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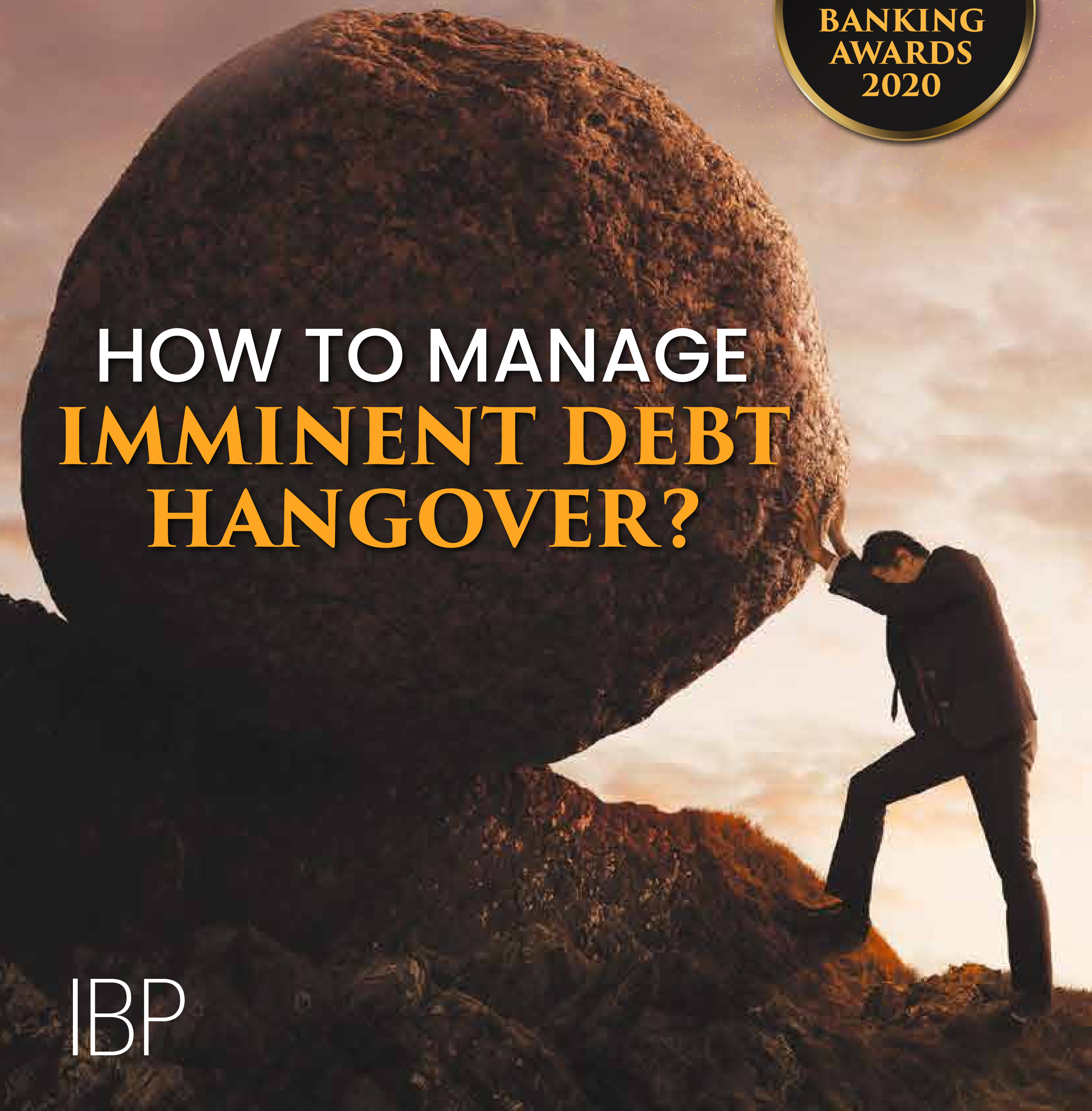
COMPENSATION DESIGN:
A Jigsaw Puzzle

HOW CORONAVIRUS COULD RESHAPE THE WORLD

5TH PAKISTAN BANKING AWARDS 2020



HOW TO MANAGE IMMINENT DEBT HANGOVER?

IBP

EDITORIAL

Muhammad Mazherul Haq
Editor

Prioritizing the Priorities in Present and Post-COVID Scenario

More than one year has passed but the battle still continues. Governments and businesses are struggling hard to minimize the damages caused by the on-going COVID-19 pandemic to the socio-economic fabric all across the globe without any discrimination of rich or poor. While the analysts and medical scientists are busy in categorizing its spell into wave-1, wave-2 and at some places even wave-3, the advent of the vaccine and marathon campaign to administer it, fortunately faded away the looming dark clouds of fears and uncertainties to a large extent.

With the approval and rollout of the long awaited coronavirus vaccine's expectations of an early global recovery have strengthened, despite rising COVID-19 cases and persistent uncertainties surrounding the economic outlook. In its Global Financial Stability (GFS) Update released on January 27, 2021, the International Monetary Fund underlined that until the vaccines are widely available, the market rally and the economic recovery remain predicated on continued monetary and fiscal policy support. Inequitable distribution of vaccines risks exacerbating financial vulnerabilities, especially for frontier market economies.

