, market experience, and cross-border networks. Arrighetti and Canello (2025) argued that migrant firms use diverse resources to participate in the global economy. This perspective was useful for the present study because overseas Pakistani communities were not viewed only as income providers, but also as carriers of knowledge, capabilities, networks, and entrepreneurial resources.

Diaspora development theory also supported the study by explaining how migrant communities remain connected with their home country through investment, policy engagement, knowledge exchange, and emotional attachment. Resende-Santos (2016) showed how Cape Verde placed diaspora at the center of development policy. This theory helped frame overseas Pakistanis as development partners whose role extends beyond sending money to families. In the Pakistani context, this theory was relevant because diaspora engagement has direct importance for investment, trade, skills transfer, digital finance, and national development planning.

Social capital theory explained how trust, relationships, reciprocity, family ties, and shared obligations shape migrant economic behavior. Yeboah et al. (2021) discussed reverse flows, reciprocity, and social relations between migrants and families in the home country. This perspective was important because overseas Pakistani communities often remain connected with families, local communities, and business networks. These ties influence household decisions, education investment, savings behavior, business formation, and local economic aspirations.

Economic complexity theory helped explain the link between migrant resources and productive transformation. Saadi (2020) connected remittance inflows with export complexity, while Piras (2023) linked remittances with economic complexity and new firm creation. These studies show that migrant-related resources have stronger development value when they support new firms, export capacity, productive investment, and sectoral upgrading. This theory was useful for examining how migrant communities contributed to Pakistan's competitiveness and diversification.

Remittances and Development in Migrant-Sending Economies

Remittances remain one of the most widely studied outcomes of migration. Kacou et al. (2022) examined the role of remittances and financial development in sustainable development across sub-Saharan African countries. Their work showed that remittances support development when financial systems help households use inflows in productive ways. Sekmen et al. (2025) also found that remittances contribute to sustainable development in developing economies when supported by institutional and financial conditions. Mutai et al. (2025) examined diaspora remittances, foreign direct investment, and imports in relation to sustainable economic development in Kenya. Wainaina and Wainaina (2026) also linked diaspora remittances with growth, poverty reduction, and financial inclusion in Kenya. These studies show that remittances support household welfare and national development. In Pakistan, this argument is highly relevant because remittances help families manage daily expenses, education, health needs, and savings. Yet, household welfare does not automatically create economic diversification. For remittances to support long-term competitiveness, they need to move toward SMEs, export-oriented activity, digital finance, skills development, and productive investment.

Migrant Entrepreneurship and Firm Creation

Migrant entrepreneurship represents a major pathway through which migrant communities contribute beyond remittances. Jones et al. (2019) explained that diversity and migrant entrepreneurship support economic development through business activity and local market renewal. Migrant entrepreneurs often introduce new products, work practices, service models, and

market connections. This literature was important for the present study because overseas Pakistani communities often support business activity through foreign savings, trade links, family partnerships, and return migrant experience. Arrighetti and Canello (2025) explained migrant firms through a resource-based approach. Their study showed that migrant entrepreneurs use different combinations of human capital, cultural knowledge, financial resources, and transnational networks. Raimi and Mahmoud (2025) also reviewed the contribution of migrant entrepreneurship to host and home country development. Their review confirmed that migrant entrepreneurs support employment, investment, trade connections, and knowledge transfer.

Yavuz and Bahadir (2022) added another useful dimension by linking remittances, ethnic diversity, and entrepreneurship in developing countries. Their findings show that migrant networks and social diversity influence business formation. In Pakistan, this perspective helps explain how overseas migrants support small shops, import businesses, service firms, family enterprises, real estate ventures, and return migrant businesses. This literature supported the present study because migrant communities were studied as business actors and knowledge carriers, not only as remittance providers.

