Journal of The Institute of
Bankers
Pakistan
Volume 88 | Issue # 3 July - September 2021

How to Formalize
the Thriving Informal Economy

Banking on Equality:
SBP's Initiative for Reducing the Gender Gap in Financial Inclusion

BUILDING A GREEN
and Sustainable Future

IBP

Editorial

Muhammad Mazherul Haq
Editor

Valuing the Values; a Valuable Viable

Does paying respect promote ties between person to person, person to other living beings, and person to objects? The abrupt answer might be 'yes', because it brings success and comfort in one's life as well as that of others. When you give respect to anyone, you hold them in higher regards and as such assign higher value to them. The higher the value you assign, the bigger the benefit you tend to reap in all walks of life, whether its the way of living or work.

At workplaces you interact with people and processes, and follow certain rules and regulations to produce the desired results, and in doing so, you have to strike a balance between your own self and others, including persons and peripherals for creating a conducive work environment. Achieving all these things in one go seems difficult since these are marred with lot of conflicts and controversies as an integral part of doing the business. Usually, things start moving in the right direction if a person cares for oneself and others by adopting some good principles. In the words of Stephen Covey, "Principles are the basis for developing a vision and value system for all".

The value system, which in fact we inherit initially from our early upbringing at home and school, is then nurtured by the prevailing norms in the society including the workplace. A person who has extended exposures to people and places gets the opportunity to select, learn and frame personal values better than those who have little exposure or remain confined to their silos. It is the practicing of values which make it easier to exhibit the attitude associated with those values. Further refinement could be made by self-critique and giving due weightage to the feedback we receive. A person with a more appealing attitude while be a source of pleasure for others and holds continuous source of joy and satisfaction on a personal account – a prerequisite for enjoying a healthy life.

"When the things that you do and the way you behave match your values, life is usually good – you are satisfied and content. But when these do not align with your personal values, that is when things feel... wrong. This can be a real source of unhappiness. This is why making a conscious effort to identify your values is so important" (www.mindtools.com). Another equally important factor in the chain of values is valuing the value where you need first to develop clearer understanding on the identified values, and then assign due respect and value to those values.

At the workplace, you have to show attitude to your own self, others and work. To navigate successfully through these constraints, concurrently, let us develop some insights into it. As first step, select two values each from values matrix on: i) Your attitude towards your own self, ii) Your attitude towards others and iii) Your attitude towards work, depending upon your preferences, the nature of organization and your role. In the second step, develop better understanding on the attributes of these selected values, and as the third step you start reflecting upon the values in their right perspective without digressing from the given definitions. These selected values may be: i) Cheerfulness and ii) Positivity, in the category of 'oneself'; i) Teamwork and ii) Empathy in the category of 'others' and; i) Achievement oriented and ii) Concern for details in the category of 'work'.

No doubt, inculcating any value to the extent that it becomes a habit and an integral part of your instantaneous response is difficult and time consuming, however, its positivity starts to emerge even if you are halfway through. You may expect to get the full dividend when values are turned into the culture of an organization and every new entrant has no way out but to adapt those with full buy-in. In such a situation, you may observe things moving fast in the right direction with synergy created in the work environment. In Synergy Arithmetic 1+1 = 3: i.e., a team of two persons produces output of three persons and in some exceptional cases it may go as high as 1+1 = 11.

Reaching synergy arithmetic at the workplace or in any other walk of life, requires your strong unbiased commitment in observing the prioritized values in a way that your spontaneous reaction always falls in the topmost matrix of that certain value/attitude. If you keep on valuing the values, it is very much viable to become star performer in all aspects of life.

The Contributors

Akram Khatoon
is a prominent senior banker who was the founder and President/CEO of First Women Bank Ltd. from 1989 to 2004. She is a prolific writer on topics of current interest such as banking, finance, financial inclusion and economy. She is currently the chancellor of Jinnah University for Women.

Marwah Muhammad Ashraf
Marwah Muhammad Ashraf is a graduate of BS in Computational Finance from NED University of Engineering and Technology, Karachi. She also holds a Post Graduate Diploma in Islamic Banking and Finance from Dar-ul-Uloom, Karachi. She recently completed her Parents' and Teachers' Certificate course, at Educational Resource Development Centre (ERDC). Her essay was awarded second position in IBP Essay Competition 2019.

CONTENTS

ECONOMY

BOOK REVIEWS

YOU ASKED FOR IT

REWINDING THE REEL

TRAINING CALENDAR

PUBLISHED BY
The Institute of Bankers Pakistan
Moulvi Tamizuddin Khan Road
Karachi 74200, Pakistan
92 (21) 111-000-IBP (427)
www.ibp.org.pk

HEAD OF PUBLICATIONS/EDITOR
Muhammad Mazherul Haq

MANAGER PUBLICATIONS
Shahla Naqvi
92 (21) 35277 529
publications@ibp.org.pk

Advertising
Muhammad Akram
92 (21) 35277511
m.akram@ibp.org.pk

Design
M. Jahangir Ishaq | S. Haris Jamshaid

You are invited to send your write-ups to the Manager Publications on topics of interest relating to banking and allied fields. Publishing is subject to approval by IBP.

To: The Institute of Bankers Pakistan, M.T. Khan Road, Karachi 74200, Pakistan

FOR OFFICE USE ONLY

☐ Jan - Mar ______	☐ Apr - Jun ______	☐ Jul - Sep ______	☐ Oct - Dec ______
☐ Jan - Mar ______	☐ Apr - Jun ______	☐ Jul - Sep ______	☐ Oct - Dec ______

UAN: (021)111-000-IBP (021-111-000-427) | **EMAIL:** publications@ibp.org.pk | **WEBSITE:** www.ibp.org.pk

Training Roundup

July - September 2021

During the quarter July–September 2021, IBP conducted 14 Regular online training sessions in which 359 participants from different banks were trained, 8 Customized training sessions were conducted which were attended by 137 participants, in addition to the certification courses mentioned below:

- Certification Course in AML/CFT Compliance;
- Certified Cyber Security Professional (CCSP) Program – a certificate course in collaboration with Parwaaz (A National Accelerator on closing the skills gap in Pakistan, an initiative of Punjab Skill Development Fund) which is also endorsed by ISACA Karachi Chapter;
- Real Estate Developer Finance – Train The Trainer Program (in collaboration with Moody's Analytics).

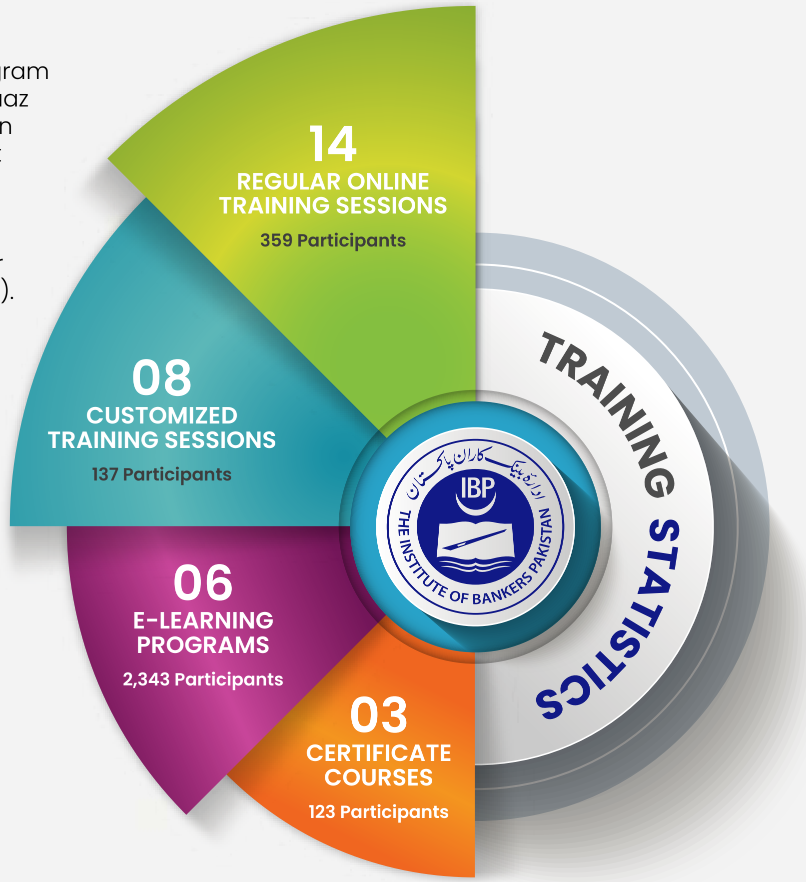
Overall 123 participants benefited from certification programs.

Significant areas of training included:

- AML/CFT
- Compliance and Regulations
- Credit and Risk
- Trade Finance
- Internal Audit
- IT Security
- Soft Skills

In addition, 6 e-Learning training programs were conducted in which 2,343 participants were benefited.

A total of 2,962 participants were trained during the last quarter.



IBP and Bank Alfalah Ltd. Enter into Strategic Partnership

The Institute of Bankers Pakistan (IBP) and Bank Alfalah Ltd. (BAFL) entered into a strategic partnership for human capital development on September 16, 2021. IBP will provide BAFL access to industry recognized learning and development solutions aimed at enhancing the technical capacities of staff working in the bank.

Bank Alfalah, with an aim to strengthening the core foundations of their Management Trainee Officer (MTO) cohort, has turned to the industry's oldest, yet strongest, knowledge platform – IBP's Superior Qualification, to ensure that their MTO's do not just possess the foundation knowledge but are well versed in the fundamentals of banking itself. The MTO Program as adopted by banks is aimed at developing the future leadership; these individuals are trained, academically and practically, to gain on-ground knowledge about the workings of a financial institution before placement in a specific business unit. This serves as an excellent building block that carves the understanding of the MTOs with reference to the inner workings of every business (operational as well as strategic unit) of the bank.

IBP is proud to have extended its assistance in structuring this program for Bank Alfalah, by inculcating and promoting its vision of career growth via learning and knowledge development. This program shall serve as the launch pad for other institutions to follow suit and adopt a similar approach for nurturing the next generation of bankers.

Mr. Mansur-Ur-Rehman Khan, Chief Executive IBP; Mr. Atif Bajwa, President & CEO BAFL; and executives of both the organizations graced the ceremony.

IBP and Mobilink Microfinance Bank Ltd. Launch Joint Venture for Employees' Development

The Institute of Bankers Pakistan (IBP) and Pakistan's largest digital bank, Mobilink Microfinance Bank Ltd (MMBL) partnered to launch 'Branch Management Development Program' (BMDP) on July 12, 2021, which is aimed at fostering employees' development, and upskilling for optimizing key business operations and enhancing organizational sustainability.

IBP and MMBL share a long history of partnerships aimed at competency development of the bank's human capital.

Mr. Ghazanfar Azzam, President & CEO MMBL and Ms. Khawlah Usman, Director Marketing and Sales at IBP, signed the MoU to officially launch the joint venture in the presence of senior officials from both organizations.

This industry-first initiative will facilitate the professional progression of MMBL branch staff, including but not limited to Regional Business Managers, Customer Service Managers, Branch Managers, and Verification Officers. The collaboration will enable MMBL core and extended teams to effectively contribute towards realizing its long-term commitment of promoting financial inclusion, and consequently economic growth, in the country.

Sharing thoughts on the development, Mr. Ghazanfar Azzam, President & CEO MMBL said, "Capacity building, uplifting skills, and professional development of employees are the key focus areas for us at MMBL, as these are the primary pillars that build resilient organizations in today's ever-evolving, competitive, and fast-paced professional landscape. Our human capital is our greatest asset and we aim to enhance our employees' skillset and increase their productivity to serve our customers better, through this partnership".

Ms. Samiha Ali Zahid, Chief Human Resources Officer, MMBL said, "We are extremely excited about this ongoing collaboration with The Institute of Bankers Pakistan, which allowed us to be the first in the

industry to implement e-learning solutions for our employees, companywide in 2017. Our branch staff is key towards driving the business and investing in their growth is our biggest priority, which is why we are launching the Branch Management Development Program, in collaboration with IBP, to enhance customers' satisfaction and service standards across all regions".

Speaking at the event, Ms. Khawlah Usman, Director Marketing and Sales, apprised that: "The Institute of Bankers Pakistan has always been at the forefront of human capital development for the banking sector since 1951. Using its industry tailored tools for recruitment, assessment, and capacity building programs, IBP offers job oriented competency development programs for all cadres. This has a two-pronged impact; at one end it ensures service delivery in accordance with global standards as well as regulatory framework defined by the State Bank of Pakistan. At other end, it caters for leadership development necessary to face upcoming challenges. This collaboration is a testament of IBP's continued commitment towards its mission and vision and shall set a precedent for the rest of the sector to follow this model".

BUILDING A GREEN and Sustainable Future

Ahead of COP26 in November 2021, we asked four industry figures to share what issues they believe should be top of the financial services agenda when it comes to green and sustainable finance.

"We need financial institutions that nurture those who think differently."

Rhian-Mari Thomas OBE

RHIAN-MARI THOMAS OBE,
Chief Executive, Green Finance Institute

Much headway has been made in mainstreaming climate finance even while a global pandemic has been raging, but there is a lot more to do in the lead-up to COP26 in Glasgow.

Firstly, in the same way the finance sector has recognized the importance of climate risk and of reallocating capital away from carbon-intensive sectors, it must now broaden its lens to biodiversity. Biodiversity loss and the climate crisis are two sides of the same coin and we cannot afford to focus only on climate and fossil fuel reduction. The Task Force on Nature-related Financial Disclosures (TNFD) that launches in earnest next year offers an opportunity for the global financial community to commit to a broader environmental agenda.

Greater disclosures, especially pertaining to climate, will be coming as countries such as New Zealand and the UK mandate the Task Force on Climate-related Financial Disclosures (TCFD) and the financial community must be prepared. What is also needed, however, are robust plans to transition.

Within these plans, the finance sector is increasingly taking a sectoral approach, identifying key areas for carbon-emission reduction, assessing risk, calling for investable policy pathways and developing financial mechanisms to mobilize capital.

On the investment side, we desperately need capital to flow into solutions such as carbon capture and storage, green hydrogen, EV batteries, agritech and nature-based solutions, yet many of these will require innovative financial mechanisms sometimes supported by public sector funding or enabling policy environments.