GFS Update further mentions that: i) policy accommodation has mitigated liquidity strains so far, but solvency pressures may resurface in the near future, ii) profitability challenges in the low-interest-rate environment may weigh on banks' ability and willingness to lend in the future, iii) policymakers should continue to provide support until a sustainable recovery takes hold as under delivery may jeopardize the healing of the global economy, and iv) with monetary policy anticipated to remain accommodative in coming years, policymakers should contain rising vulnerabilities to avoid putting growth at risk in the medium term.

In Pakistan, the on-time, precise and closely monitored policy measures taken by State Bank of Pakistan (SBP) and the Government of Pakistan on monetary and fiscal fronts saved the economy from plunging into any recession like situation, particularly in early days of the COVID pandemic, when economic activities, including transportation, went through the general lockdown. The SBP policies introduced during the first spell of COVID-19 including i) Reducing the policy rate by a cumulative 625 basis points from 13.25 percent to 7 percent, ii) Temporary Economic Refinance Facility (TERF) is a concessionary refinance facility aimed at promoting investment both new and expansion, iii) Loan Extension and Restructuring Package of State Bank of Pakistan (Debt Relief Scheme), and iv) SBP Rozgar Scheme to prevent layoff by financing wages and salaries of employees (permanent, contractual, daily wagers as well as outsourced) for six months for all kinds of businesses except for government entities, proved successful in avoiding transformation of corona riddled health problems into a full-blown economic crises.

All the schemes offered by SBP were overwhelmingly responded to by the target groups who availed these priority/concessionary finance schemes to keep their businesses going in the difficult times when uncertainties were at their peak due to unchecked spread of COVID-19. Continuing upon the past efforts, the formidable challenge is now to decide about the future course of action to enable the businesses to stay competitive in domestic as well as international markets in post-vaccine era. While different options are on the cards, we may also consider to mute the recommended safe limits of 'twin deficits as percent to GDP' for the time being and contrarily prioritize more on generating and maintaining aggregate demand at a level sufficient to create employment opportunities, necessary to appease COVID inflicted economic adversities.

Since the coronavirus is not going to become extinct, but will stay with us like many other curable diseases, it is our turn how we react to this and to what extent we bring change in our attitude to accept this emerging reality. Jack Welch (1935-2020), a writer and Ex-CEO of General Electric has rightly said that "Change before you have to." "Our only security is our ability to change", said by John Lilly (1915-2001), a physician and psychoanalyst is also relevant in the present coronavirus riddled situation. In other words, the sooner we learn to live with it, the better we would be getting out of it. Best of the best is that we should also take inspiration from the poetry of Dr. Allama Muhammad Iqbal who very rightly said that:

سکوں محال ہے قدرت کے کارخانے میں   ثبات ایک تغیر کو ہے زمانے میں

Quiescence is difficult in the universe, Only change is permanent in the universe.

The Contributors

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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.

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PAKISTAN BANKING AWARDS

THE INSTITUTE OF BANKERS PAKISTAN

DAWN | A.F.FERGUSON&Co. | A member firm of the PwC network

5TH PAKISTAN BANKING AWARDS 2020

The Pakistan Banking Awards 2020, jointly organized by The Institute of Bankers Pakistan (IBP), the DAWN Media Group and A.F. Ferguson & Co. (a member firm of the PwC Network), were held at Pearl Continental Hotel, Karachi on January 08, 2021. Governor State Bank of Pakistan Dr. Reza Baqir graced the occasion as the Chief Guest.

A highly celebrated annual event among the banking and finance fraternity, these were the 5th Pakistan Banking Awards, since their inception in 2016. These annual awards are recognized as symbol of excellence for banks across Pakistan and help motivate them to raise their service standards and products' quality at par with international standards.

This year, 34 banks and financial institutions participated in the competition. Awards for 2020 were given to banks and financial institutions for their best performance in nine different categories including the two new categories introduced this year for banks. i.e., the: i) Best Digital Banking and ii) Most Innovative Business.

The winners were selected by a distinguished jury consisting of five experts from the corporate, banking and financial sectors. As always, they adopted a neutral, transparent and impartial evaluation process to determine the best performers for these awards.

The eminent jury comprised of former SBP Governor Salim Raza (Chairman of the Jury), former President/ CEO Faysal Bank Limited Naved A. Khan, former Banking Mohtasib Pakistan & former Country Head SCB Pakistan Azhar Hamid, former Regional Head of Citibank Middle East and Pakistan Shehzad Naqvi; and Managing Director & CEO English Biscuit Manufacturers (Pvt) Ltd Dr. Zeelaf Munir.

As decided by the respectable jury, Meezan Bank received the Best Bank Award; the Best Customer Franchise Award went to Habib Bank Limited (HBL); HBL also succeeded in winning the Best Investment Banking Award as well as the Award for Best Bank for Small and Medium Businesses; while National Bank of Pakistan (NBP) was declared the Best Bank for Agriculture; Khushhali Microfinance Bank received the Best Microfinance Bank Award; Faysal Bank Limited won the Best Emerging Bank Award; United Bank Limited (UBL) bagged the award for Best Digital Banking; while there were two winners for Most Innovative Business: Karandaaz and Akhuwat.