Economic Complexity, Export Capacity, and Productive Efficiency

Economic diversification depends on a country's ability to expand productive sectors and reduce reliance on narrow income sources. Saadi (2020) found that remittance inflows were linked with export complexity in developing and emerging countries. This suggests that remittances gain stronger development value when they support skills, firms, exports, and productive activity. For Pakistan, this issue is important because the economy needs stronger export capacity, improved productivity, and sectoral upgrading. Piras (2023) examined remittances, economic complexity, and new firm creation across a large sample of countries. The study showed that remittances support productive transformation when they enter entrepreneurial and business development channels. Verma et al. (2025) also examined the effect of remittances on productive efficiencies and productivity growth in major remittance-receiving developing countries. Their findings indicate that remittances create long-term value when they support productivity, competitiveness, and enterprise development. These studies supported the argument of the present research that overseas Pakistani communities strengthen competitiveness when their resources move into new firms, export linkages, technology, service quality, business expansion, and sectoral upgrading. A narrow focus on the volume of remittances misses these wider processes. The present study addressed this issue by examining how stakeholders perceived the productive, entrepreneurial, and market-based contribution of migrant communities in Pakistan.

Digital Finance, Cross-Border Payments, and Financial Inclusion

Digital finance has reshaped how migrant communities connect with home-country economies by enabling faster, traceable, and lower-cost cross-border transactions. Arzu et al. (2026) show that decentralized digital wallets and blockchain-based payment systems improve payment efficiency and expand financial inclusion by reducing transfer costs and increasing transaction transparency. In Pakistan, these systems matter because overseas workers require secure and affordable channels for sending remittances, saving funds, and engaging in investment-linked financial services.

However, financial inclusion outcomes depend on the strength of domestic financial systems. Ashraf et al. (2025) identify persistent barriers in Pakistan's banking sector, including limited SME credit access, weak advisory services, and structural inefficiencies. These constraints reduce the ability of migrant households to redirect remittance inflows from consumption-based use toward productive investment in businesses, trade, and entrepreneurship. As a result, financial exclusion slows the transformation of migrant income into long-term economic diversification. Digital communication systems also influence financial behavior and trust formation in cross-border economic participation. Arzu et al. (2026) highlight that adoption of digital payment platforms depends on reliability and user confidence, while Ashraf et al. (2025) emphasize that weak financial infrastructure limits trust in formal banking channels. In this context, digital financial inclusion in Pakistan requires improvements in literacy, institutional trust, fraud protection, and user awareness. Without these conditions, households remain dependent on informal transfer channels, limiting the developmental impact of migrant remittances.

Policy, Sustainability, and Local Development

Policy frameworks play a central role in converting migrant financial and non-financial resources into sustained development outcomes. Resende-Santos (2016) emphasizes that diaspora-oriented policies become more effective when governments recognize migrants as active development partners rather than passive remittance sources. Ullah (2025) further shows that integrating remittance economies into broader economic frameworks strengthens resilience, improves investment channels, and supports inclusive growth across developing economies. These perspectives highlight the importance of structured institutional mechanisms that connect migrant communities with investment opportunities, skills transfer programs, and trade facilitation systems. Local development research also supports the link between migration and regional economic renewal. Mendoza and Domínguez-Mujica (2025) demonstrate that migration contributes to endogenous development in rural regions when institutions actively connect migrant resources with local economic assets and development planning. Tahir et al. (2023) provide evidence from Khyber Pakhtunkhwa showing that community perceptions play an important role in shaping how migration translates into economic and social development outcomes in Pakistan. These findings reinforce the importance of aligning migration dynamics with local institutional capacity and policy coordination.

Gaps in Existing Research

Existing research provides strong evidence on remittances, financial development, poverty reduction, productive efficiency, and firm creation. Kacou et al. (2022), Mutai et al. (2025), Sekmen et al. (2025), Verma et al. (2025), and Wainaina and Wainaina (2026) explain the economic value of remittances, yet much of this literature remains focused on measurable financial inflows. Less attention has been given to migrant communities as sources of knowledge, entrepreneurship, competitiveness, digital participation, and social capital. Another gap relates to integration. Studies on migrant entrepreneurship, export complexity, digital finance, and diaspora policy often remain separate. Arrighetti and Canello (2025), Saadi (2020), Piras (2023), Arzu et al. (2026), and Ullah (2025) each cover important areas, yet limited research connects these dimensions in one Pakistan-