To this end, we need to upskill our entire financial sector, embedding the implications of climate change and depleting natural resources into every department of every financial institution. We need financiers not only to marry their expertise with science and engineering but also with policy expertise, and the ability to interpret unfamiliar forms of data. Above all, we need financial institutions that nurture those who think differently.

"The finance sector has a leading role to play in supporting the move to net zero – it's both a moral responsibility and one set out in the Paris Agreement."

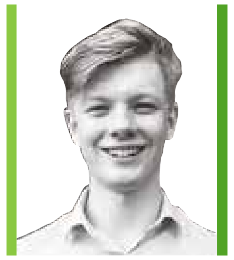
Simon Thompson

SIMON THOMPSON,
Chief Executive, Chartered Banker Institute

The finance sector has a leading role to play in supporting the move to net zero – it's both a moral responsibility and one set out in Article 2.1c of the Paris Agreement. UN Special Envoy for Climate Action and Finance Mark Carney has stated that the objective for the private finance work for COP26 is to ensure that every professional finance decision takes climate change into account, and the COP26 Private Finance Hub has created a framework of four pillars to address this: reporting, risk management, returns and mobilization.

This is certainly useful, but one aspect that is missing from the framework is the role of the individual. After all, financial decisions are taken not by institutions but by the professionals working in banking, finance, business, accounting and professional services. They must take personal responsibility for ensuring that climate change, and I would argue, broader sustainability factors, are taken into consideration. They should also be sharing that insight and expertise with their colleagues, clients and customers.

To do that, of course, they need to develop at least a basic knowledge of green and sustainable finance principles and practice. That's why we are committed to helping every finance professional complete certified programmes of initial and continuing professional education to enable them to confidently discharge this duty. If every professional finance decision should take climate change into account, then every finance professional needs the knowledge and skills to do this.



> "Better information can help to create a more ethical and harmonious financial sector for all."
>
> Tim Edwards

TIM EDWARDS,
winner of the Chartered Banker Institute's inaugural Green Finance Essay Competition and student of Economics at the University of Bristol

For consumers and institutions to make well-informed investment decisions, accurate information is essential. Furthermore, clear communication built from that information helps people adapt to changing circumstances and establishes greater certainty that an action has a tangible effect. That's why improving the quality of information and the way it is communicated, particularly on green issues, is crucial to the financial services industry.

For institutions themselves, better information can improve business performance through enhancing accountability, analytics and advertising. Clear and well-defined data can lead to specific targets and establish certainty on whether or not these have been met. These targets may come from an internal commitment by management or externally from the regulator. What matters is that the data for assessing these is reliable and applicable to sustainability objectives to prevent greenwashing or other adverse behavior.

Better metrics also enables more rigorous analysis, which can be used to identify areas of the business that are more environmentally efficient than others, enabling management to target resources more effectively and focus on encouraging improvement in those areas that are less sustainable.

Improved information enables firms to demonstrate a commitment to sustainability, showcasing their achievements to environmentally conscious consumers. This ideally would create a virtuous cycle where consumers invest with a firm due to its sustainability, which further incentivizes it to continue to act sustainably. This also leads to direct benefits for consumers through establishing a personal connection to their bank as they see that the money they save supports positive projects. In turn, this may help to make people more interested in their money, improving financial literacy, in addition to improving propensity to save.

Better information can, therefore, help to create a more ethical and harmonious financial sector for all.

> "Businesses and people in the real economy are in the first row and they will rely on and certainly value banks that can proactively help them in that transition."
>
> Simone Dettling

SIMONE DETTLING,
Banking Team Lead, UN Environment Programme Finance Initiative

We have high hopes and expectations of COP26. Already we're seeing signs of global ambition to move towards net zero by 2050, targets that are even more ambitious than the broader well below 2°C framing and a real acceleration. That obviously has an impact on banks, their portfolios and on risks and opportunities, so banks need to gear up for that. It's something we work on under the Principles for Responsible Banking with our Climate Leaders Group, who have already committed to scenario-based targets for Paris [Agreement] alignment, and are now looking at stepping this up to align with the warming ambition.

The acceleration we're seeing is not just being faced by banks – businesses and people in the real economy are in the first row and they will rely on and certainly value banks that can proactively help them in that transition and that have the right know-how, advice and products.

From a regulatory perspective, most of the European central banks are active members of the Network for Greening the Financial System (NGFS) and are including climate scenarios in their stress testing, requiring reporting on climate risk and strongly encouraging TCFD-compliant reporting. The Bank of England was one of the first to recognize and understand the substantial risk to the banking system of the transition and physical risks. As that accelerates, if that risk is not adequately picked up by the banking system, it could have implications for stability – so it's an area that regulators are very much focused on.

For 2021, the topic of biodiversity and nature is likely to be strong. COVID-19 has made the intrinsic link between nature, our own encroachment on nature, and the economy quite visible and many governments are buying into this and pushing it more strongly. 2021 also sees the Conference of the Parties (COP 15) to the Convention on Biological Diversity, the nature equivalent of climate, which will undoubtedly see new targets emerge.

Biodiversity is a nascent topic for many banks and one that many are not yet too familiar with. I think understanding and reviewing their portfolios to see the links, pinpointing the key industries to work with and how to identify the risks and opportunities, will gain momentum next year.

Assuming early 2021 sees an end to COVID-19, sustainable recovery should be on the agenda for financial services too. Governments are using the recovery to accelerate the sustainable transition. We've seen work from banks and our own community on this topic, but I think there's a lot more to be done in close collaboration with government, policymakers and clients.

SUMMARY

With sustainability tied into social and economic recovery, an urgent need to focus on climate change and biodiversity, financial services have a vital role to play in leading the conversation. This role includes facilitating adequate and robust data capture to ensure decisions take these issues into account, committing to a deep understanding of the risks and opportunities that climate change poses and being able to share that with clients as part of a supportive relationship. As biodiversity emerges as a burgeoning topic of interest, financial services should also be considering its impact on their activities and portfolios. In all, a need to collaborate across industry, with government, policymakers, businesses and individuals, is key to achieving the ambitious targets set to address this looming crisis and allows the opportunities of a green and sustainable future to be realized. ■

This article originally appeared in the Winter 2021 issue of Chartered Banker magazine and is reproduced by kind permission of the Chartered Banker Institute.

BANKING ON EQUALITY

SBP's Initiative for Reducing the Gender Gap in Financial Inclusion

The State Bank of Pakistan (SBP) has developed a Gender Mainstreaming Policy 'Banking on Equality: Reducing the Gender Gap in Financial Inclusion' that aims to promote women financial inclusion in Pakistan. Initial direct feedback was received from a number of relevant institutions. However, the process of wider stakeholders' consultation on the Banking on Equality policy (BoE) commenced with a high profile webinar held on December 21, 2020. The consultative launch was followed by a number of high-level focus group discussions led by Governor SBP Dr. Reza Baqir and Deputy Governor Ms. Sima Kamil, with senior representatives of key stakeholders to gain their feedback, create a sense of ownership and to secure partnerships for its implementation. The policy is also placed on SBP's website for public consultation.

Policy Initiative: Financial inclusion demands that men and women get equal opportunities to access and use formal financial services. However, currently, women are disproportionately under-served by the country's financial system. This disparity impedes Pakistan's national economic development. The goal of the proposed policy is to engender equality in banking and reduce the gender gap in financial inclusion. The policy, prepared by the State Bank of Pakistan (SBP), in consultation with relevant stakeholders, is based on the premise that gender-neutral policies in the financial sector have been insufficient to reduce the gender gap in the financial sector and there is a pressing need to view financial sector policies through a gender lens.

The proposed policy identifies five key pillars under which actions are targeted towards improving institutional diversity, product diversification and development capability, customer acquisition and facilitation approaches towards women segments, collection of gender disaggregated data, and prioritizing gender focus in SBP's policies. The policy recommendations will be applicable on SBP's regulated entities including Commercial Banks, Islamic Banks, Microfinance Banks (MFBs), Development Finance Institutions (DFIs) and Electronic Money Institutions (EMIs) etc. Furthermore, Securities and Exchange Commission of Pakistan (SECP) is expected to adopt a similar, yet customized, gender policy for the non-banking financial sector. The key features of the policy are as follows:

1. Improving gender diversity:

A financial institution cannot adequately address the female market segment without addressing its internal gender imbalance. Currently only 13 percent of the staff of banks and 1 percent of branchless banking agents are women. More women working in leadership positions at financial institutions can also aid the development of policies and practices for improving gender balance across the financial sector as well as developing women friendly products and services. Presence of women champions and specialized resources at all customer touch points, such as bank branches, branchless banking agents, call centers and alternate delivery channels can aid women's adoption of conventional and digital financial services. Financial Institutions (FIs) shall be asked to develop policies to improve gender diversity and ensure minimum 20 percent female participation in the work force by 2023. They will create a new management sub-committee on gender, or amend existing management committee's KPIs to include focus on gender. The FI's will also adopt gender diversity targets and KPIs for all C-suite executives, and improve women representation within senior management 1 from current 6 percent.

2. Women-centric products and services:

To shift from gender neutral to gender inclusive product design, it is imperative that a dedicated team is working on gender-segmented product designing and creating a business case, while understanding the existing social norms, and marketing products effectively. Therefore, FI's shall create a specialized department within 6 months of issuance of this policy, to apply gender lens on existing and new products and services offerings, keeping in view various use cases within women demographics of all ages and life cycle stages. They may also collaborate with the incubation centers in providing awareness and marketing about their digital financial products and services. Within 6 months of its creation, the specialized women financial services department shall develop products for women that are well researched and backed by demand side insights. Moreover, Banks, MFBs, DFIs, EMIs etc. will also be required to pace up delivery of financial literacy programs specifically for women. Moreover, all FI websites and apps may have a tab/section for 'Women's Financial Services' to direct potential customers towards availing products catered to their needs.

3. Women Champions at all customer touch points:

Women's financial inclusion cannot be improved without understanding their needs with careful attention. However, women customers especially entrepreneurs, feel intimidated to visit a bank branch and are not facilitated effectively. Therefore, to enable banks to improve facilitation of women customers and entrepreneurs, women champions shall be deployed at all customer touch points. The women champions must have undergone gender sensitivity training, and should be well versed with the bank's products and government & SBP's schemes for women entrepreneurs. They should proactively guide the women entrepreneurs to have an access to credit. Further, all other virtual touch points of the banks, including call centers, apps and alternate delivery channels should aim to be more women friendly. The resources at physical and virtual touch points will also serve as a main contact point for non-financial advisory services and complaint redressal. The resources should be deployed at least at 75 percent of all touch points within a period of three years of policy launch.

4. Robust collection of gender-disaggregated data and target setting:

The absence of data and targets can dilute FI's focus on the gender in finance, and impede development of informed policies and associated actions for closing the gender gap. Therefore, under the policy, all institutions under SBP's ambit will be instructed to collect and report gender disaggregated data related to gender disaggregated outreach of products and services, to SBP. The data collection will also help FIs to recognize the opportunities and challenges in women's financial inclusion, and help them in developing internal policies to comply with SBP's gender policy and targets. Furthermore, SBP will also strengthen its own research on gender and develop tools in line with international best practices for impact assessment.

5. Policy Forum on gender:

To discuss opportunities and challenges in women's financial inclusion, internalize gender mainstreaming within organizations, and review the existing legal and policy framework for identification of bottlenecks in women's financial inclusion, a Policy Forum on Gender and Finance will be established at SBP. The forum will be chaired by SBP Governor, include members from Banks, DFIs, MFBs, SECP, women chambers of commerce, civil society, private sector, gender leaders etc. and will meet at least biannually to serve as apex forum for future policy formulation on gender. The forum will also create space for innovations that support greater women's financial inclusion. Going forward, under the Forum, SBP will host annual conferences for knowledge sharing, plenary discussions on Gender and Finance, and awards will be given to those banks that have made significant efforts to close the gender gap in finance.

SBP is aware that closing the gender gap is challenging since the root causes go beyond access, and center on powerful social norms. Nonetheless, gender blind practices will continue to perpetuate the gaps, despite advancement in technology innovations and business models. Therefore, with the implementation of the proposed policy, financial institutions shall adopt a holistic and mindful incorporation of gender perspectives in their policies aiming to advance women's financial inclusion in Pakistan. In parallel to the gender mainstreaming policy implemented on the financial sector, SBP is also working on adopting better gender diversity policies to hire, retain and promote more women in the organization.

World Bank Group's (WBG) Consultative Dialogue on the State Bank of Pakistan's Gender Financial Inclusion Policy

To supplement SBP's efforts the World Bank Group (WBG) organized a 'Consultative Dialogue on the State Bank of Pakistan's Gender Financial Inclusion Policy - Banking on Equality', on February 23, 2021.

This interactive webinar focused on highlighting steps being contemplated to increase women's financial inclusion in Pakistan and discuss practical aspects with globally renowned experts to help fine-tune the policy.

The following experts spoke at the event:

Dr. Reza Baqir, Governor, State Bank of Pakistan

Dr. Reza Baqir is the Governor of the State Bank of Pakistan since 2019. Prior to this appointment, Dr. Baqir has eighteen years of experience with the IMF, including most recently as Head of the IMF's Office in Egypt and Senior Resident Representative since 2017.

WEBINAR | Banking on Equity with State Bank of Pakistan

While briefing on the policy objectives, Dr. Reza Baqir said that as central bankers, several market failures are witnessed, and one of the most pronounced market failure is the gender gap in financial inclusion. "Central Bankers have grown to realize that they must act within their regulatory ambit to try to address such failures, and I'm happy that awareness has grown in Financial Institutions, International Financial Institutions including IMF and World Bank", he said.

He said that there are great challenges ahead, and simply sharing numbers of women account holders is not a sufficient measure. "We need to demonstrate by example that women-led businesses are given priority, and demonstrate that procurement should be given priority and women given key positions in public sector. We are delighted that as a woman leader in Pakistan, Ms. Sima Kamil decided to join the SBP last year as Deputy Governor and is helping us lead this effort on reducing the gender gap in financial inclusion".

Outlining the policy, he said that business as usual in reducing gender gap would not work. Therefore, the need arose to come up with a more proactive policy in our capacity as central bank regulators to work with its regulated institutions, primarily banks, to demonstrate that we can make progress in this area. Hence, as a proactive measure, the 5-pillar strategy was formally announced in December 2020, after a series of in-depth consultations with domestic stakeholders and leaders.