The Governor State Bank of Pakistan in his keynote address, said while the year 2020 had been marred with COVID-19 and brought adversities both for humans and economic well-being in terms of considerable life losses and dampening the business activities all across the globe, it had also been a year of opportunity. Appreciating the banks, he said that bankers went a long way in defusing the adversities of COVID-19 by working hand-in-hand with Government of Pakistan and State Bank of Pakistan in implementing the special measures, apart from continuing their routine operations.

Elaborating the extraordinary measures taken by SBP, Dr. Baqir said that these measures were unprecedented and reflected innovation. He particularly referred to the decrease in policy rate by 625 basis points in a short span of three months terming it to be historical. Adding further, he said that this was supplemented by refinance schemes, loan deferments and regulatory relaxations, which prevented the liquidity shock from turning into a solvency problem. By end-2020, the cumulative impact of this support was estimated at 4.5 percent of GDP, he said.

He said that in the recently concluded SBP initiated Rozgar Scheme where concessional loans were provided to businesses to finance their wage bills, a total of 2,958 businesses availed the financing of Rs. 238.2 billion to cover the wages/salaries of close to 1.7 million employees. Further, the opening of bank branches and the availability of ATMs which hovered around 96 percent to 97 percent even in peak high of both the COVID-19 spells, had been extremely crucial in winning and maintaining confidence of depositors as well as the general public towards the banking system.

The Governor added that, "The overall business confidence improved further by 3 points and reached two years high from 52 in August 2020 to 55 in October 2020, remaining in positive zone for second consecutive wave which shows optimistic views of business community regarding enhancement in economic activities in Pakistan. The perceptions of both the industry and services sectors further improved in positive zone. Business confidence index for industry increased from 51 in August 2020 to 55 in October 2020; and for services sector firms from 52 to 55. Importantly, this optimism has also begun to reflect in planned investment activity in the country". Dr. Reza Baqir remarked that some of the other ways in which SBP innovated were the initiatives in digitalization and housing finance.

Referring to the SBP initiative of Roshan Digital Account, he said that digital account opening has ushered a new era of banking in the country and is expected to increase the pace of financial inclusion in the country. He also spoke briefly about the SBPs latest initiative of Pakistan's Instant Payment System, called Raast. He shared that the first phase of this project would be launched very soon by the Prime Minister. About housing finance, Governor Baqir expressed his optimism that the incentives provided by the Government to promote housing and construction activities along with the subsidized housing refinance scheme by SBP for affordable housing will accelerate the economic activities further.

Dr. Baqir said the Pakistan Banking Awards are a step forward in acknowledging the positive contribution the banking sector is making towards the National development and endorsed that such an event should take place every year to encourage a healthy sense of competition amongst the performers.

"Pakistan Banking Awards are unique as each award category has been ingeniously created considering the core areas of banking & financial sector and how they impact our Country's economic goals." Elaborating further, he said, "A bit different than previous years' events, this year the efforts of the bankers who kept banking business not only unaffected by the COVID-19 pandemic but also set new standards of working from home and serving the people from all segments of society were being recognized."

"A sense of achievement, I believe, should be the prime focus for your participation in this competition where you will find lot of space avail to get your innovative approach registered and receive appreciation there against.

Notwithstanding the pandemic economic slowdown, State Bank of Pakistan took a number of initiatives where banks could excel in performance and be a candidate for winning the next PBA awards."

Earlier, in his welcome address, the Chief Executive IBP Mr. Mansur-Ur-Rehman Khan said that the Pakistan Banking Awards lay the benchmark for healthy competition and the spirit to accomplish more through improvement and innovation in their products and services. Highlighting the significant role IBP has played in shaping the banking and financial landscape of the country, Mr. Mansur-Ur-Rehman Khan said The Institute of Bankers Pakistan takes pride in substantiating its presence for almost 7 decades of supporting the banking and finance industry of Pakistan by providing quality training, recruitment and assessment services. "IBP's mission is to empower banking professionals with continuous learning, adaptation and application of knowledge, to prepare them with the skills required by the job market", he said.

He spoke about the future training initiatives by the Institute including Certificate courses in AML/CFT and SME Banking for Relationship Managers, Introduction of Job standards for different job functions; Building active alumni and industry engagement programs; and Continuing Professional Development (CPD) programs for IBP Qualified Members. Elaborating upon the ongoing efforts, Mr. Mansur-Ur-Rehman Khan said that to further support the initiatives taken by the SBP for developing necessary systems, processes and market infrastructure for housing and construction, especially low cost housing finance, IBP, with due guidance from the SBP has formulated the four certificate courses on Housing Finance Legal Framework, Mortgage, Monitoring & Documentation.