focused framework. This study addressed this gap by examining migrant communities through diversification, competitiveness, and development together. A methodological gap also exists. Much of the remittance literature uses macroeconomic or panel data analysis. Qualitative inquiry helps capture perceptions, meanings, and lived experiences of stakeholders. Braun et al. (2022), Byrne (2022), and Hole (2024) support thematic analysis as a suitable approach for identifying patterns in qualitative data. This study addressed the empirical and methodological gap by using interviews with 16 respondents to examine how Pakistani stakeholders perceived the wider contribution of migrant communities beyond remittance inflows.

Methodology

This study used a qualitative methodology to investigate the perceived contribution of overseas Pakistani migrant communities to economic diversification, competitiveness, and development beyond remittance inflows. The qualitative approach helped collect detailed views from respondents who had professional, business, policy, financial, academic, or household-level knowledge of migration and development in Pakistan. Since migration outcomes are shaped by perceptions, household choices, community expectations, and institutional experiences, a qualitative approach was suitable for understanding the wider economic role of overseas Pakistani communities (Tahir et al., 2023).

Research Design

The study used an exploratory qualitative research design. This design was suitable because the research focused on perceptions, experiences, and meanings linked with the broader economic role of overseas Pakistani migrant communities. The study explored how migrants contributed through entrepreneurship, skills circulation, trade connections, digital payments, productive investment, and community development. The exploratory design helped examine issues that numerical data alone do not fully explain, especially stakeholder views on trust, institutional support, investment barriers, SME finance, and diaspora engagement in Pakistan. The design was also relevant because previous studies have shown that migrant communities influence development through financial and non-financial channels (Yeboah et al., 2021).

Sampling Strategy

The study used purposive sampling. Sixteen respondents were selected based on their professional experience, knowledge, or direct connection with migration and economic development in Pakistan. The sample included economists, bank officers, SME owners, diaspora-linked entrepreneurs, migrant family members, policy representatives, digital finance professionals, and academic researchers. Each category included two respondents to provide balanced views from financial, business, social, technological, and policy perspectives. Respondents were selected because they had relevant knowledge of remittances, overseas Pakistani networks, SME finance, entrepreneurship, digital payments, investment behavior, and Pakistan's development challenges. The inclusion of SME owners and banking professionals was important because access to finance remains a key issue for productive investment in Pakistan's SME sector (Ashraf et al., 2025).

Data Collection

Data was collected through semi-structured interviews. The interview guide included open-ended questions about overseas Pakistani communities, remittance use, productive investment, entrepreneurship, competitiveness, digital finance, SME support, and policy facilitation. Interviews lasted between 30 and 45 minutes. The interviews were conducted face-to-face and online, depending on respondent availability and location. English and Urdu were used according to respondents' preference so they could express their views clearly. Each interview was conducted after obtaining participant consent. Interviews were recorded with permission and later transcribed for analysis. Urdu responses were translated into English where needed while preserving the original meaning. Field notes were also prepared during and after interviews to record repeated ideas, contextual observations, and important respondent expressions. Data saturation was reached when repeated patterns appeared across participant categories and no substantially new themes emerged from later interviews. Questions related to digital finance and cross-border payment systems were included because digital wallets and low-cost payment systems have become relevant to Pakistan's migrant-linked financial inclusion debate (Arzu et al., 2026).

Data Analysis

The study used thematic analysis to examine the interview data. The analysis followed the stages of familiarization with transcripts, initial coding, theme development, theme review, theme naming, and interpretation. Thematic analysis was suitable because it helped identify repeated ideas, meanings, and patterns across respondents' accounts (Braun et al., 2022). The author used manual coding instead of software-based coding. The transcripts were read several times to understand the overall meaning of participants' responses. Key words, repeated ideas, and meaningful statements were highlighted manually. Similar codes were then grouped into categories and later developed into major themes. This process followed the practical logic of moving from raw data to codes, categories, and themes (Byrne, 2022). The main themes included migrant entrepreneurship, productive investment, digital finance, competitiveness, policy barriers, and development beyond remittances. The final findings included selected participant quotations to support each theme. Each quotation was reported with a participant code, such as P9, Migrant Family Member, to protect identity while improving transparency and credibility.