"Today is a very important event for us to get input from a tremendously accomplished panel of international experts". Dr. Baqir welcomed and thanked the awe-inspiring women leaders who constituted the panel of experts in the webinar, as well as the senior member of the World Bank and the participating CEOs of Pakistan commercial banks.

Ms. Sima Kamil, Deputy Governor, State Bank of Pakistan

Ms. Sima Kamil is the first woman appointed as Deputy Governor of State Bank of Pakistan in 2020. She has over 35 years of experience in diverse fields of commercial banking, including Branch Banking; SMEs, Rural, Consumer and Corporate financing; and, investment banking.

Inviting the attention of the speakers, Ms. Sima Kamil highlighted the need for a targeted policy for female

WEBINAR | Banking on Equity with State Bank of Pakistan

financial inclusion as the needle has not moved and the gender gap is not closing. Ms. Kamil said that there are only 11 million active women account holders. "At least 20 million women need to be financially included by 2023", she said.

Highlighting the five pillars of the strategy in detail (outlined earlier in the write-up), she elucidated that since "a gender neutral view is not working, we need gender intentional policies".

She emphasized the significance of the gender sensitivity training in the real sense, where an understanding that women are serious decision makers needs to be developed, and that is what true respect for them entails. From her extensive banking experience, Ms. Kamil pointed out another insightful observation, "Interestingly, the more conservative men are more respectful in these social norms than the so-called liberals".

WEBINAR | Banking on Equity with State Bank of Pakistan

Ms. Mary Ellen Iskenderian, President and CEO, Women's World Banking (WWB)

Ms. Mary Ellen Iskenderian is President and CEO of Women's World Banking, the global nonprofit devoted to giving low-income women in the developing world access to the financial tools and resources they require to achieve security and prosperity. Mary Ellen is a passionate advocate for women's economic empowerment through greater access to finance and is a leading voice for women's leadership in financial services.

Ms. Iskendrian congratulated the SBP on its strategy and commending their efforts, offered assistance from WWB.

Sharing her experience on the role of social norms in impeding women's' financial inclusion, she highlighted some learnings on a project carried out by WWB with a Jazz mobile wallet product in Pakistan. Ms. Iskandrian said that data revealed that instead of the custom designed product for women, their real bottleneck was onboarding female customers primarily due to constraints posed by social norms, such as sharing their mobile numbers or being alone in the shop with male customer agents.

The most significant findings were that women were very responsive to referrals from other women. It was found that women were interested in seeing the specifically designed products, and all the while "the men didn't mind… and took the products at the rates they did previously", while welcoming the idea that there were products for women.

Another exciting learning Ms. Iskendrian shared was her experience in partnering with Unilever, who had established a nationwide network of women-owned business shopkeepers, through 'guddi bajis'. The women were trained how to be Jazz cash agents. It was found that women cross-sellers were more favored by both men and women alike. "Both men and women were more comfortable dealing with female agents". Men were more at ease asking questions on technology which they probably could not address as comfortably to a male agent. "

She said that for some reason, COVID crisis shows interesting difference between men and women agents' gender 'language' and people's perception.

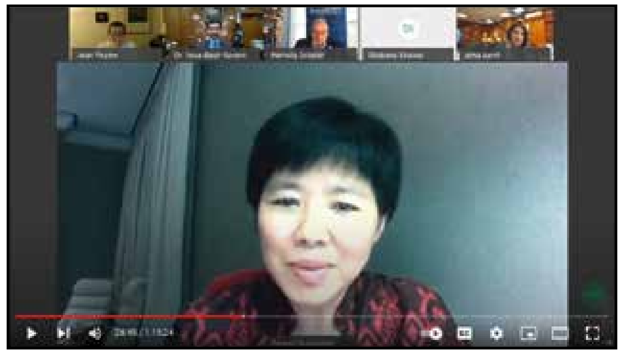
Further citing another example of the Bank of Baroda, the second largest public sector bank in India, she said that it was found that both men and women were more comfortable dealing with women agents, higher rate of conversion was witnessed, and saving balances were as high as 3 times more with women agents as compared to men. Women are able to cross-sell insurance and credit products in a way that men were found doing not quite as well. "Thus, increase women at touch points is a business smart and inclusive strategy", she said.

Ms. Parwati Surjaudaja, President Director, OCBC NISP

Ms. Parwati Surjaudaja is President Director, Chief Executive Officer - Bank OCBC NISP. She was appointed the President Director and CEO of Bank OCBC NISP in 2008. Under her leadership, the bank launched women owned business loan program #TAYTB Women Warriors, and continues to implement an inclusive workplace for Bank OCBC NISP.

Highlighting the importance of gender diversity with particular reference to women-centric products, Ms. Surjaudaja said, "Gender equality is not a social, moral or fairness issue; it is an economic and prosperity issue". She outlined the Women Warriors Program, initiated by OCBC in November 2020 to empower women entrepreneurs in the micro, small and medium enterprise, or MSME sector.

The program, called #TidakAdaYangTidakBisa (#TAYTB) Women Warriors, aimed to help women manage their business transactions and finance while also supporting them to expand. To this end, the program offers a comprehensive solution, including the "Manage, Grow, and Live" solutions, Ms. Surjaudaja said.



WEBINAR | Banking on Equity with State Bank of Pakistan

OCBC NISP's banking service enables women MSME entrepreneurs to manage their finances at their fingertips. They can use the ONe Mobile banking app for their personal needs while managing business transactions on the Velocity platform.

In hopes for these women business owners to grow their businesses, OCBC NISP offers Rp 500 million ($35,550) to a whopping Rp 15 billion in funding for individual entrepreneurs or enterprises. The lender also provides access to e-commerces, tax services, online payment accounting, to social media management.

Also, women entrepreneurs can participate in various #TAYTB webinars to hone their business skills.

"The #TAYTB Women Warriors program aligns with Bank OCBC NISP's commitment for responsible banking. By offering beyond-banking solutions, we hope this program can answer all the challenges faced by women entrepreneurs and support Indonesia's sustainable economic growth," she said.

Commending Ms. Surjaudaja's efforts, Ms. Iskendrian, lauded the program and shared her own experience with Bank of Kenya on the significance of gender sensitivity training for bankers to understand why women financial inclusion was such a strong business case.

Ms. Caren Grown, Global Director, Gender, World Bank

Ms. Caren Grown is an internationally recognized expert on gender issues in development. Dr. Grown joined the World Bank in 2014 as Global Director of the World Bank's Gender Group, where she has led the institution's development and implementation of a Gender Strategy that deliberately and strategically targets gaps in endowments, jobs, assets, and increasing women's leadership and voice.

Ms. Caren Grown complimented SBP's strategy as "fantastic and World Bank will support fully to ensure its successful." She shared the importance of relevant gender disaggregated data collection and usage in proactively building a strong economic business case. "Data is very important...particularly supply side data is required to target and solve the problem".

She highlighted the initiative of their partnership with Alliance for Financial inclusion with several development banks to help the financial sector (banks fintechs, other FIs) to collect gender disaggregated data on the usage of their financial products and services.

Outlining some initiatives, Ms. Grown mentioned the introduction of the Women Finance code, where FIs and regulators would agree to provide data on annual basis of direct financing of women-led firms with targets to make measurable progress in this area. In particular, she cited the example of the UK treasury working with banks and reconciling gender disaggregated data to improve products and services for women.

"In addition to banks and FIs, gender disaggregated data is also important for governments", she said. "Chile is the only country in world that has consistently collected gender disaggregated data along with the regulator which was implemented as part of its mandate on gender equality."

WEBINAR | Banking on Equity with State Bank of Pakistan

The data collected was critical, and used to work with commercial banks to target products and bring women into the system, impact evaluations, show different financial products and get women into social protection service.

She said data is essential to make informed decisions. "Once we overcome the issues, data opens everybody's eyes".

Responding to a question put forth by a participant on role of central banks in improvement of regulatory and social environment for women, Ms. Grown pointed out that transparency to report data and assessing where women are in the employee structure of central banks are both important factors to help determine and improve regulatory environment.

At the conclusion of the webinar Dr. Baqir thanked the World Bank executives and the panelists for sharing their valuable insights and experiences, and for their support in furthering this initiative of SBP.

The webinar may be viewed on the following link:

links https://www.youtube.com/watch?v=brDsAt-IN78o&t=1868s

FORMALIZING
the Thriving Informal Economy

By: Akram Khatoon

Informal economy has now become a global phenomenon. It can simply be defined as a country having some workers outside the formal economy involved in economic activities having market value, which can add to GDP growth and tax revenue if documented.

The growing informal economy, particularly in emerging markets, and low and middle income developing economies, is hampering the achieving of sustainable development in all sectors of economies of these countries. Informal businesses, being out of the tax net, do not — or cannot — grow, and as such remain small with low productivity and limited access to financing from formal financial sector. Resultantly, growth of GDP in countries with large chunk of informal businesses remains below potential. Unfortunately, the global outcome of growing shaded economy is that it is enhancing inequality of incomes. Workers associated with informal economy tend to earn less than those with similar skills deployed in formal sector.

In one of its reports, International Labour Organization (ILO) mentions that "more than 6 workers among 10 and 4 enterprises among 5 in the world operate in the informal economy. Contrary to the old forecasts, informality has not diminished over time and is even increasing in many countries. Informal economies are typically characterized by a high incidence of poverty and severe decent work deficits. Without formalization, decent work for all and equity in society will remain an illusion."

The size of informal economy among South Asian countries continues to grow. In India, informal economy accounts for more than 80 percent of non-agricultural employment. In case of Pakistan, informal sector has contributed almost 56 percent of total GDP by the close of year 2019.

Karachi, being largest city of Pakistan, handles almost 95 percent of the country's foreign trade and contributes 30 percent of industrial production and more than 25 percent of the total GDP. However, a major chunk of industrial and commercial growth comes from the informal sector, which continues to expand both in absolute and relative terms. Mini industrial and commercial hubs in the city's *katchi abadi* (squatter settlement) areas like Korangi, Azam Basti, New Karachi, Qasba, Landhi and Malir are known for operating an economy in shadows. They generally do not pay taxes or follow labor laws. Businesses of these squatter settlements are thriving despite the impact of COVID-19 on the country's economy. Migrants from all over the country come here to earn their livelihood. Mostly, they settle in slums where vendor activities flourish. They learn skills of various lines of unregulated businesses and do not bother about frequent rise in cost of energy/electricity as their requirements are met through unauthorized *kunda** system.

Many of these industrious people, uprooted from former East Pakistan, are mostly settled in Orangi and its outskirts, an area developed under the guidance of Late Dr. Hamid Akhtar on self-help basis by providing sewerage, regular water supply and low cost housing.

With the bold initiative of Orangi Pilot Project (OPP) — a brainchild of late Dr. Hamid Akhtar — dwellers of the area were provided microcredit to enable them to set up small businesses. Inmates of Banaras Colony are known for weaving best quality of Banarsi** fabric for exportable fashion garment houses.

According to a guesstimate, 75 percent of the working population of Karachi is deployed in the informal sector. Unlike the Sindh Industrial Trading Estate and other big industrial zones in Karachi, Orangi, Shershah and other *katchi abadis* on outskirts of city can be taken as self-created special economic zones for the poor.

Unfortunately, all the successive governments have failed to provide necessary infrastructure for sustained development of the formal sector; as such a major chunk of economic activity comes under preview of the informal sector. The youth initiated Technical Training Research Center (TTRC) sponsored by OPP provides housing support services to the community and trains youth to become architects specializing in low cost housing. Besides that, it manages the sanitation, healthcare, quality education and social forestry projects in Orangi.

Almost all the *katchi abadis* in Karachi have business clusters in their folds, particularly of garments and leather goods manufacturing establishments. Garment industries have proliferated throughout *katchi abadis*, which make women and children outfits, including exportable fashion garments. Besides that, small printing and embroidery work factories are operating in these areas, which handle the work of large scale textile industries producing fashion fabrics on sub-contract basis.

Another important economic feature of these settlements is that all recycling operation of discarded plastic and newsprints is done here. Thousands of people are deployed in this business. In a way, these squatter settlements are helping clear the waste and improve the environment.

Despite the good work done by various NGOs, particularly OPP for economic empowerment of the downtrodden population of Karachi and interior Sindh, uplifting some of the microbusinesses to the level of medium sized ventures entering the export business and automatically entering formal sector of economy — a lot still has to be done for formalization of the growing informal sector to address growing fiscal deficit and resultant fast increase in both internal and external debt, repayment of which eats out major chunk of country's budget revenue. Thus, addressing the issue of informality is essential and urgent to support inclusive economic development and to meet tax collection target, which according to whims of IMF has been set as high as Rs. 5829 billion, and which requires a sizeable chunk of informal economy under the tax net.

A universally acceptable strategy to arrest growing informal economy has been reforming of the social sector by putting emphasis on quality education. In this regard, a reformed education policy must ensure that students must remain in school until secondary level and be provided ample technical and vocational training opportunities.

Secondly, the tax strategy must do away with incentives for individuals and firms to remain in the informal sector. A simpler value added and corporate

tax system (with no minimal exemptions) with lower rates, as well as low payroll taxes, help reduce informality.

Similarly, a supportive social protection system, like progressive income taxes and protection for the poorest like cash transfer programs — as in vogue presently under the title 'Ahsas' program — and mark free business loans through banking channels for unemployed youth and women to get them self-employed, as has been announced in the recent budget, will help curb informal economy.

Furthermore, financial inclusion process for unbanked population should be speeded up by State Bank of Pakistan. Lack of access to institutional credit is a major constraint for informal firms and individual entrepreneurs hampering growth of their businesses.

Besides that, supportive policies and elimination of excessive bureaucratic interventions can help increase incentives and lower the cost of formalization. Labor market regulation needs to be worker-friendly, encouraging their entry to their deployment in formal sector.

Digital platforms, including government-to-person mobile transfers can facilitate the financial inclusion process, making mobile banking services accessible to the unbanked population - particularly for women - most needed for their economic empowerment. This can also facilitate growth of small and medium size industries in the formal sector.

Pakistan Microfinance Network (PMN) is a plausible initiative to accelerate the outreach of microfinance banks to the unbanked population. It aims to achieve this goal through speeding up the financial inclusion process through digitization and reducing operation cost through automation of the process, while improving efficiency and decreasing turnaround time. Further, it aims to enhance microfinance outreach by diverting the products offered or to be offered and customer segments also. Above all, PMN is set to have a centralized platform to manage these operations via digital services.