"We are also focusing on Real Estate Developer Financing. As the banking industry in Pakistan had limited exposure towards housing and Real Estate Developer Project Finance; therefore, development of human capital was one of the basic prerequisites to execute this mandatory Government initiative of housing and construction of buildings (residential and non-residential), as instructed by the State Bank of Pakistan, to maintain 5 percent of their domestic private sector credit by December 2021. The Institute of Bankers Pakistan in line with the initiative taken by seven selected banks under the leadership of HBL, is in the final stage of collaborating with an international learning partner for capacity building in Real Estate Developer Financing in Pakistan. The session for bankers will commence in January 2021", he added.

Lauding the efforts of SBP's measures in the wake of COVID-19, he said "It is heartening that the ramifications of the pandemic have neither dampened spirits nor caused a disruption of operations in the banking sector, who continued to provide their services uninterrupted, thanks to SBP's support through special COVID-19 measures."

In his concluding remarks, Mr. Mansur-Ur-Rehman Khan paid tribute to the Governor State Bank of Pakistan for extending his continued support and guidance to promote the training and development agenda of IBP and thanked him to make it possible to grace this occasion as a chief guest despite the heavy engagement schedule. He also expressed gratitude to the eminent jury, comprising of distinguished professionals, who have contributed in keeping the evaluation process transparent throughout. He added, "The Pakistan Banking Awards are a forum to recognize achievements of the financial sector, which are redefining the role of banks. The COVID-19 pandemic has impacted every niche of the economy and caused us to the view conventional banking afresh through a new focal lens."

The ceremony was attended by eminent professionals from Pakistan's banking and finance industry. Ms. Shahla Naqvi, Manager Publications and Communication at IBP, hosted the event.

PAKISTAN BANKING AWARDS
THE INSTITUTE OF BANKERS PAKISTAN
DAWN | A.F.FERGUSON&CO.

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PAKISTAN BANKING AWARDS 2020

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Express their Heartiest Congratulations to all the Winning Banks

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MEEZAN BANK

BEST MICROFINANCE BANK
KHUSHHALI MICROFINANCE BANK

BEST BANK FOR SMALL & MEDIUM BUSINESSES
HABIB BANK LIMITED

BEST BANK FOR AGRICULTURE
NATIONAL BANK OF PAKISTAN

BEST DIGITAL BANKING AWARD
UNITED BANK LIMITED

BEST INVESTMENT BANKING AWARD
HABIB BANK LIMITED

BEST CUSTOMER FRANCHISE
HABIB BANK LIMITED

BEST EMERGING BANK
FAYSAL BANK LIMITED

MOST INNOVATIVE BUSINESS
KARANDAAZ & AKHUWAT

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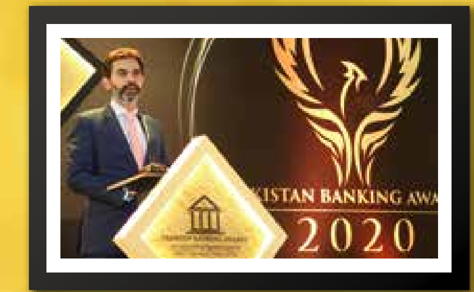
























IBP SIGNS MOU WITH THE BANK OF PUNJAB (BOP)

for Fostering Learning and Development

The Institute of Bankers Pakistan signed an MoU with The Bank of Punjab (BOP) on 29th January, 2021, for providing the BOP access to IBP's learning and development, talent acquisition and competency assessment tools. Since 1951, IBP has been the only premier knowledge leader for the financial sector and has designed and rolled out diplomas, certifications, eLearning and capacity assessment tools – all with the aim to ensure continuous learning and development of human capital serving in the banking sector. The BOP, with a view to provide its employees access to top class learning and development tools, to ensure continuous career progression and superior service delivery via knowledge access of global best practices, entered into this partnership with IBP. The occasion was graced by members of senior management of both the organizations.

(Left to Right):

*Mr. Asad Abdal - Head Marketing & Sales (IBP),
Mr. Arsalan Aftab - Director Academics & Examinations (IBP),
Mr. Faisal Hussain - Director Research & Development (IBP),
Ms. Khawlah Usman Director Marketing & Sales (IBP),
Ms. Alia Zafar - Group Head People & OE (BOP),
Mr. Khawar Ansari - Group Head Treasury & FI (BOP),
Mr. Faisal Tarar - Manager Training (BOP),
Mr. Mudassir Qureshi - Retail Business Head (BOP).*

IBP NEWS CORNER

IBP SIGNS A STRATEGIC MOU WITH CENTRE FOR ISLAMIC ECONOMICS (CIE)

for Collaboration in Critical Areas of Academics, Research & Training

In a collaborative initiative to increase mainstream understanding among the students of Islamic seminaries and disseminate Islamic knowledge among banking and financial sector stakeholders, The Institute of Bankers Pakistan (IBP) and Centre for Islamic Economics (CIE), a division of Jamia Darul Uloom Karachi signed an MOU on February 24, 2021. This arrangement invites the active collaboration of both the institutions in the field of research and training specifically focused on Islamic Banking & Finance. This action-oriented agreement was inked by Dr. Muhammad Imran Ashraf Usmani, Executive Director-CIE; Mufti Yahya Asim, Advisor-CIE; Mr. Faisal Hussain, Director- IBP Research & Development; and Mr. Arsalan Aftab, Director-IBP Academics and Examinations. This MoU would result in promoting Islamic education synthesized with advanced skill set in diverse disciplines necessary to bring about changes in the ways of designing and doing businesses compliant to Islamic Shariah.