Trustworthiness of the Study

The trustworthiness of the study was supported through credibility, transferability, dependability, and confirmability. Credibility was supported through careful transcription, repeated reading of interview data, and comparison of responses across participant groups. Transferability was improved by providing participant profiles and contextual details about Pakistan. Dependability was maintained through a clear manual coding process, where codes, categories, and themes were developed systematically. Confirmability was supported through field notes and researcher reflection to reduce personal bias during interpretation. These steps helped ensure careful handling

of thematic analysis, especially because qualitative interpretation requires attention to context, meaning, and researcher reflexivity (Hole, 2024).

Ethical Considerations

The study followed ethical research principles. Respondents received information about the purpose of the study before participation. Informed consent was obtained before each interview. Respondents’ names and personal details remained confidential. Participant codes such as P1, P2, and P3 were used instead of real names. The interview data was used only for academic purposes. Respondents had the right to skip any question or withdraw from the interview at any stage. Sensitive financial, household, and business information was handled carefully to protect participants’ privacy.

Participants’ Profile

The participants’ profile shows that 16 respondents were selected from different professional and social backgrounds related to migration, finance, entrepreneurship, policy, and economic development in Pakistan. The respondents included economists, bank officers, SME owners, diaspora-linked entrepreneurs, migrant family members, policy representatives, digital finance professionals, and academic researchers. This diverse participant group helped gather balanced views on how overseas Pakistani communities contributed to entrepreneurship, investment, financial inclusion, competitiveness, and development beyond remittance inflows. Table 1 below includes the profile of 16 respondents selected for this qualitative study.

Table 1: Participant Profiles

Participant Code	Respondent Category	Gender	Experience	Location	Inclusion Criteria
P1	Economist	Male	12 years	Lahore	Had experience in migration, remittances, or development economics
P2	Economist	Female	10 years	Islamabad	Had knowledge of diversification, competitiveness, or macroeconomic policy
P3	Bank Officer	Male	9 years	Karachi	Had experience in remittance services or formal banking channels
P4	Bank Officer	Male	8 years	Multan	Had experience in SME finance or financial inclusion
P5	SME Owner	Male	11 years	Faisalabad	Owned a business connected with migrant income, savings, or contacts

Participant Code	Respondent Category	Gender	Experience	Location	Inclusion Criteria
P6	SME Owner	Female	7 years	Sialkot	Owned a business with family or market links abroad
P7	Diaspora-Linked Entrepreneur	Male	13 years	Lahore	Had business links with overseas migrants or return migrants
P8	Diaspora-Linked Entrepreneur	Male	10 years	Karachi	Had experience in foreign market access or migrant-backed enterprise
P9	Migrant Family Member	Female	6 years of household remittance experience	Gujrat	Belonged to a household receiving remittances or non-financial migrant support
P10	Migrant Family Member	Male	8 years of household remittance experience	Rawalpindi	Had involvement in education, savings, or investment decisions linked with migrant support
P11	Policy Representative	Male	14 years	Islamabad	Had experience in trade, investment, migration, or development planning
P12	Chamber Representative	Male	12 years	Sialkot	Had experience in business facilitation or private sector development
P13	Digital Finance Professional	Female	7 years	Karachi	Had experience with fintech, mobile wallets, or digital payment systems
P14	Digital Finance Professional	Male	9 years	Lahore	Had experience in cross-border transfers or digital banking
P15	Academic Researcher	Female	11 years	Islamabad	Had research background in migration, development, SMEs, or finance
P16	Academic Researcher	Male	10 years	Peshawar	Had knowledge of diaspora studies, entrepreneurship, or economic policy

Findings and Discussion

The findings were organized into five themes based on interviews with 16 respondents. The themes explained how overseas Pakistani migrant communities contributed to economic diversification, competitiveness, and development beyond remittance inflows. The analysis showed that migrant communities supported Pakistan's development through entrepreneurship, productive investment, digital finance, knowledge transfer, market linkages, and policy engagement. These findings extended the traditional remittance-focused view by showing that overseas Pakistanis were not

only senders of money, but also carriers of business knowledge, social capital, foreign market exposure, investment ideas, and institutional expectations.