To conclude, sustainable development requires a reduction in informality over time, but this process in the present scenario of COVID affected environment will be slow, as the informal sector is currently the only viable income source for millions of people of the country. For formalization of economy, steady reforms need to be undertaken in the education sector with greater allocations in the budget and the policies suggested above need to be implemented in totality.■

*kunda = electricity theft usually by tampering with meter or taking a direct hook from the pole
**Banarsi fabric = fine silk fabric woven with gold and silver brocade, and opulent embroidery

Impediments in Documenting Pakistan's Economy

By: Marwah Muhammad Ashraf

The term 'undocumented economy' is defined differently by different people and alternatively known by different names, i.e., informal, unofficial, irregular, parallel second underground, subterranean, hidden, invisible, unrecorded and shadow economy. While there exists no single common definition of underground economy, its narration mostly depends on the purpose and objective of its use. Mentioned by Bruno S. Frey and Friedrich Schneider, the most precise and predominantly used definition of undocumented economy, which seeks to relate the underground economy to officially measured national income, is: It comprises all presently not recorded productive (i.e. value-adding) activities which should be in the Gross National Product (GNP).

The real challenge for the economy of Pakistan is to convert the undocumented segment into the documented economy so as to create wider space for inclusive growth in the country.

What is Undocumented Economy?

This definition allows to compare and to add the underground economy to GNP. They further mentioned that the underground economy should neither be identified with illegality. Some activities are perfectly legal but are not subject to taxes (e.g. because of their small size), and therefore escape measurement in official statistics. Other activities are legal as such, but taxes are evaded. Finally, on illegal activities (such as drug production and distribution) no taxes are paid.

Origin of the term 'Informal Economy'

The term 'informal economy' was first used by an economic anthropologist Keith Hart. From his research on Ghana, he observed the expanded concept of the informal economy. It was accepted widely in the world after several ILO's (International Labor Organization) specialists used it while analyzing the economic activities in Kenya for an employment mission in 1972.

Undocumented Economy of Pakistan

According to the Pakistan Economic Survey 2018-19, the undocumented sector plays a vital role in job creation. The areas which employ the undocumented workers are wholesale and vendor buying and selling, production, construction, social and personal services including house help and transportation. The problem with the undocumented economy is that the workers are neither regulated nor protected by the government. It is although a major job-creating sector but most of the workers are low paid, compared to their efforts and working hours.

Figure 1 shows the statistics of the undocumented economy of Pakistan of the Non-Agricultural sector in the latest survey.

From the total population of the non-agricultural workers, almost three quarters (72.6 percent) fall under the category of informally employed. There is no significant difference in the employment level when year 2014-15 and 2017-18 are compared. If the workers from rural areas are considered, the ratio of the informal employment is three fourth (76 percent) of the formally employed population (e.g. small scale farmers, women working in farm fields, child labor involved in the brick-making business). The urban areas are a little better in contrast to the rural areas. The employment ratio is 68.6 percent in the informal sector. It has reduced from 69.2 percent in 2014-15, according to Pakistan Economic Survey, 2018-2019.

IMPEDIMENTS IN DOCUMENTING THE ECONOMY OF PAKISTAN

Like every other economy, Pakistan has been struggling to improve its economy with regard to every aspect involved in it. One of the biggest challenges for policy-makers and the government is the undocumented economy. There are a number of impediments/hindrances in documenting the economy of Pakistan. There are basically three basic factors that are considered when it comes to studying the hindrances created by the undocumented economy in documenting it: individual, institutional and structural. Each one of them is discussed below in detail.

Individual Level Factors

Individual level factors are those that arise due to the helplessness of the individual workers or because of their preference to work as an undocumented worker.

Education and Ability Level of the Informal Worker

The correlation between the employment percentage in the undocumented economy and the education and ability level of the undocumented worker is positive. Not having the capability and skill set, is a major hurdle in performing economic activities with a

Figure 1: Formal & Informal Sectors - Employment Distribution of Non - Agricultural Workers

Sector	2014-15			2017-18		
	Total	Male	Female	Total	Male	Female
Total	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**
Formal	27.4	27.5	26.5	28.0	28.0	28.2
Informal	72.6	72.5	73.5	72.0	72.0	71.8
Rural	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**
Formal	23.9	24.3	22.0	24.0	24.3	22.3
Informal	76.1	75.7	78.0	76.0	75.7	77.7
Urban	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**
Formal	30.8	30.7	31.5	31.7	31.4	33.9
Informal	69.2	69.3	68.5	68.3	68.6	66.1

(Source: Transparency International)

recordable approach. Since the level of formal education and the requirements of formal employers, people find it difficult to get a job in the formal sector. Therefore, the researchers from this area have suggested that to decrease the magnitude of the undocumented economy it is important to increase the skill level of the undocumented workers.

A great number of young Pakistani people attain schooling through an undocumented system known as the Ustad-Shagird system. Due to the informal certification for their skills, these people do not get hired as trained employees. Taking this a step further, these already struggling people lose the chance of getting hired in the international labor market. To improve the employment scenario and to support such youth, a system 'Recognition of Prior Learning' (RPL) has been commenced by Technical and Vocational Education & Training (TVET) Sector Support Programme as a means to certify the skills acquired through undocumented/unregulated means.

Economic Marginality

The term 'economic marginality' can be defined as incapability of the worker to find a job in the documented economy, as a result, the unemployed workers become a part of the undocumented economy for survival and earning provisions. This is a pinpointing situation in the economy as many people who want to work in the documented economy are bounded and restricted to be a part of the undocumented economy. Therefore, being an undocumented employee is the last option for people for sustenance and is observed as the last resort. Most of the researches argue that the major reason for the huge size and magnitude of the informal economy is the economic marginality.

In the case of Pakistan, the common point of view is that unfavorable economic conditions such as low GDP rate and high unemployment are the reasons for the expansion of the undocumented economy.

A good score of people rely on undocumented jobs to keep them away from poverty. One interesting fact about economic marginality is that it provides an excuse for the people who do not want to be employed anywhere, and would rather be their own boss. Very few people from small businesses in the undocumented sector stated that not getting a salaried job was their motivation for starting their own business.

Institutional Level Factors

The reasons for the greater magnitude of the undocumented economy are large because of the institutional level factors. They are as follows:

Public Sector Corruption

Among other impediments in documenting the economy of Pakistan, a noteworthy number of scholars suggest that a high level of corruption is one of the leading factors due to which people try their best to avoid being a part of the documented economy, hence creating a huge hurdle for the policymakers. This corruption means forceful demand for bribes and illegal rent claims in the documented sector. The public sector corruption increases the cost for both the new enterprises trying to start a business and the already established ones. Eventually, both types of parties find it easy to get settled into the undocumented economy. Many people who are working in the undocumented sector do so not to avoid taxes but to get rid of bureaucracy and corruption. The correlation between public sector corruption and the size of the economy is positive. According to the survey Transparency International Perception Corruption Index, the undocumented economy decreases by 5.1 percent when a country increases one point in corruption index.

Figure 2 is from the Transparency International Perception Corruption Index 2018 showing the level of corruption in Pakistan as compared to Asia Pacific countries.

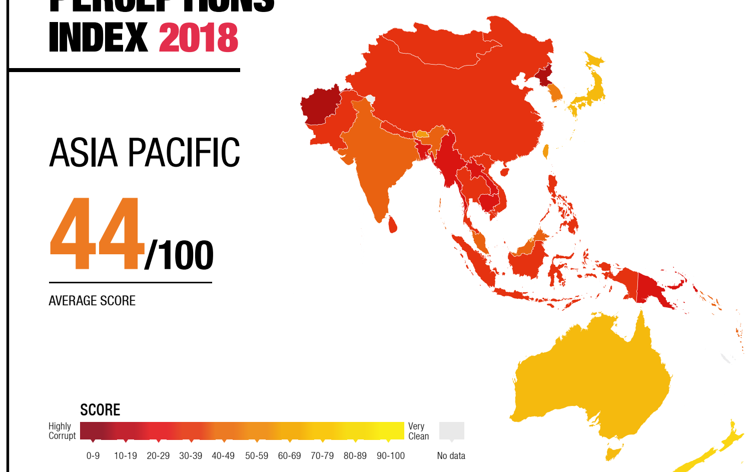
Figure 2: Corruption Perceptions Index 2018 - Ranking of Pakistan

CORRUPTION PERCEPTIONS INDEX 2018

ASIA PACIFIC

44/100

AVERAGE SCORE

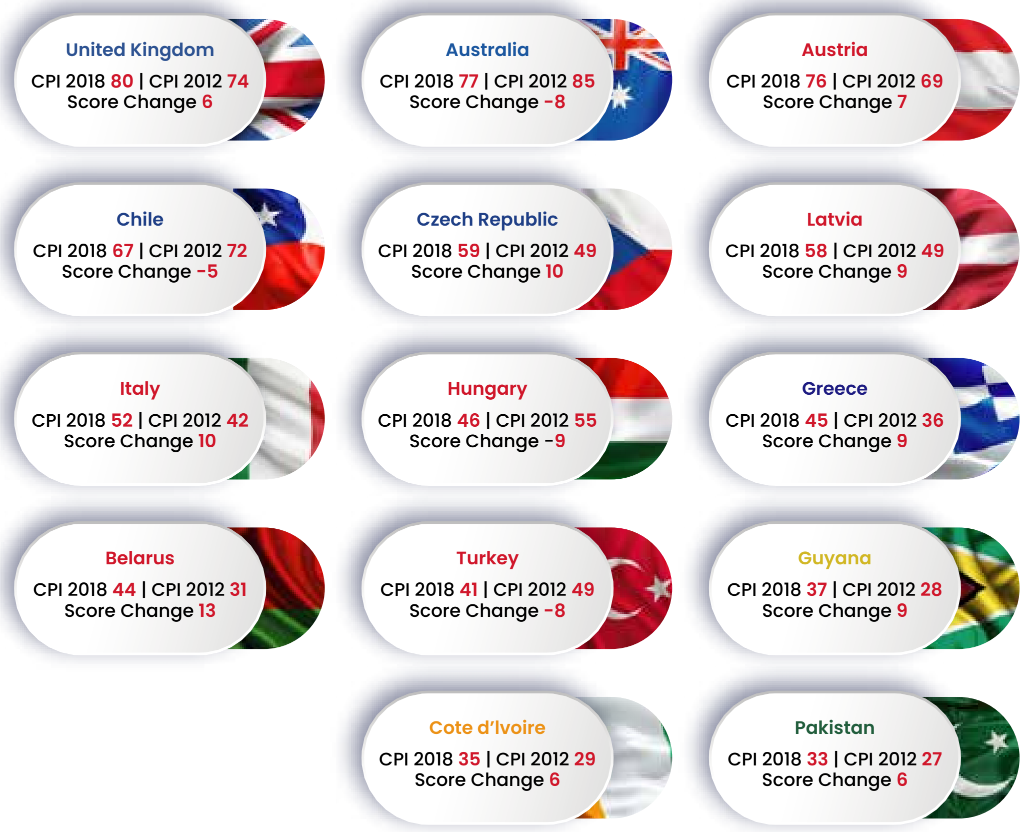


SCORE	COUNTRY/TERRITORY	RANK
87	New Zealand	2
85	Singapore	3
77	Australia	13
76	Hong Kong	14
73	Japan	18
68	Bhutan	25
63	Brunei Darussalam	31
63	Taiwan	31
57	Korea, South	45
47	Malaysia	61
46	Vanuatu	64
44	Solomon Islands	70
41	India	78
39	China	87
38	Indonesia	89
38	Sri Lanka	89
37	Mongolia	93
36	Philippines	99
36	Thailand	99
35	Timor-Leste	105
33	Pakistan	117
33	Vietnam	117
31	Maldives	124
31	Nepal	124
29	Laos	132
29	Myanmar	132
28	Papua New Guinea	138
26	Bangladesh	149
20	Cambodia	161
16	Afghanistan	172
14	Korea, North	176

(Source: Transparency International)

Figure 3: Corruption Perceptions Index 2018: Statistically Significant Changes

All the 90% confidence level.



(Source: Transparency International)

It is visible that it ranks on 117th number out of 180 countries which is not a good statistic for a country like Pakistan.

Comparing the statistics of 2012 and 2018 (figure 3), Pakistan has been successful in improving its ranking. From 27 CPI score to 33 CPI score with a change score of 6. It is an improvement and a good sign for people who want to see Pakistan corruption-free.

Corruption in Pakistan is a strong impediment in the documentation of the economy as it has dreadful effects on the trust between people and the concerned authorities. The reason being, people consider that they are being cheated when the authorities do not follow the rules and laws that have been made to be followed by everyone.

Another reason why corruption has been one of the major impediments in the documentation of Pakistan's economy is the corrupt government officials who are happy to see the undocumented economy prevailing in the country as they stipulate bribes and other valuable gifts from the businessmen and allow them to work on unofficial basis, be it not obeying law and order or being unregulated. In short, they 'help' businesses in 'abiding by the law'. This practice is seen more in the tax and food departments in Pakistan. This all happens because people do not have the fear of officials in the tax department. They find it easy to bribe them and do whatever they find profitable for a particular business. This practice is not carried out by everyone but mostly by those who do not want to obey the rules set by the authorities.

Corruption has destroyed the overall structure of the business in Pakistan. It has made it difficult to allocate the available resources. It is one of the key factors for the increase in the cost of doing business in Pakistan and discouraging global financiers.