The mutually agreed upon key points include the establishment of CIE offering collaborative certificate/diploma/postgraduate diploma in Islamic Banking & Finance. Under the agreement, both the institutions would organize joint conferences and seminars on Islamic banking, establish higher-level programs, explore joint online/distance learning programs and publish the Islamic Leadership magazine.

Mr. Faisal Hussain, Director Research & Development shared that human capacity building in Islamic Finance would lead to the progress of Islamic Banking in Pakistan. The rate of growth within Islamic Banking is only sustainable through trained human resources. The collaboration between the two bodies will would lead to the growth of the Islamic Banking Sector in Pakistan.

Dr. Imran Ashraf Usmani, Director CIE welcomed this strategic alliance between both the knowledge imparting institutions as it is going to open limitless opportunities for research, training and development in the field of Islamic Banking and Finance nationally and internationally. This was indeed a groundbreaking pact that would create a diverse impact in the progressive field worldwide, Dr. Usmani said.

CIE was established in 1992 under the chairmanship of Justice (R) Mufti Muhammad Taqi Usmani with the mission to develop a team of Shariah-oriented bankers and Islamic professionals to work as change agents in strengthening the ongoing efforts of transforming the interest based financial system into an interest-free Islamic financial sector. CIE has elicited the interest of a large number of entrepreneurs from trade and industry and executives from within the financial sector for related Islamic business management principles and practices.

Trainings Scenario

During January-March 2021, IBP conducted 21 Online Regular Training programs and 10 Customized Training programs, including Housing Finance Certificate Courses, which were attended by more than 1100 participants.

Significant topics of trainings included: FATF & Pakistan AML/CFT/CPF Regime for Financial Institutions, Micro Payment Gateway, Digital Transformation in Banking, Block Chain Technology, Developing Business Dashboard Using MS Excel, Compliance and Regulatory Instructions on Foreign Exchange, Risk Based Approaches in International Trade, Digital Marketing & Sales, SBP Mandatory Requirement for Import, Export & Inward/Outward Remittances, FATCA & CRS Global Reporting Compliance, Framework for Risk Management in Outsourcing Arrangements by Financial Institutions etc.

An international training program on Bank Capital and Liquid Adequacy Under Basel III and Basel IV was also conducted, facilitated by Mr. Peter Buerger, managing partner of Risk & More (Germany).

The Basel regulatory framework comprises a set of minimum global standards that are designed, in principle, for internationally active banks. In practice, the Basel standards are imposed on a wider set of banks in 125 jurisdictions, including Pakistan. Following the financial crisis, the Basel Committee on Banking Supervision (BCBS) revamped the international regulatory framework by introducing additional measures to strengthen the resilience of the global banking system. While this has resulted in a more risk-sensitive framework, it has also increased complexity and implementation efforts in banking organizations of all sizes. This modular live online workshop provided a comprehensive overview/perspective of how banks need to tackle the prudential regulation, i.e. achieving compliance with high standards of supervision, in particular requirements related to Basel III, and its finalization reform, which is commonly called Basel IV.

IBP is also conducting Real Estate Developer Finance - Train the Trainer Program in collaboration with Moody's Analytics. A customized program, Branch Manager Certificate Program, was also conducted with an aim to train and develop branch managers of Bank AL Habib at Karachi and Lahore.

Raast
Pakistan's Instant Payment System
پل بھر میں - ملک بھر میں

The origin seems to be taken from the Persian phrase Raah-e-Raast which is synonym for straight road, right path and good conduct. In social context it seems to direct following the way of life that preaches by religion, the true path. Technically speaking, we may expand it as 'Real-time Active Access to Small-value Transactions' (RAAST).

With all its suffix and prefix, Raast is actually a revolutionary intervention added to the country's existing digital payments system by State Bank of Pakistan (SBP) in January 2021. Raast is Pakistan's first instant payment system that will enable end-to-end digital payments among individuals, businesses and government entities instantaneously. The state-of-the-art Pakistan's Faster Payment System will be used to settle small-value retail payments in real time, while at the same time provide a cheap and universal access to all players in the financial industry including banks and fintechs.

Pakistan has had low electronic transactions for a number of reasons including low banking penetration, lack of trust and awareness of digital payment methods, limited interoperability, difficult accessibility and high cost of transactions. The Real Time Gross Settlement System (RTGS) of Pakistan provides instant payment settlements for large value and corporate transactions only. Raast: Pakistan's Instant Payment System will facilitate retail payment settlements with much great efficiency.

Digital payments only account for 0.2 percent of Pakistan's ~100 billion transactions today, whereas the share of digital transactions in peer countries ranges from 1.5 percent to 7 percent. This can primarily be attributed to the challenges within the payment ecosystem, which include:

Limited interoperability: Financial institutions (i.e. the providers of digital payment services) have difficulty connecting to each other due to a lack of necessary central infrastructure.