Theme 1: Migrant Communities as Drivers of Economic Diversification Beyond Cash Transfers

The first theme showed that overseas Pakistani communities contributed to economic diversification through non-financial and indirect economic channels. Respondents explained that migrants influenced education choices, household investment behavior, business aspirations, savings habits, and local enterprise thinking. Migrant family members stated that overseas income was not used only for daily consumption. It also supported children's education, house construction, small shops, transport businesses, skill development, and professional training. These uses created wider economic effects at household and community levels. A migrant family member explained, "Remittances helped us manage household expenses, but the bigger change was that we invested in education and started thinking about small business." This response showed that migrant contribution in Pakistan operated beyond simple cash transfer. Economists and academic respondents also highlighted that overseas exposure changed family expectations, risk-taking behavior, and business ambition. This theme supports previous research showing that remittances contribute to welfare, poverty reduction, and financial inclusion (Kacou et al., 2022; Sekmen et al., 2025; Wainaina & Wainaina, 2026). The findings extended this literature by showing that migrant communities also affected education, savings, social mobility, and local business culture in Pakistan. Yeboah et al. (2021) also emphasized reciprocity and social relations in migrant support, which matched the present finding that migrant contribution included family responsibility, advice, and community influence.

Theme 2: Diaspora Entrepreneurship, New Firms, and Market Linkages

The second theme focused on migrant-linked entrepreneurship and firm creation. Respondents reported that overseas Pakistani communities supported small business formation through foreign savings, family partnerships, supplier contacts, foreign market exposure, and return migrant experience. SME owners and diaspora-linked entrepreneurs explained that migrant families often used overseas savings to start retail shops, import-related businesses, transport services, restaurants, real estate ventures, digital services, and small manufacturing units. These businesses created employment and supported local income generation.

One SME owner stated, "My business started from support received from my brother abroad, but his advice about suppliers and customers was more useful than money alone." This response showed that migrant networks provided both capital and business guidance. Diaspora-linked entrepreneurs also noted that migrants helped local firms identify foreign customers, improve product quality, and understand overseas market expectations. These findings align with Jones et al. (2019), who linked migrant entrepreneurship with economic development and local market renewal. Arrighetti and Canello (2025) also showed that migrant firms use human capital, cultural knowledge, financial resources, and transnational networks. Raimi and Mahmoud (2025) confirmed that migrant entrepreneurship supports development in host and home countries. In the Pakistani context, the present study found that migrant entrepreneurship helped connect local businesses with external markets, new practices, and investment opportunities.

Theme 3: Productive Investment, Export Complexity, and Competitiveness

The third theme showed that migrant communities contributed to Pakistan's competitiveness when their resources entered productive sectors. Respondents explained that remittances were often used for household consumption, housing, land, and real estate. These uses provided security for families, but their contribution to long-term productive transformation remained limited. Economists, SME owners, and banking respondents argued that migrant resources created stronger development outcomes when they moved into SMEs, exports, agriculture, technology, manufacturing, vocational training, and service businesses.

A bank officer stated, "The problem is not remittances. The problem is that many families do not have trusted channels to invest remittances into productive business." This finding highlighted the role of institutions, banking access, and investment facilitation. Respondents explained that weak SME finance, limited business advisory services, low trust in public institutions, and poor awareness of investment opportunities restricted the productive use of migrant resources in Pakistan. This finding relates to Saadi (2020), who linked remittances with export complexity, and Piras (2023), who connected remittances with new firm creation and economic complexity. Verma et al. (2025) also showed that remittances support productive efficiency when linked with enterprise development. The present study supported these views by showing that migrant resources contributed to competitiveness when directed toward business growth, export activity, and productive investment. Ashraf et al. (2025) also identified SME finance barriers in Pakistan, which matched respondents' concerns about weak financial access.