Tax Level

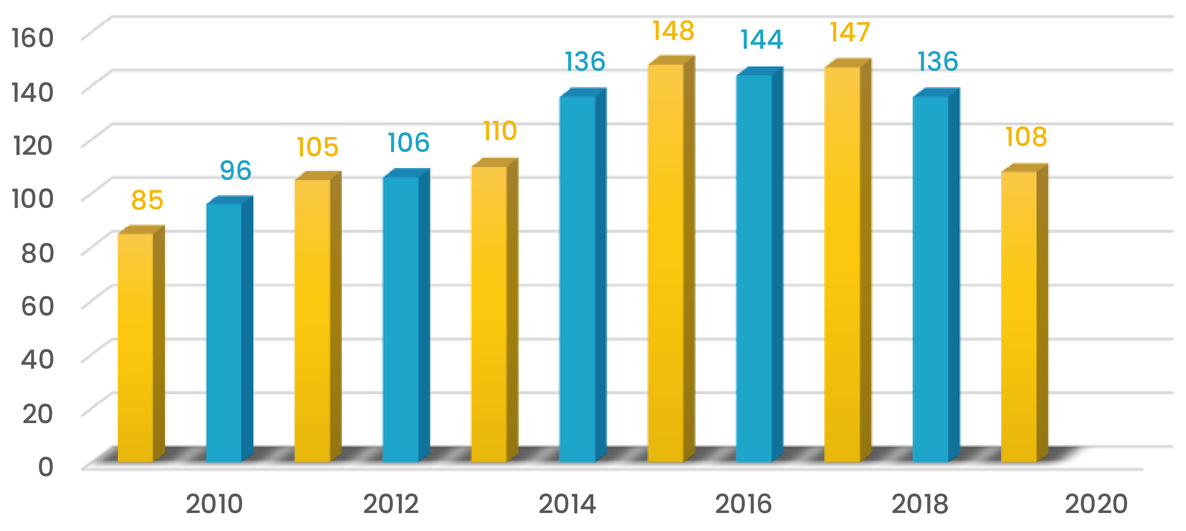
After going through a good number of researches it is justified to state that as the level of taxes goes high the cost of working in the documented economy increases, consequently the size of the undocumented economy increases. In the case of Pakistan too, it has been observed that the higher rates of taxes are one of the major impediments in documenting the economy of Pakistan. The core reason for the relation between tax level and the undocumented economy is that the tax evasion possibility attracts labor and businesses to work under the undocumented economy, hence it increases the profitability rate. Everyone wants to have the maximum possible after-tax earnings.

Fearlessness of Being Exposed

In the case of working in an undocumented economy, a person dodges the business laws. This is a punishable act and if the person is found guilty it can even lead to a prison sentence. However, people who support such

Figure 4: Ease of Doing Business: Ranking of Pakistan 2009-2019

(Source: Ease of Doing Business in Pakistan https://tradingeconomics.com/pakistan/ease-of-doing-business)



Actual	Previous	Highest	Lowest	Date	Frequency
108.00	136.00	148.00	85.00	2008-2019	Yearly

type of businesses by taking bribes or other gifts make sure that undocumented business should never get into trouble. To overcome this impediment, it is highly recommended that the fear of being detected should be elevated. Automatically, the size of the undocumented economy will shrink. It all depends on how strictly the rules and regulations are enforced in economic activities. The higher the strictness the lower will be the ratio of the unregistered and unregulated business. The dominance of law & order and equal law & justice for all is the basic requirement to overcome this impediment. In the case of Pakistan, according to a survey a greater part (56 percent) of undocumented businessman and workers believe and are certain that they are not at the risk of being detected. Whereas, 34 percent say it is somehow risky and only 7 percent were certain that they are at a risk because of evading business laws. This is all because of the weak enforcement of business laws.

Structural Level Factors

The experts agree on the fact that structural level factors play a vital role in bringing the percentage of the undocumented economy up. The following are a few of them:

Tax Mortality

The term tax mortality refers to the ethical responsibility of the citizen of a country to pay taxes for the betterment of society as a whole. The rate of tax mortality vastly depends upon the trust of taxpayers on the government. In recent years a change has been observed about tax mortality. People are willing to pay taxes only if the government can prove to them that the taxes they have paid will be used only for the betterment of the general public. In the case of Pakistan, the businessmen of the undocumented economy say they are willing to pay taxes, but the market norms and the corrupt government officials are the reason that they resist from doing so.

Knowledge of the Tax Registration System

Efforts in identifying the benefits of knowledge about the tax registration system are very inadequate. This area of research has been quite neglected. Educating the people about this topic is highly important. The gap between the businesses and the level of awareness they have about it has caused a great loss to the documented economy. In the case of Pakistan, it is observed that the workers are not familiar with the time and cost involved in the registration process; therefore, they overestimate these factors and hence prefer to join or remain in the undocumented economy. This gives a major setback to the documented economy as it results in tax evasion. Many of the small enterprise owners around (42 percent) consider it unnecessary to get registered. This mind set acts as a high octane fuel in speeding up the undocumented economy. With this, it becomes a great impediment in documenting the economy of Pakistan.

Confrontation with the Government

Confrontation with the government can be taken as a disagreement with the system of government as well as a lack of trust in a government official. Neo–Marxism (a type of political philosophy that suggests there should be no classes in the society and government should control all the means of production and resources) states that undocumented economy prevails because of the gap between the workers and the system of government. It provides a point of view that the undocumented economy is the result of an increasing number of poor which overthrows the current capitalist system. A parallel system of undocumented economy is growing in size as a result of the struggle for survival. This impediment also denotes that when workers are disappointed and feel let down by the state, they automatically slide into the undocumented economy where they find ease in many respects. Mistrust of the government leads the citizens to adopt undocumented economic activities. In the case of Pakistan, informal workers are reluctant to become formalized because of the doubts on the structural operations and how the government makes use of tax income. This shows a clear picture of the situation of public institutions and the way citizens perceive it.

Ease of Doing Business

This means an easier, simpler and enhanced regulation system for businesses. To know how much better a country is doing with respect to this factor, there is an index called Ease of Doing Business Index. A higher ranking in this index means the respective country is performing efficiently in starting and maintaining a local business. A study shows the overburden of regulation on the business entities pushes them to opt for informal/undocumented economic activities. People do so to avoid expenses, efforts and time associated with the regulation system. With regard to the ease of registering a business, the more time and cost it takes to get registered, the more are the chance of people getting attracted to the undocumented economy. In the latest Ease of Doing Business survey (2020) Pakistan has been ranked 108th in 2019 among 198 countries. The ranking improved from 136 in 2018.

Figure 4 shows the statistics of Pakistan in the above-mentioned survey for the past few years.

Now, to have a clear picture of the position of Pakistan about this impediment in documenting the economy, every factor considered in this index is discussed briefly below.

- **Starting a Business**

  Pakistan ranked 72 in starting a business index where total numbers of procedures are 10 and the number of days required are 16.5.

- **Getting Electricity**

  Pakistan ranked 123 in getting electricity index where total numbers of procedures are 06 and the number of days required are 113, which means almost 3.5 months.

- **Registering Property**

  Pakistan ranked 151 in registering property index where total numbers of procedures are 08 and the number of days required are 105.

- **Paying Taxes**

  Pakistan ranked 161 in paying taxes index where total numbers of payments per year are 34 and time hours per year are 283. Total tax and contribution rate is 33.9 percent of the yearly profit.

- **Enforcing Contracts**

  Pakistan ranked 156 in enforcing contracts index where the number of days required are 1071 and quality of judicial processes index is 5.7 out of 18.

- **Trading Across Borders**

  Pakistan ranked 111 in trading across borders index where time to export with regards to documentary compliance is 55 hours and border compliance is 58. The cost to export with regards to documentary compliance is 118 (USD) and border compliance are 188 (USD), according to World Bank Group data.

METHOD OF COMPUTATION OF UNDOCUMENTED ECONOMY

The Internal Labor Organization (ILO) has defined three indicators to calculate the informal economy of any country. These indicators provide a clear picture of what is exactly happening in the undocumented economy and it impacts on the economy of a country as a whole. These indicators and the computation method are as follows:

Share of undocumented employment in the total employment (%) =

$$\frac{\text{Undocumented Employment}}{\text{Total employment}} * 100$$

Share of employed persons in the undocumented sector (%) =

$$\frac{\text{Persons employed in the undocumented sector}}{\text{Total employment}} * 100$$

Share of undocumented employment outside the undocumented sector in the total employment (%) =

$$\frac{\text{Undocumented employment outside the undocumented sector}}{\text{Total employment}} * 100$$

Conclusion

The size of the informal economy is anticipated to be greater (30-40 percent) according to International Monetary Fund, which is above the average size of the South Asian average. This is creating a huge impact on the economic position of Pakistan in the world. Pakistan is still struggling with its economy although it has been independent for the last 72 years. The impediments in controlling the huge size of economy are education and ability level of the informal worker, economic marginality, public sector corruption, tax level, the fearlessness of being exposure, tax mortality, knowledge of the tax registration system, confrontation with the government and difficulties in doing business. By overcoming these impediments Pakistan will be in a much better situation economically. All the economic activities in the undocumented sector will become a part of the documented economy; hence the size of the formal economy will be increased. As mentioned in Pakistan Vision 2025, at least half of the unregistered and unregulated business will be transformed into

Comparing Documented and Undocumented Economy

(Source: Definition Of The Informal Economy, Jacques Charmes)

The firms in the undocumented economy operate on a small scale.	**Scale of Operation**	Whereas the firms in the documented economy, most likely operate on a large scale.
The entry in the undocumented sector is much easier as rules and regulations are not followed.	**Ease of Entry**	The entry in the documented economy is difficult because of the rules and regulations.
Most of the firms are operated and owned by families.	**Ownership of the Firms**	The firms are operated under corporate ownership.
These are labor-concentrated firms.	**Focus of the business**	These are capital-concentrated firms.
The market is unregulated, unprotected and not licensed.	**Regulation**	The market is regulated, protected and licensed.
The resources for operation are gathered locally.	**Basis of resources**	The resources for operation are generally imported and new.
Labor training is from an informal training system.	**Labor skills development**	Labor training is from a formal training system.
The firms in the undocumented economy operate on a small scale.	**Scale of Operation**	Whereas the firms in the documented economy most likely operate on a large scale.

documented businesses. The tax collection procedure will be made better. New income will be collected from documentation of the undocumented economy through applicable and efficient procedures, such as making documentation process easier, easy to implement laws and procedures, simple rules of dispute resolution and overall removal of impediments in the documentation of the economy. All these measures will be taken to reach the required level of tax to GPD ratio which is currently below (13.7 percent) the targeted ratio i.e. 16-18 percent, according to Ministry of Planning, Development, and Reform. If Pakistan succeeds in applying these plans and strategies, it will stand at a better place and will have a stronger position on the economic map of the world.■

This Essay was awarded Second Prize in IBP Essay Competition 2019.

Q&A

ROSHAN DIGITAL ACCOUNT
دور رہ کر بھی پاس
An Initiative of State Bank of Pakistan

Roshan Digital Account is a major initiative of State Bank of Pakistan, in collaboration with commercial banks operating in Pakistan. These accounts 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.

Q1. What are Roshan Digital Accounts for overseas Pakistanis?

ANS: Roshan Digital Accounts are being offered by banks to provide digital banking solutions to millions of Non-Resident Pakistanis (NRPs). Now NRPs willing to undertake banking, payment and investment activities can do so through digital channels without visiting bank branches in Pakistan. Any NRP can now easily open a bank account in a Pakistani bank from abroad digitally, with simplified requirements. The Roshan Digital Account is a conventional bank account that can be opened and operated remotely, over the internet.

Q2. Which banks are offering RDAs for Non-Resident Pakistanis?

ANS: Currently these banks are providing digital accounts to overseas Pakistanis:

Bank Alfalah | Bank Al Habib | Bank of Punjab Dubai Islamic Bank | Faysal Bank | Habib Bank HabibMetro | MCB Bank | Meezan Bank | Samba Bank | Standard Chartered Bank | United Bank

Q3. What are the types of accounts offered under Roshan Digital Accounts?

ANS: There are two types of accounts offered under Roshan Digital Accounts. These are:

- Foreign Currency Value Account (FCVA)
- NRP Rupee Value Account (NRV)

Q4. Who is eligible to open a Foreign Currency Value Account (FCVA)?

ANS: Any of the following are eligible to open a Foreign Currency Value Account (FCVA):

- A non-resident individual Pakistani
- A non-resident POC card holder
- A resident individual Pakistani who has duly declared assets held abroad, as per wealth statement declared in latest tax return with the Federal Board of Revenue (FBR). For the time being, these individuals will need to visit a bank branch to open this account as digital on-boarding is not yet available for resident Pakistanis.
- Employees or officials of the Federal or Provincial Governments posted abroad in the tax year

Q5. Who is eligible to open an NRP Rupee Value Account (NRVA)?

ANS: Any of the following are eligible to open NRP Rupee Value Account (NRVA):

- A non-resident individual Pakistani
- A non-resident POC card holder
- Employees or officials of the Federal or Provincial Governments posted abroad in the tax year

Q6. What is the definition of a Non-Resident Person?

ANS: The definition of non-resident has been adopted from the Income Tax Ordinance (Chapter 5, Division II, Section 82), which is as follows:

An individual shall be treated as non-resident for a tax year if the individual —

- is outside of Pakistan for a period of, or periods amounting in aggregate to, 183 days or more in the tax year (July to June); or
- is outside of Pakistan for a period of, or periods amounting in aggregate to, 120 days or more in the tax year and, in the four years preceding the tax year, has been outside of Pakistan for a period of, or periods amounting in aggregate to 365 days or more.

Q7. What is the requirement to open these (FCVA and NRVA) accounts?

ANS: The following documents are required, along with the account opening form:

- CNIC/ NICOP/ POC
- Passport (Pakistani and/or foreign country)

◇ Proof of non-resident status

◇ Proof of profession and source of income/funds:

- For salaried individuals: job certificate/salary slips.
- For business persons: tax return/rent agreement/ any other proof of income

Q8. How long will the bank take to open the account?

ANS: After the online form has been successfully completed and documents correctly uploaded, the account will be opened within 2 working days. If there is any need for further clarification on the part of the bank, their representative will contact the customer.

Q9. Can I also open Islamic Banking Account Digitally?

ANS: Yes, apart from a conventional banking account, banks will also provide the option of an Islamic Banking Account to customers.

Q10. Can an FCVA/NRVA be opened jointly with other residents/non-residents?

ANS: A Non-Resident Pakistani/POC holder can open an FCVA/NRVA jointly with other resident/Non-Resident Pakistanis, as per applicable laws/banking practices. The account shall be treated as a non-resident account. However, a resident Pakistani having foreign assets declared with FBR can open an FCVA jointly with a resident only.

Q11. I already have an account in Pakistani bank, can it be converted to RDA?

ANS: No. Customers already having account in a Pakistani bank will have to open a new RDA account with one of the eight banks currently designated by SBP.

Q12. Will minors be able to open a Roshan Digital Account?

ANS: Yes, a minor can open RDA jointly with his/her parents/guardian, after fulfilling the legal formalities and the chosen bank's policy requirements.

Q13. In which currency can an FCVA be opened?