High cost of digital payments to the end user: End users are charged high fees for transferring money digitally, making digital payments inaccessible for a large portion of the population.

Poor user experience: End users must go through a complex process to make digital payments and there are no digital modes of payment that are widely accepted by merchants.

Lack of security: Currently available digital payment types and infrastructure do not offer sufficient/adequate data protection and authentication.

FEATURES OF RAAST

Instantaneous payments: Near real-time digital payments across individuals, merchants, businesses and government entities.

Low-to-no transaction costs for end users: Raast is designed to operate at a cost recovery model in order to make digital payments affordable to end users of all socio-economic backgrounds.

Full sector-wide interoperability: Raast will allow all financial institutions to seamlessly connect to each other via a single link to the central infrastructure, making digital payments accessible across any channel to customers of any financial institution.

Customer-centric innovative products/services: Raast will be built on cutting-edge technological standards, allowing financial institutions to develop innovative and user-friendly digital payment products and services (e.g. payment through phone number/email).

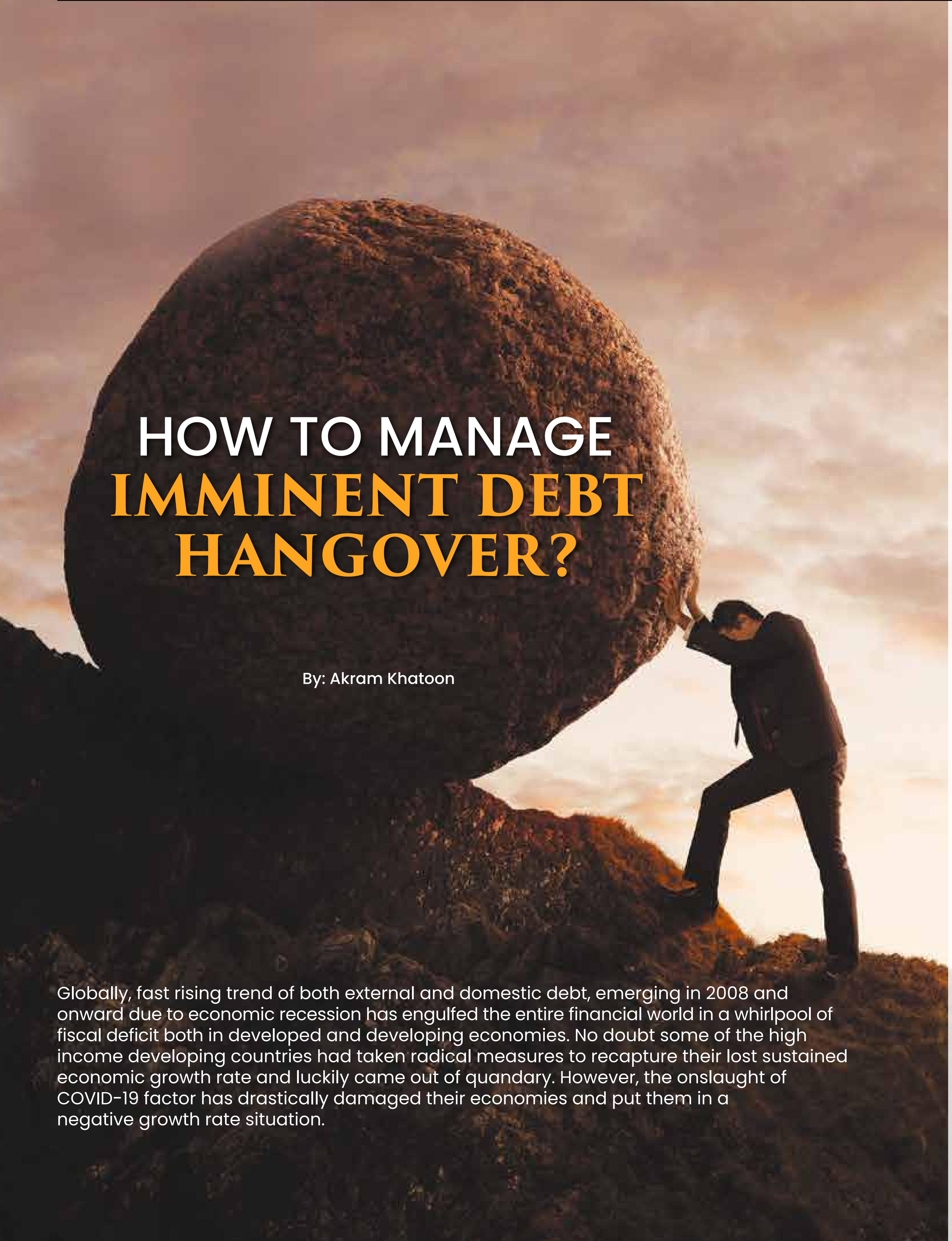
Reliability and enhanced security: Raast will introduce more secure payment types, ensure that each transaction is authorized by the payer, and offer enhanced data protection and fraud detection services.