Theme 4: Digital Finance, Trust, and Inclusion in Migrant Economic Participation

The fourth theme focused on digital finance, formal remittance channels, and trust. Bank officers and digital finance professionals explained that mobile banking, digital wallets, fintech platforms, and secure cross-border transfer systems reduced transaction costs and improved financial access for migrant families. Respondents noted that digital finance helped families receive funds faster, maintain transaction records, save formally, and access banking services. Digital finance was also viewed as a way to connect migrant resources with savings products, investment accounts, insurance, pension schemes, and SME financing.

A digital finance professional explained, "Digital payment systems have improved speed and access, but trust and awareness remain major issues for migrant families." This showed that technology alone was not enough. Respondents identified privacy concerns, fraud risk, low digital literacy, weak consumer protection, and lack of confidence in institutions as barriers to adoption. Arzu et al. (2026) showed that decentralized digital wallets in Pakistan and the United Kingdom support secure, low-cost cross-border payments and financial inclusion. The present study supported this argument by showing that digital tools improved migrant participation in Pakistan's formal financial system. In Pakistan, respondents emphasized that digital finance must be supported by awareness campaigns, consumer protection, and reliable complaint systems.

Theme 5: Policy Barriers and Institutional Pathways for Diaspora-Led Development

The fifth theme explained the policy and institutional barriers that limited diaspora-led development in Pakistan. Respondents agreed that overseas Pakistani communities had strong

development potential, but weak policy coordination reduced their contribution. Policy representatives, chamber representatives, economists, and academics identified several barriers, including lack of diaspora databases, unclear investment rules, weak legal protection, limited tax incentives, low trust in institutions, poor business facilitation, and weak links between migrants and local business organizations. A policy representative stated, “Pakistan receives remittances, but it still lacks a complete system for converting diaspora trust, skills, and investment into long-term development.” This statement summarized a key finding of the study. Respondents argued that policy should move from remittance collection toward structured diaspora engagement. They suggested diaspora business councils, migrant investment windows, sector-specific investment schemes, digital payment support, entrepreneurship programs, and export facilitation. Resende-Santos (2016) showed that diaspora policy becomes effective when the state recognizes migrants as development partners. Ullah (2025) also emphasized the integration of remittance economies into wider economic frameworks. Mendoza and Domínguez-Mujica (2025) showed that migration supports local development when institutions connect migrants with local assets. In Pakistan, the present study found that institutional trust and policy coordination were essential for turning migrant resources into productive development.

Table 2: Thematic Analysis of Findings

Theme	Main Codes	Respondent Groups	Core Finding	Interpretation	Supporting Literature
Theme 1: Migrant communities as diversification actors	Household investment, education, skills, savings, local business ideas, family support	Migrant family members, economists, academic researchers	Overseas Pakistani communities influenced household decisions, education, skills, and local economic behavior beyond cash transfers	Migrants created social and economic change through family-level and community-level influence	Kacou et al., 2022; Sekmen et al., 2025; Wainaina & Wainaina, 2026; Yeboah et al., 2021
Theme 2: Diaspora entrepreneurship and firm creation	New businesses, return migrants, supplier links, family partnerships, foreign market knowledge	SME owners, diaspora-linked entrepreneurs, chamber representative	Migrants supported enterprise creation through capital, ideas, foreign exposure, and transnational networks	Migrant entrepreneurship connected local Pakistani businesses with wider market opportunities	Jones et al., 2019; Yavuz & Bahadir, 2022; Arrighetti & Canello, 2025; Raimi & Mahmoud, 2025
Theme 3: Productive investment and competitiveness	SME finance, exports, productivity, business	Economists, SME owners, bank officers, academics	Migrant resources supported competitiveness	The development effect of migration depended on	Saadi, 2020; Piras, 2023; Verma et al.,