ANS: FCVA can be opened in all major currencies which include US Dollar (USD), Pound Sterling (GBP), Euro (EUR), Japanese Yen (JPY), Canadian Dollar (CAD), UAE Dirham (AED), Saudi Riyal (SAR), Chinese Yuan (CNY), Swiss Franc (CHF) and Turkish Lira (TRY). However, if the customer wishes to invest in the special foreign-currency denominated security of the Government of Pakistan (the USD-denominated Naya Pakistan Certificate), the required amount of investment will have to be converted into US dollars at the prevailing rate.

Q14. How can these accounts (FCVA and NRVA) be funded?

ANS: These accounts can be fed with remittances received from abroad through banking channels.

Funds in an NRVA can also be transferred from the customer's own Foreign Currency Value Account (FCVA) or other NRVA with the same bank. Moreover, returns on investments and disinvestment proceeds on account of investments made from these accounts can also be credited in these accounts.

Q15. Can the accounts (FCVA and NRVA) be credited with funds from local sources?

ANS: No, these accounts cannot be credited with the funds generated from local sources except for the profit/return earned on eligible investments made from these accounts.

Q16. Can the funds available in these accounts be used for local payments and transfers in Pakistan?

ANS: Yes, the funds available in these accounts can be used for making any legitimate payment or transfer to other local accounts in Pakistan. The funds can also be withdrawn in cash in Pakistan through ATM or cheque.

Q17. What investment opportunities are allowed from these accounts?

ANS: A - Investments allowed from NRP Rupee Value Account (NRVA):

Pakistani rupee-denominated debt securities of Government of Pakistan (including Pakistani-rupee Naya Pakistan Certificates, T-bills, PIBs, Sukuk and any other registered securities of the government as notified from time to time).

◇ Shares quoted on the stock exchange(s) in Pakistan

◇ Residential and commercial real estate

◇ Pakistani-rupee denominated deposit products of the bank maintaining the account

B – Investments allowed from Foreign Currency Value Account (FCVA):

◇ Foreign currency-denominated debt securities of the Government of Pakistan, including USD Naya Pakistan Certificates

◇ Foreign currency deposit products of the bank maintaining the account

Q18. What kind of property investments can be made through NRVA?

ANS: Investment can be made for purchase of any kind of residential and commercial properties, both in lump sum and instalments. This includes new housing schemes, existing schemes, the purchase of land, and the purchase of already constructed property.

Q19. Can investment in real estate from NRVA be made jointly with the family member(s)?

ANS: Investment in real estate from NRVA can be made either in the name of the account holder or jointly with his/her family member(s), which includes parents, brother, sister, wife, children and lineal ascendant and descendants.

Q20. Can ATM/debit card and chequebook be issued for these accounts?

ANS: Yes, banks are allowed to issue ATM/debit cards in these accounts and these can be used for payments/withdrawal in Pakistan and abroad. Further, banks are also allowed to issue chequebooks for these accounts, if required by the account holder. The digital accounts will also provide the facility of virtual debit cards in the coming days for shopping in Pakistan or abroad.

Q21. What currency shall be disbursed against the ATM/debit cards issued against these accounts?

ANS: In Pakistan, the funds will be disbursed in PKR. However, in case a bank has an arrangement to disburse foreign currency through ATM, disbursement can also be made in foreign currency in case of withdrawal from FCVA.

In case of withdrawal outside Pakistan, either the currency of the resident country or any other currency offered for withdrawal in the relevant country shall be disbursed, subject to terms and conditions of payment scheme e.g. VISA/Master. It may be noted that applicable conversion rates may vary from currency to currency.

Q22. How can I receive my chequebook and ATM/debit card?

ANS: Once the account is opened, the account holder will have the option to use all sorts of digital services being offered by the bank, including internet banking, virtual debit card, etc. However, if the customer so wishes, he/she can receive ATM/debit card and/or chequebook either through courier at his/her registered address abroad or in Pakistan

OR

by physically visiting the bank's branch. The bank shall share the services charges for sending the ATM/debit cards and/or chequebook with the account holder and also obtain explicit consent from the account holder for sending them at a registered mailing address abroad or in Pakistan.

Q23. Will there be any bank charges when the customer uses these cards abroad?

ANS: Yes, use of ATM/debit card abroad shall be subject to applicable charges as per respective bank's schedule of charges.

Q24. Can the funds available in these accounts be remitted back from Pakistan? If yes, is there any approval required for remitting the funds?

ANS: The funds available in these accounts can be remitted back from Pakistan at any time without prior approval from the bank or SBP.

> "For the first time in the history of Pakistan, State Bank has made it possible to allow our overseas Pakistanis to open an account in a Pakistani bank completely digitally in a presenceless manner and without needing to visit any bank, any embassy or consulate."
>
> — Governor SBP, Dr. Reza Baqir

However, in case of disinvestment in real estate before three years from the date of investment, the principal amount invested can be repatriated at any time while the capital gain, if any, can be repatriated after three years from the date of investment. In case the investment is made in instalments, the date of payment of the last instalment shall be treated as date of investment. Please refer to Annexure A para 1 (d) of the FE Circular 01 of 2020 available at:

http://www.sbp.org.pk/epd/2020/FEC1.htm.

Q25. Will bank charges apply on money transfers to a Pakistani bank?

ANS: The charges will be applied by the sending bank abroad as per their schedule of charges. Banks have made special arrangements with most of their correspondent banks to bring down transfer charges in the range of $5 - $9. For more information on charges, you may contact the bank with which you have opened an RDA or intend to open.

Q26. What bank charges will apply on money transfers to and from NRVA within or outside Pakistan?

ANS: Any transaction through these accounts shall be subject to the charges applicable to transactions as per the schedule of charges of the bank available at the bank's website. Some banks have made some special arrangements with their correspondent banks to bring down transfer charges in the range of $5 - $9. For more information on charges, you may contact the bank with which you have opened an RDA or intend to open.

Q27. What exchange rate will be used for transfer of funds between the FCVA & NRVA and for credit/debit in NRVA on account of funds received from abroad and repatriated back from Pakistan.

ANS: For transfer of funds from FCVA to NRVA, the bank will use the prevailing buying exchange rate at the time of transfer of funds while for transfer from NRVA to FCVA, the bank will use the prevailing selling exchange rate.

Currency	Tenor	Investment Amount	Rate of Return for example	Profit	Tax Deductible @ 10%	Net Profit	Amount Receivable on Maturity (Principal + Net Profit)
USD $	12 M	100,000	6.5%	6,500	650	5,850	105,850
PKR	12 M	100,000	10.5%	10,500	1,050	9,450	109,450

Figure 1

At the time of receipt of funds in NRVA from abroad, the bank will use the prevailing buying exchange rate at the time of transfer of funds into the account. For remitting funds from NRVA back from Pakistan, the bank will use the prevailing selling exchange rate.

For transfer/payment using ATM/debit cards, additional service charges of the bank and payment scheme e.g. VISA/Master may be applicable.

Q28. What would happen in case of death of a customer/RDA holder?

ANS: In case of death of the account holder, the balance available in the account and the outstanding investment made from the account including accrued profit/return, if any, will be paid to the legal heirs of the deceased in accordance with applicable law of inheritance.

Q29. Is there any tax applicable on investment made in Naya Pakistan Certificates?

ANS: The profit on the Naya Pakistan Certificates (NPCs) shall be subject to deduction of tax at rate of ten percent at source. This tax shall be full and final discharge of tax liability in respect of profit on the Certificates. There shall be no requirement for tax filing in respect of profit on the Certificates. An example of calculation of tax on NPCs is given in Figure 1 above.

Q30. Is compulsory deduction of Zakat, under Zakat & Ushr Ordinance 1980, applicable on RDA?

ANS: No, in terms of Section 3(1)(a)(b) of the Zakat and Ushr Ordinance, 1980, read with Rule 24-A of the Zakat Collection & Refund Rules, 1981, compulsory deduction of Zakat is not applicable on RDA (both FCVA and NRVA).

Q31. What are the tax obligations for Roshan Digital Account holders?

ANS: Based on diaspora feedback and SBP recommendations, the Federal Government has introduced a new simple, convenient and hassle-free tax regime for Roshan Digital Account (RDA) holders. This includes all investments undertaken by Non-Resident Pakistanis (NRPs) as well as investments in Naya Pakistan Certificates undertaken by resident Pakistanis who have declared assets abroad. The features of this new tax regime are available at:

https://www.sbp.org.pk/RDA/Index.html

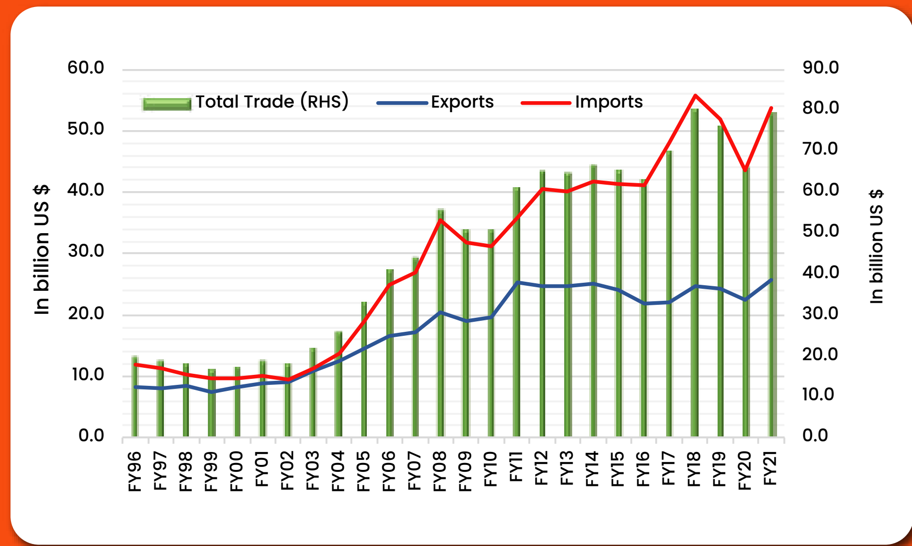
CAPTURING DIVERGENT TRENDS

in Inflows/Outflows of the Balance of Payments

First appeared in IBP's quarterly Journal October-December 2020, the feature on 'Rewinding the Reel' allows the readers to see the changes appear in the composition, magnitude and significance of key economic variables over a period of time. Availability of consistent time series in terms of its definition, components and source of its origin are the main factors which determine the depth we can go to into the past. This graphical presentation of previous data with minimal narration, gives readers complete freedom to draw inferences on their own about the policies adopted in the past, sustainability of the current policy stance as well as looking into its future prospects.

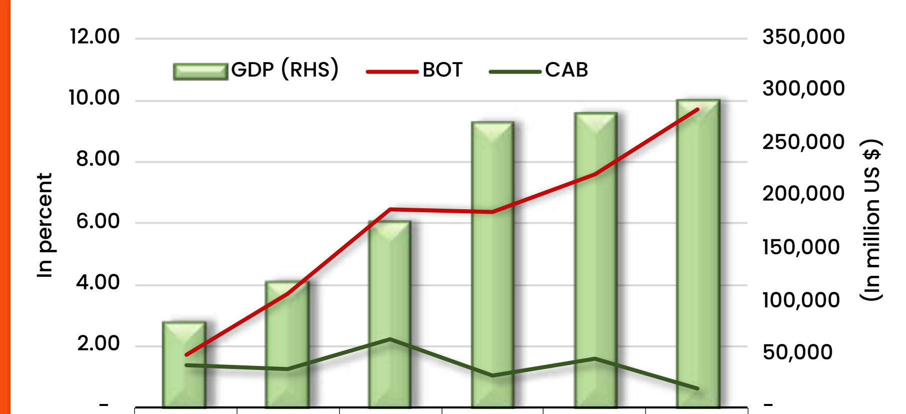
'Capturing Changing Pattern of Inflows/Outflows in Balance of Payments' is the topic which has been taken up for this quarter.

Trend in Merchandized Trade



During past twenty-five years, except for FY02 and FY03, when the value of imports of goods was marginally higher by around 3.2 percent, the increase in import was seen far higher than the rise in the exports. FY17, FY18, FY19 and FY21 were the years when imports were witnessed more than doubled the value of exports.

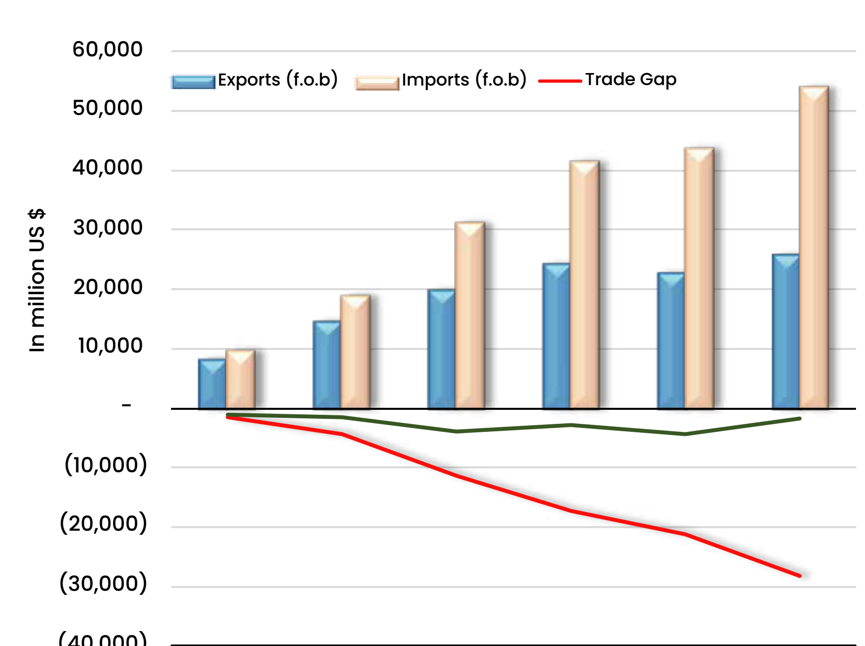
Balance of Trade and Current Account Balance as %GDP



	FY00	FY05	FY10	FY15	FY20	FY21
GDP (US$)	82,018	120,05	177,16	270,55	278,22	290,74
BOT	1.72	3.71	6.46	6.38	7.59	9.69
CAB	1.39	1.28	2.23	1.04	1.60	0.63

Balance of Trade (BOT) and Current Account Balance (CAB) which were 1.7 percent and 1.4 percent of GDP respectively in FY00, took a divergent trend thereafter and drifted apart with a big margin every coming year. By the end of FY21, the BOT reached 9.7 per cent while, the CAB was seen at only 0.63 percent of Gross Domestic Product (GDP).