LAUNCHING OF RAAST

The Honorable Prime Minister of Pakistan, Mr. Imran Khan, launched the completion of the first phase of Pakistan's Instant Payment System, Raast, in a ceremony held in Islamabad on January 11, 2021, hosted by the State Bank of Pakistan (SBP). Raast is an initiative of SBP under which it has developed Pakistan's first instant payment system in collaboration with Bill & Melinda Gates Foundation and Karandaaz, Pakistan. Raast is an accomplishment of one of the milestones of SBP's broader strategic agenda of digitalization and increasing financial inclusion in the country.

In his welcoming remarks, Governor SBP Dr. Reza Baqir informed that the Central Bank has been encouraging technological innovations in banking and payment systems for a long time; however, following the vision of the PM and his support it has stepped up its efforts further to accelerate the pace of digitalization in the country. To modernize the country's banking and payment systems, SBP has taken various initiatives such as enabling fintechs, and modernizing payments' infrastructure.

Dr. Baqir told the gathering that the faster payment system will help spur economic growth especially by facilitating small businesses and individuals. He added that the state-of-the-art faster payment system will provide a cheap and universal access to people of Pakistan, especially those who are financially excluded and less privileged, like women. He also shared SBP's plan to launch the system in a phased manner, starting with bulk payment module which will include digitization of dividend payments, salaries, pensions and other payments of government departments. In the next phases, Raast will digitize payments of micro and small business owners or merchants, who can then pay suppliers on time and fulfill other urgent payment obligations. Similarly, the system will provide seamless Person-to- Person payments that will include features such as sending requests for payments and initiating payments using identifiers such as phone numbers or any other alias.



HOW TO MANAGE IMMINENT DEBT HANGOVER?

By: Akram Khatoon

Globally, fast rising trend of both external and domestic debt, emerging in 2008 and onward due to economic recession has engulfed the entire financial world in a whirlpool of fiscal deficit both in developed and developing economies. No doubt some of the high income developing countries had taken radical measures to recapture their lost sustained economic growth rate and luckily came out of quandary. However, the onslaught of COVID-19 factor has drastically damaged their economies and put them in a negative growth rate situation.

The problem has, however, aggravated in case of low income developing countries. Pakistan in particular, where slow penetrations of aftereffects of global recession — which apart from causing fast depletion in economic growth rate resulted in growing fiscal deficit — have now dragged the country into a worse situation due to invasion of COVID-19. As such, the country continues to experience inflating domestic as well as external debt, currency debasement and plans to table repeated requests for restructuring of debt instead of going for default, which has been a practiced phenomenon among Latin American countries and even some Middle Eastern countries in the past. These countries have achieved a significant reduction in their external debts via restructuring and default.

Pakistan's economy is already in the grip of substantial debt and in the face of the recent past's devastating floods and now COVID situation, warrants further heavy internal as well as external borrowings, leading to further worsening debt-GDP ratio as external debt and liabilities have reached US$ 87.9 billion and after adding domestic debt of Rs. 22,283 billion by end of June 2020, total debt stands at 101.3 percent of GDP.

On the other hand, in the present scenario during fiscal year of 2019-20, Rs. 2.4 trillion going for domestic debt servicing represents 50.3 percent of tax revenue, which highlights our falling quickly into the debt trap. Ailing public sector entities alone consume a subsidy exceeding Rs. 350 billion, which is now planned to be reduced Rs. 180 billion during the current fiscal year. Consequently, fiscal and monetary discipline cannot be achieved and the country is faced with a galloping inflation despite tight monetary policy (although now eased up to some extent). Kenneth Rogoff, in his book This Time is Different, states that inflation is a form of de-facto default on domestic debt, particularly if that inflation is coupled with financial repression. Thus, the country faced with a similar situation is trapped in a vicious cycle of rising allocations for debt servicing, fiscal deficit and further borrowings every year. The country already owes US$7.7 billion to IMF apart from its liability to other funding sources, like Asian Development Bank (ADB) and various multilateral funding agencies and Paris Club* etc. Unfortunately, due to delayed payment a sizable percentage of debt is deducted at source on account of penalties and interest etc. However, some of these funding agencies are seriously thinking of providing debt relief to developing economies, including Pakistan, to overcome economic losses caused by onslaught of COVID-19. Particularly, Paris Club countries have suspended $1.8 billion payable by these countries in the form of principal amount and interest. These amounts would be restructured in remaining payment schedule. IMF also has plans to provide some repayment relief to Pakistan regarding its total debt outstanding.

Increasing economic and political vulnerability has forced present government to acquire more loans not only for rectifying the prevailing situation, but also to facilitate inherited quantum of external debt.

Unfortunately, despite Pakistan's effective role in curbing terrorism all over the globe, the country continues to be in the grey list of FATF and funding agencies continue to attach more and more strings to fresh loan packages. IMF insists on bringing major tax reforms so as to enhance tax-GDP ratio during the current fiscal year and also on removing all subsidies from utility services, particularly electricity etc. Further pressure from their side to increase prices of utilities, particularly of electricity and gas, will result in slow down of economic activity, increase in unemployment and cost of living, thus nullifying the results of tax reforms planned to be undertaken.