Theme	Main Codes	Respondent Groups	Core Finding	Interpretation	Supporting Literature
Theme 4: Digital finance and migrant inclusion	expansion, real estate bias, investment barriers		when directed toward productive sectors rather than only consumption or property	productive investment channels and financial access	2025; Ashraf et al., 2025
	Digital wallets, low-cost transfers, fintech, banking trust, transaction records, digital literacy	Bank officers, digital finance professionals, migrant family members	Digital finance improved formal migrant participation by reducing cost, improving access, and increasing transaction speed	Digital systems strengthened migrant contribution when users trusted platforms and understood their use	Arzu et al., 2026
Theme 5: Policy barriers and diaspora engagement	Diaspora database, investment facilitation, tax incentives, legal protection, institutional trust, policy gaps	Policy representative, chamber representative, economists, academics	Weak policy systems limited the conversion of migrant resources into long-term development	Overseas Pakistani communities required structured policy support to become development partners	Resende-Santos, 2016; Mendoza & Domínguez-Mujica, 2025; Ullah, 2025; Tahir et al., 2023

Discussion

The findings showed that overseas Pakistani communities contributed to development through five connected channels: financial, entrepreneurial, knowledge-based, market-based, and institutional. These channels explained the outcomes reported under the five themes of the study. The financial channel appeared through remittances, savings, digital payments, and investment behavior. Respondents viewed remittances as important, but they also explained that financial inflows became more meaningful when linked with education, skills, savings, business activity, and productive investment. This finding supports previous studies showing that remittances contribute to poverty reduction, financial inclusion, and sustainable development when supported by effective financial systems and institutional conditions (Kacou et al., 2022; Sekmen et al., 2025; Wainaina & Wainaina, 2026). The study extended this literature by showing that remittance inflows alone did not fully explain migrant contribution in Pakistan. Overseas Pakistanis also influenced household decisions, savings habits, education choices, business aspirations, and investment preferences. The entrepreneurial and knowledge-based channels were strongly connected with the themes of diaspora entrepreneurship, firm creation, and competitiveness. Respondents explained

that migrant communities supported local businesses through capital, foreign exposure, business ideas, work discipline, return migrant experience, and family-based enterprises. These findings matched previous studies showing that migrant entrepreneurs use social networks, market knowledge, cultural experience, and financial resources to create firms and strengthen business activity (Jones et al., 2019; Arrighetti & Canello, 2025; Raimi & Mahmoud, 2025). The findings also aligned with Yavuz and Bahadir (2022), who linked remittances and diversity with entrepreneurship in developing economies. In this study, migrant knowledge was important because it helped Pakistani households and businesses learn new practices, understand foreign market expectations, improve service quality, and develop stronger business ambitions. Therefore, the study showed that overseas Pakistani communities supported diversification through both financial and non-financial resources. The market-based and institutional channels further explained how migrant communities supported competitiveness and long-term development in Pakistan. Respondents indicated that migrants helped create export connections, supplier networks, overseas customer links, and trade opportunities. These findings related to previous studies showing links between remittances, export complexity, new firm creation, economic complexity, and productive efficiency (Saadi, 2020; Piras, 2023; Verma et al., 2025). The study also found that weak institutions, limited trust, poor investment facilitation, and restricted SME finance reduced the development value of migrant resources. This supported previous evidence on banking barriers in Pakistan and the need for stronger financial inclusion systems (Ashraf et al., 2025; Arzu et al., 2026). Overall, the findings showed that overseas Pakistani communities contributed more effectively when remittance inflows, knowledge, networks, and investment were connected with SMEs, exports, digital finance, entrepreneurship, and policy support.