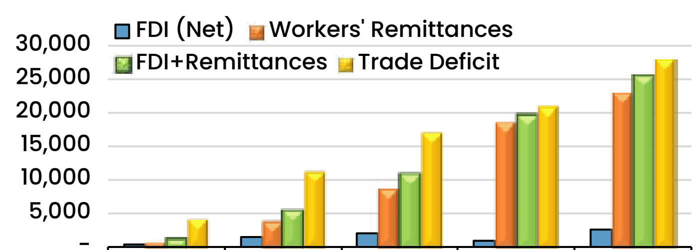
Balance of Trade Vs. Current Account Balance



	FY00	FY05	FY10	FY15	FY20	FY21
Exports (f.o.b)	8,190	14,481	19,680	24,090	22,536	25,632
Imports (f.o.b)	9,602	18,931	31,132	41,357	43,645	53,795
Trade Gap	(1,412)	(4,450)	(11,452)	(17,267)	(21,109)	(28,163)
CAB	(1,143)	(1,534)	(3,946)	(2,815)	(4,449)	(1,827)

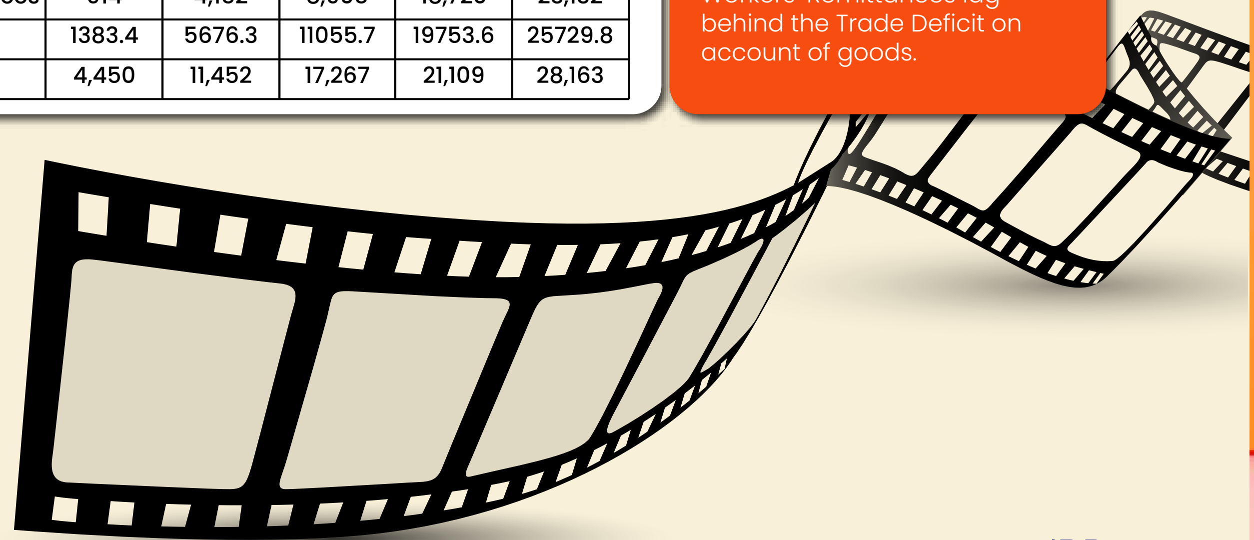
Past twenty years' comparison shows that trade deficit is on continuous rise. A phenomenal growth of 20 times have been seen during last 20 years. This heavy shortfall in foreign trade of goods was seen compensated largely by inflow of workers' remittances and as such, the Current Account Balance (CAB) remain in manageable limit.

Trade Deficit Vs. Foreign Direct Investment (FDI) and Workers' Remittances

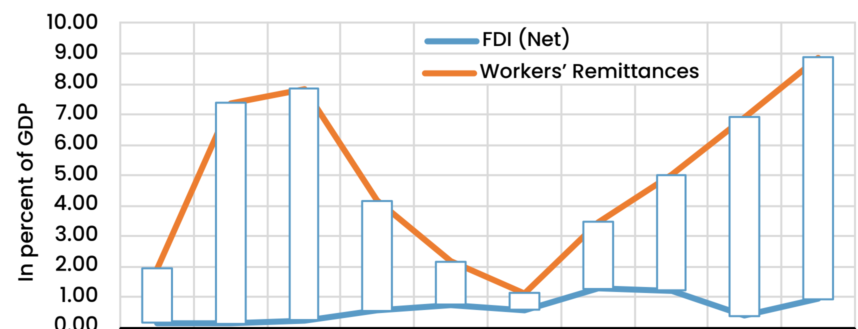


	FY00	FY05	FY10	FY15	FY20
FDI (Net)	470	1,524	2,151	1,034	2,598
Workers' Remittances	914	4,152	8,905	18,720	23,132
FDI+Remittances	1383.4	5676.3	11055.7	19753.6	25729.8
Trade Deficit	4,450	11,452	17,267	21,109	28,163

Foreign Direct Investment (net) is another account which recorded persistent growth over the past twenty years with an annual average growth of 27.6 percent. Although it is a part of capital account in BOP, even its addition to the Workers' Remittances lag behind the Trade Deficit on account of goods.



Growth Trend in Foreign Direct Investment (FDI) and Workers' Remittances

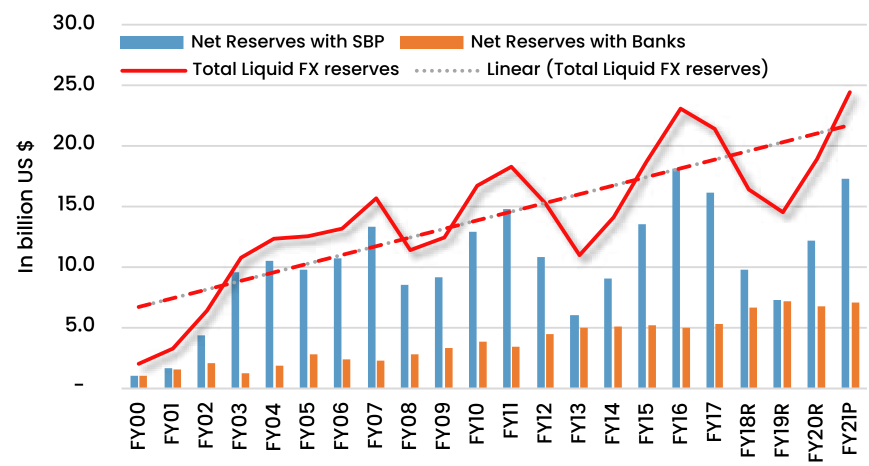


	FY 1975	FY 1980	FY 1985	FY 1990	Fy 1995	FY 2000	FY 2005	FY 2010	FY 2015	FY 2020
FDI (Net)	0.13	0.12	0.23	0.54	0.73	0.57	1.27	1.21	0.38	1.00
WR*	1.92	7.39	7.85	4.17	2.17	1.11	3.46	5.03	6.92	8.91

* Workers' Remittances

Past data shows that Workers' Remittances (WR) remained as high as 7.5 percent to 8.0 percent of GDP during FY80 to FY85 and it is the second time in the last 45 years that it once again reached at 8.3 percent at the end of FY20. However, as compared to Workers' Remittances, the growth in Foreign Direct Investment (FDI) was seen as slower and steadier during last 45 years.

Forex Reserves Accumulation - End-Year Position

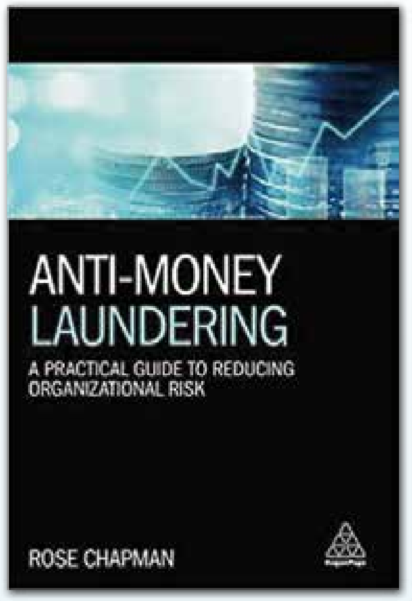


While there have been frequent kinks and hiccups seen in the past 21 years of the end year accumulation of Forex Reserves, the lowest level of State Bank of Pakistan's Forex Reserves was witnessed at the end of FY19 when it was at $7.3 billion and was almost equal to the commercial banks' holding of $7.2 billion.

ANTI-MONEY LAUNDERING

A Practical Guide to Reducing Organizational Risk

By: Rose Chapman



It is estimated that between 2 and 5 percent of global GDP (over $3 trillion) is laundered by criminals around the world every year. Once thought to be a problem which only affected banks and the financial services sector, high profile cases, such as the leak of the Panama Papers in 2016, have thrust the issue into the public arena, and governments around the world are being forced to put robust systems and controls in place. Anti-Money Laundering offers a cost-effective self-development tool for the busy compliance professional eager to progress their career and in need of an accessible, practical and jargon-free introduction to anti-money laundering (AML).

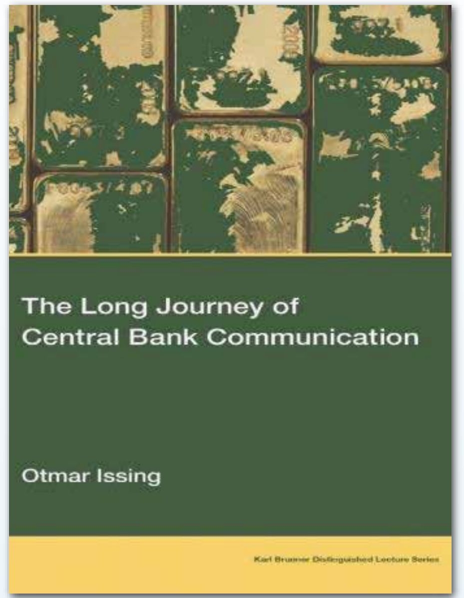
Anti-Money Laundering offers a practical guide to navigate the maze of requirements needed to counter money laundering in an organization. This book separates the different elements of AML practice, featuring a range of case studies and scenarios highlighting issues and best practices around the world. The text demonstrates that it is by foresight and methodology that AML can be mitigated, and provides clarity on complex points to better enable readers to gain the expertise they need to achieve success in practice.

About the Author

Rose Chapman is the Global Head of Compliance for a leading travel commerce platform and solutions provider. With over 20 years of experience working in compliance and ethics in global organizations, she is accustomed to the demands and challenges faced by business professionals and compliance teams working in fast moving, culturally diverse and constantly changing environments. She is a Lecturer and Training Manual writer/reviewer for the ICA in Post Graduate Diplomas and Certificates in Compliance, and a member of the Institute of Money Laundering Prevention Officers Committee, as well as a recognized speaker and expert on anti-money laundering.

The Long Journey of Central Bank Communication

By: Otmar Issing



Synopsis

Central bank communication has evolved from secretiveness to transparency and accountability—from a reluctance to give out any information at all to the belief in communication as a panacea for effective policy.

In this book, Otmar Issing, himself a former central banker, discusses the journey toward transparency in central bank communication. Issing traces the development of transparency, examining the Bank of England as an example of extreme reticence and European Central Bank's President Mario Draghi as a practitioner of effective communication. He argues that the ultimate goal of central bank communication is to make monetary policy more effective, and describes the practice and theory of communication as an evolutionary process.

For a long time, the Federal Reserve never made its monetary policy decisions public; the European Central Bank, on the other hand, had to adopt a modern communication strategy from the outset. Issing discusses the importance of guiding expectations in central bank communication, and points to financial markets as the most important recipients of this communication. He discusses the obligations of accountability and transparency, although he notes that total transparency is a "mirage." Issing argues that the central message to the public must always be that the stability of a nation's currency is the bank's priority

Review

"Central banks today focus on communication more than ever before. Is this sensible? Otmar Issing has produced a superb appraisal of recent developments that is remarkably comprehensive, accessible to all, and a model of communication itself."

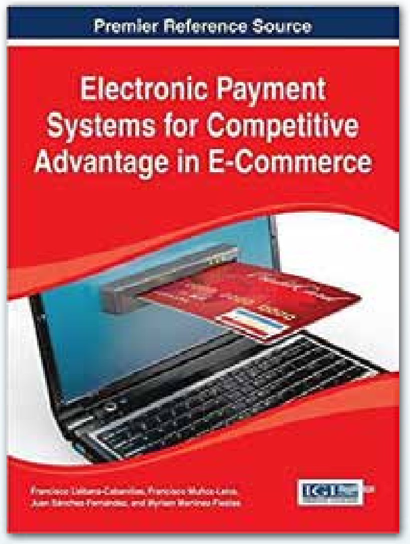
— Mervyn King, former Governor of the Bank of England

About the Author

Otmar Issing is President of the Center for Financial Studies at Goethe University in Frankfurt. He has been a member of the executive boards of the Bundesbank (German Central Bank) and the European Central Bank, where he was also Chief Economist. He is the author of *The Birth of the Euro* and *Monetary Policy in the Euro Area.*

ELECTRONIC PAYMENT SYSTEMS

FOR COMPETITIVE ADVANTAGE IN E-COMMERCE



By: Fransisco Liébana – Cabanillas [et al.]

Synopsis

Recent innovations in the field of information technology and communications are radically changing the way international organizations conduct business. In this competitive environment, having the necessary tools to streamline business transactions and secure digital payments is crucial to business success. *Electronic Payment Systems for Competitive Advantage in E-Commerce* provides relevant theoretical frameworks and the latest empirical findings on electronic payment systems in the digital marketplace. Focusing on the importance of e-commerce in business development, including the advantages and disadvantages of e-payments, this book is an essential resource for business professionals who want to improve their understanding of the strategic role of e-commerce in all dimensions, as well as for both researchers and students.

Review

"Business, telecommunications, and marketing scholars from Europe, South America, and India present 15 articles on the use of electronic payment systems in e-commerce. They discuss the internet as a buy and sell distribution channel, including its impact on business-to-business e-commerce, the internet as a commercial channel and virtual platform managed by an intermediary, and the influence of word-of-mouth marketing on commercial transactions in electronic environments; the role of web systems and social networks in customer behavior, including motivation for shopping online, the role of confidence in commercial agreements, web design, and user satisfaction about security and functionality in e-commerce."

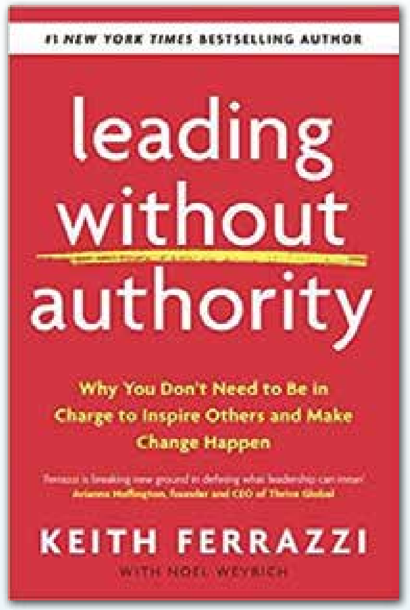
— ProtoView Book Abstracts (formerly Book News, Inc.)

About the Author

Francisco Liébana-Cabanillas is an Assistant Professor in the Department of Marketing and Market Research at the University of Granada (Spain) since 2000 and holds a Ph.D. in Business Sciences at this university. He has a degree in Business and Administration Science and a Master in Marketing and Consumer Behavior, from the University of Granada. His main area of research and interest is the effectiveness of the mobile and online banking, internet consumer behavior and e-banking acceptance; the results of which are reflected in various papers in leading Journals which have been presented at the European Marketing Academy (EMAC), Asociación Española de Marketing Académico y Profesional (AEMARK), International Network of Business and Management (INBAM), International Symposium on Management Intelligent Systems (ISMIS), Jornadas Hispanolusas de Gestión, etc., and chapters in different multidisciplinary books. He is currently working on different research projects in Internet social networks, mobile payment, social commerce, Internet and effectiveness, multi-objective optimization and new technologies acceptance.

LEADING WITHOUT AUTHORITY

Why You Don't Need to Be in Charge to Inspire Others and Make Change Happen



By: Keith Ferrazzi with Noel Weyrich

Synopsis

The world of work is changing at an unprecedented rate, leaving many organizations struggling to cope. At a time when constant innovation, agility, and speed often mean the difference between success and failure, we can no longer afford to waste time navigating the complex bureaucracy present in most companies. The #1 New York Times bestselling author Keith Ferrazzi argues that in times like these the ability to lead without authority is the essential workplace competency.

Leading Without Authority reveals the secret to getting those around you to collaborate and cooperate to reach their full potential, whatever your title. The answer involves a shift in mindset that Ferrazzi calls 'co-elevation' – working to elevate those around us. And you do not have to have formal authority, or direct reports, to utilize the co-elevation process. In fact, you can take initial steps forward without the other person even being aware of your efforts.

Drawing on a decade of research and over thirty years of helping CEOs and senior leaders drive innovation and build high-performing teams, Ferrazzi reveals how we can all transform our business and our relationships with the people around us. The result is a new roadmap for thriving amid the disruptive pressures afflicting every industry.

The book has been Long-listed for the CMI Management Book of the Year 2021.

Reviews

"Ferrazzi brilliantly shows how building mutually beneficial partnership marks the future of all work, and demonstrates how anyone can lead if they're willing to make themselves vulnerable and put the project mission and their partners first."

— Kristin Yetto, Chief People Officer at eBay

"Ferrazzi has gone into the trenches to figure out what it really takes to empower people and make teams more than the sum of their parts. This book will be a staple in every leader's library".

— Adam Grant, host of the TED Podcast WorkLife, bestselling author of Give and Take and Originals

About the Author

Keith Ferrazzi is a #1 New York Times best-selling author of *Who's Got Your Back* and *Never Eat Alone*, as well as a frequent contributor to Harvard Business Review, WSJ, Fast Company, Forbes, Inc, Fortune and other publications. Keith's 20-year history of transforming C-Suite executive teams has made him an agent of transformation and among the world's greatest and most sought after coaches. As founder and CEO of Ferrazzi Greenlight, Keith Ferrazzi transforms behaviors that block global organizations from reaching strategic goals into new habits that increase shareholder value. The firm's Greenlight Research Institute has proven the correlation between practices that improve relationships and business success, particularly in sales performance and team effectiveness in an increasingly virtual world.

Noel Weyrich is a professional editor, writing coach, and ghostwriter for great businesspeople who want to make a difference in the world.

IBP ONLINE TRAINING CALENDAR
OCTOBER - DECEMBER 2021

*For latest updates, fee structure and timings please visit
https://ibp.org.pk/trainingcalendar/

IBP ONLINE TRAINING CALENDAR
OCTOBER - DECEMBER 2021

OCTOBER

WEDNESDAY 13 OCT 2021
Credit Administration & Operations
Facilitator: Munazza Abdul Majeed
2PM 6PM — PKR 8,500/- PER PARTICIPANT
* fee (excluding taxes)

WEDNESDAY 20 OCT 2021
Understanding Letter of Credit - Processing, Documentation and Issues
Facilitator: Aqeel Muslim
9:30AM 1:30PM — PKR 8,500/- PER PARTICIPANT
* fee (excluding taxes)

SATURDAY 23 OCT 2021
Digital Forensics and Cyber Security
Facilitator: Syed Muhammad Ali Naqvi
10AM 2PM — PKR 8,500/- PER PARTICIPANT
* fee (excluding taxes)

NOVEMBER

THURSDAY 04 NOV 2021
Pakistan Single Window (PSW)
Facilitator: Khalid Faridi
9:30AM 1:30PM — PKR 8,500/- PER PARTICIPANT
* fee (excluding taxes)

SATURDAY 06 NOV 2021
RAAST - Digital Payment Revolution
Facilitator: Syed Muhammad Taha
10AM 2PM — PKR 8,500/- PER PARTICIPANT
* fee (excluding taxes)

SUNDAY 07 NOV - 05 DEC, 2021
Certification Course in Islamic Banking & Takaful
Facilitator: Islamic Banking Experts
3PM 8PM — PKR 40,000/- PER PARTICIPANT
* fee (excluding taxes)

TUESDAY 09 NOV 2021
Regulatory Requirement for Collateral Management
Facilitator: Murtaza Rizvi
2PM 6PM — PKR 8,500/- PER PARTICIPANT
* fee (excluding taxes)

WEDNESDAY 10 NOV 2021
Customers Digital Onboarding Framework
Facilitator: Shamwail Sohail
9:30AM 1:30PM — PKR 8,500/- PER PARTICIPANT
* fee (excluding taxes)

THURSDAY 11 NOV 2021
Credit Risk Review
Facilitator: M.A. Hijazi
2PM 6PM — PKR 8,500/- PER PARTICIPANT
* fee (excluding taxes)

IBP ONLINE TRAINING CALENDAR
OCTOBER - DECEMBER 2021

FRIDAY 12 NOV 2021
Risk Management in Islamic Banks
Facilitator: Asim Hameed
9:30AM 1:30PM — PKR 8,500/- PER PARTICIPANT
* fee (excluding taxes)

SATURDAY 13 NOV 2021
Preventing Frauds in Trade Transactions
Facilitator: Salim Thobani
10AM 2PM — PKR 8,500/- PER PARTICIPANT
* fee (excluding taxes)

MONDAY 15 NOV 2021
Digital Marketing & Sales
Facilitator: Asif Iqbal
2PM 6PM — PKR 8,500/- PER PARTICIPANT
* fee (excluding taxes)

WEDNESDAY 17 NOV 2021
Banking and Digital Innovation
Facilitator: Kenneth Fahad
9:30AM 1:30PM — PKR 8,500/- PER PARTICIPANT
* fee (excluding taxes)

THURSDAY 18 NOV 2021
Impact of Digitization on International Trade
Facilitator: Ahmir Mansoor
9:30AM 1:30PM — PKR 8,500/- PER PARTICIPANT
* fee (excluding taxes)

FRIDAY 19 NOV 2021
Latest Updates in Foreign Exchange Regulations (Chapter-12, 13, 14 & 16)
Facilitator: Ejaz Ahmed Qadri
9:30AM 1:30PM — PKR 8,500/- PER PARTICIPANT
* fee (excluding taxes)

SATURDAY 20 NOV 2021
Enterprise Risk Management
Facilitator: Aamir Shaukat Hussain
10AM 2PM — PKR 8,500/- PER PARTICIPANT
* fee (excluding taxes)

MONDAY 22 NOV 2021
Common Discrepancies in Account Opening
Facilitator: Saif Uddin Ahmed
2PM 6PM — PKR 8,500/- PER PARTICIPANT
* fee (excluding taxes)

TUESDAY 23 NOV 2021
Financial Modeling and Business Valuation
Facilitator: Saad Usman
9:30AM 1:30PM — PKR 8,500/- PER PARTICIPANT
* fee (excluding taxes)

IBP ONLINE TRAINING CALENDAR
OCTOBER - DECEMBER 2021

WEDNESDAY 24 NOV 2021
Budgeting and Forecasting Skills for Managers
Facilitator: Muhammad Ahmad Khan
9:30AM - 1:30PM
PKR 8,500/- PER PARTICIPANT
* fee (excluding taxes)

THURSDAY 25 NOV 2021
COBIT 2019 Framework: Introduction & Methodology
Facilitator: Atta Ullah Memon
9:30AM - 1:30PM
PKR 8,500/- PER PARTICIPANT
* fee (excluding taxes)

SATURDAY 27 NOV 2021
FATF & Pakistan AML/CFT/CPF Regime for Financial Institutions
Facilitator: Kamran Hyder
10AM - 2PM
PKR 8,500/- PER PARTICIPANT
* fee (excluding taxes)

SATURDAY 27 NOV 2021
Commercial & Private Remittances Under Foreign Exchange Manual 2020
Facilitator: Rana Salim Saleem
10AM - 2PM
PKR 8,500/- PER PARTICIPANT
* fee (excluding taxes)

DECEMBER

DECEMBER TBD
Regulatory Requirements for On-site and Off-site Inspection of Banks
Facilitator: Atta Ullah Memon
PKR 8,500/- PER PARTICIPANT
* fee (excluding taxes)

DECEMBER TBD
Implementing AML Compliance & Controls
Facilitator: Usman Ali Khan
PKR 8,500/- PER PARTICIPANT
* fee (excluding taxes)

DECEMBER TBD
Climate Change Risk & Financial Risk
Facilitator: Faisal Sarwar
PKR 8,500/- PER PARTICIPANT
* fee (excluding taxes)

IBP ONLINE TRAINING CALENDAR
OCTOBER - DECEMBER 2021

DECEMBER TBD
Trade Based Money Laundering & FATF Sanctions
Facilitator: Aqeel Muslim
PKR 8,500/- PER PARTICIPANT
* fee (excluding taxes)

DECEMBER TBD
Digitization Strategy in Financial Institutions
Facilitator: Azmat Rafique
PKR 8,500/- PER PARTICIPANT
* fee (excluding taxes)

DECEMBER TBD
Cloud Computing Security - Risk & Threat Management
Facilitator: Imran Ashraf
PKR 8,500/- PER PARTICIPANT
* fee (excluding taxes)

DECEMBER TBD
AML/CFT - SBP Framework for Exchange Companies
Facilitator: Sumera Baloch
PKR 8,500/- PER PARTICIPANT
* fee (excluding taxes)

DECEMBER TBD
Sales Management and Marketing of Financial Services
Facilitator: Erum Saleem
PKR 8,500/- PER PARTICIPANT
* fee (excluding taxes)

DECEMBER TBD
Risk Management in SMEs
Facilitator: Ahmed Javed Qureshi
PKR 8,500/- PER PARTICIPANT
* fee (excluding taxes)

DECEMBER TBD
Foreclosure Laws & Determination of Liability: Legal Implications and Precautions
Facilitator: Munazza Abdul Majeed
PKR 8,500/- PER PARTICIPANT
* fee (excluding taxes)

DECEMBER TBD
UCP 600 (Uniform Customs & Practice for Documentary Credits) and Letters of Credit
Facilitator: Ejaz Ahmed Qadri
PKR 8,500/- PER PARTICIPANT
* fee (excluding taxes)

DECEMBER TBD
Risk Profiling in Trade Finance
Facilitator: Salim Thobani
PKR 8,500/- PER PARTICIPANT
* fee (excluding taxes)

IBP ONLINE TRAINING CALENDAR
OCTOBER - DECEMBER 2021

DECEMBER
TBD

Risk Based Auditing

Facilitator:
Aamir Shaukat Hussain

PKR 8,500/-
PER PARTICIPANT

* fee (excluding taxes)

DECEMBER
TBD

Key Requirements of IFRS Standards for Banking Industry

Facilitator: Hassan Marfani

PKR 8,500/-
PER PARTICIPANT

* fee (excluding taxes)

DECEMBER
TBD

Preventing and Minimizing Cheque Frauds

Facilitator: Naveed Elahi Malik

PKR 8,500/-
PER PARTICIPANT

* fee (excluding taxes)

DECEMBER
TBD

Branch Revenue and Profitability

Facilitator: Faisal Anwar

PKR 8,500/-
PER PARTICIPANT

* fee (excluding taxes)

DECEMBER
TBD

Data Transformation & Cleaning with Power Query in Microsoft Excel

Facilitator: TBD

PKR 8,500/-
PER PARTICIPANT

* fee (excluding taxes)

IBP OFFERS

CERTIFICATION COURSE IN HOUSING FINANCE LEGAL FRAMEWORK, MORTGAGE, MONITORING & DOCUMENTATION

In order to support the initiatives taken by the SBP to develop necessary systems, processes and market infrastructure for housing and construction, especially low cost housing finance and to translate the vision of the Prime Minister of Pakistan into reality, IBP with due guidance from the SBP has formulated four certificate courses on Housing Finance for the following banking officials:

- **FRONT OFFICE STAFF**
- **CREDIT ADMINISTRATION STAFF**
- **CREDIT RISK AND PRODUCT STAFF**
- **COLLECTION AND RECOVERY STAFF**

ISO 9001 : 2015 CERTIFIED TÜV AUSTRIA

(021)111-000-IBP (021-111- 000-427) www.ibp.org.pk IBPakistan The Institute of Bankers Pakistan

Save for Pakistan
Invest in Pakistan

"We ... in general and young men in particular do not know the value of money. A paisa saved today is two paisa tomorrow, four paisa after that and so on and so forth. Because of our addiction to living beyond means and borrowing money we lost our sovereignty over this Sub-continent."

Mohammad Ali Jinnah
Founder of Pakistan
(Ziarat, 1948)

Bank AL Habib