Conclusion

This study concluded that overseas Pakistani migrant communities played a wider economic role than the traditional remittance-focused view suggests. Their contribution was not limited to sending money to families. The findings showed that migrant communities supported Pakistan's economic diversification, competitiveness, and development through entrepreneurship, skills transfer, knowledge sharing, market linkages, digital finance, productive investment, and community-level support. These contributions helped explain how migration shaped household decisions, business activity, education choices, savings patterns, investment preferences, and local development aspirations. The study found that remittances remained important for household welfare and financial stability, but their long-term development value depended on how they were used. When migrant income was spent mainly on daily consumption, housing, or property, its wider productive effect remained limited. When migrant resources were linked with small businesses, exports, technology, financial inclusion, vocational skills, and enterprise development, they supported stronger economic transformation. Overseas Pakistani communities also contributed through foreign exposure, work discipline, business ideas, trust-based networks, and knowledge of external markets. These non-financial contributions helped build local capacity and connected Pakistani households and businesses with wider economic opportunities.

The study also highlighted the need for stronger institutional support in Pakistan. Weak banking access, low institutional trust, poor investment facilitation, lack of diaspora mapping, limited SME support, and weak policy coordination reduced the development potential of migrant communities. Therefore, Pakistan's migration policy needs to move beyond remittance collection and focus on productive diaspora engagement. A broader policy approach should support migrant-linked entrepreneurship, digital finance, export promotion, skills circulation, and investment facilitation. Such an approach would help convert migrant resources into long-term diversification, competitiveness, and inclusive development.

Theoretical Implications

This study contributed to migration and development theory by presenting overseas Pakistani migrant communities as multidimensional economic actors rather than only remittance senders. The findings showed that migrants contributed through financial, entrepreneurial, knowledge-based, market-based, and institutional channels. This expanded the traditional remittance-centered view by explaining how migrant communities influenced business formation, investment choices, market access, skills circulation, and local development behavior in Pakistan. The study supported the Resource-Based View because migrant communities held valuable resources such as capital, technical skills, business experience, global exposure, cultural knowledge, and cross-border networks (Arrighetti & Canello, 2025). These resources helped explain why overseas Pakistani communities remained important for economic diversification and competitiveness. The study also strengthened diaspora development theory by showing that migrant communities remained connected with home-country development through investment, entrepreneurship, knowledge transfer, digital finance, and policy engagement (Resende-Santos, 2016). It also added to social capital and economic complexity debates by linking migrant networks with trust, firm creation, export linkages, productive investment, and market upgrading.

Practical Recommendations

Policymakers in Pakistan should develop structured diaspora engagement programs focused on investment, entrepreneurship, exports, technology, and skills transfer. A national diaspora database should record migrants' professions, business interests, investment capacity, country of residence, and sectoral expertise. This database would help public institutions identify potential investors, mentors, exporters, and professional experts among overseas Pakistani communities. Banks and fintech firms should introduce low-cost digital payment systems, migrant savings accounts, diaspora investment accounts, and SME financing schemes. These products should reduce transfer costs, increase trust, and guide migrant income toward productive activities. Chambers of commerce should establish diaspora business forums where overseas migrants, return migrants, local entrepreneurs, banks, fintech firms, and policymakers interact. These forums would connect migrant networks with local business opportunities. Government institutions should improve legal protection, tax incentives, business registration processes, and investment facilitation services. Migrants were more willing to invest when they trusted institutions and understood procedures. SME support agencies should also guide migrant-backed businesses through training, business

planning, market research, export readiness, and digital finance awareness. These steps would help transform overseas Pakistani resources into stronger diversification and competitiveness.

Limitations and Future Research Directions

This study had some limitations. First, the study was based on 16 respondents, so the findings reflected selected stakeholder perceptions rather than the full experience of all overseas Pakistani communities. Second, the study used qualitative evidence, so it did not measure the exact monetary value of migrant contribution to diversification, competitiveness, or development. Third, participants' responses differed across regions, income groups, professions, education levels, and migration destinations. Future studies should compare migrant communities across different provinces, sectors, and destination countries. Researchers should examine how overseas Pakistani resources affect SMEs, exports, agriculture, real estate, technology, manufacturing, and service industries. Future research should combine interviews with remittance data, export data, firm-level data, household surveys, and digital finance records. This would provide stronger evidence on how migrant communities influence economic outcomes. Further studies should also examine gender differences in migrant-supported investment, family decision-making, entrepreneurship, and financial inclusion.

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