> "REMOVAL OF DEBT BURDEN BY DECLARING A DEFAULT SITUATION WILL BOOST ECONOMIC ACTIVITY, INITIATE MONETARY AND FISCAL DISCIPLINE AND THE COUNTRY WOULD BE ABLE TO ATTRACT FOREIGN INVESTMENT AND REJUVENATE LOST TRADE RELATIONS. IN THIS REGARD IT IS ESSENTIAL THAT RESTRUCTURING OR RESCHEDULING OF EXISTING DEBT SHOULD NOT BE ACCEPTABLE."

Although there has been talk of not going to IMF for further financial assistance, but in the face of devastating effects on the economy of unprecedented damage done by COVID-19 and also floods experienced in the recent past, the country has no other option except to go for default. All fears relating to default need to be shed away in view of Pakistan's strategic importance for success of NATO forces in Afghanistan and its voluntary initiative to carry on military operations in its own territory to curb terrorism. The government must come up boldly to declare default. No doubt in this regard there are apprehensions of stalling further financial assistance and loans from funding agencies, but in view of global distress caused by COVID-19, a sympathetic attitude is expected from all funding agencies.

Further, removal of debt burden by declaring a default situation will boost economic activity, initiate monetary and fiscal discipline and the country would be able to attract foreign investment and rejuvenate lost trade relations. In this regard it is essential that restructuring or rescheduling of existing debt should not be acceptable. As stated above, in the past even economically developed countries and high income developing countries like Russia, Latin American Countries like Argentina, Brazil and Mexico have boldly taken the stand of not repaying the external loans accumulated to the extent of almost 100 percent of their GDP. This situation has repeatedly been experienced by Latin American countries in the past and

"Apart from management of external debt, it is essential that fiscal discipline be strictly observed. For that, government borrowings from banking sector needs to be drastically cut down by controlling non-developmental expenditures, for which size of all cabinets and all administrative expenses, including remunerations and perks of legislators, should be reduced by 50 percent and travel expenses at all levels be strictly monitored to prevent waste of country's resources."

resultantly these financial concessions/remissions have helped achieving accelerating economic growth rate and total turn-around of economy.

Global financial deregulation during 1990s and capital flows from industrially rich counties to developing economies caused excessive indebtedness on the part of weak economies, resulting in debt overhang in the late nineties. Funding agencies, particularly IMF and ADB and also countries with whom these nations had bilateral loan seeking arrangements, provided systematic debt relief through rescheduling or total write off, particularly to poor countries marked with low income but commodity rich economies like sub-Saharan African countries. When commodity prices started rising with the start of the new century, these countries, in quest of expanding their economies, borrowed heavily from emerging markets like China and thus there occurred another cycle of heavy indebtedness followed by another default scenario. Hence, for Pakistan it should not be a matter of concern to go into default in the face of a weak economy severely battered by COVID-19 and other natural calamities.

Paris Club countries must voluntarily come forward to write off all loans disbursed to Pakistan in addition to relief already announced by Paris Club countries regarding repayment of existing loans.

Since Pakistan is an ally to NATO, which all Paris Club countries are members of and are busy in gaining control of Afghan Taliban through reconciliation strategy, they, in view of Pakistan's major role in facilitating their reconciliatory efforts to arrest the activities of Taliban all over the globe, must come forward to the rescue of Pakistan's government to get rid of mounting external debt.

Apart from management of external debt, it is essential that fiscal discipline be strictly observed. For that, government borrowings from banking sector needs to be drastically cut down by controlling non-developmental expenditures, for which size of all cabinets and all administrative expenses, including remunerations and perks of legislators, should be reduced by 50 percent and travel expenses at all levels be strictly monitored to prevent waste of country's resources.

It is high time that tax net be extended to agriculture sector also. To begin with, farmers having annual income exceeding Rs. 1.5 million are brought under tax net. After the flood affected population is properly rehabilitated and farm activity boosts up, then small farmers having farms above subsistence level of 25 acres be also made liable to pay income tax.

Apart from asking for loan remissions/write offs, the government needs to demand greater economic access to NATO countries markets, particularly USA. To arrest unbridled growth in domestic debt, the government has once again started to rely only on long and medium term government securities like Pakistan Investment Bonds and National Saving Schemes. The debt burden and its cost is likely to reduce substantially after the government's very recent success in issuing long term bonds at interest rate well below policy rate.

Further, to help Islamic banking institutions to manage their liquidity, the government has started issuance of 5 years floating rate Sukuks. Similar initiatives must continue to bring in monetary and fiscal discipline so as to improve debt profile of the country. ■

**The Paris Club is an informal group of creditor nations whose objective is to find workable solutions to payment problems faced by debtor nations.*

Compensation Design

A JIGSAW PUZZLE

By: Sohailuddin Alavi

Compensation is an inevitable cost to the company for running its operations. No organization can operate without people and no individual works without compensation. A rising compensation cost can be detrimental for the competitiveness of a business, yet to attract and retain quality human resources organizations are forced to compete on compensation. Having said this, organizations in the modern times are in a fix: Sustaining business competitiveness is a yawning target for every contemporary business. To accomplish this, on one hand organizations must attract and retain quality human resources and on the other hand they must keep their cost of doing business at the minimum. Paradoxically, the two appear to be in direct conflict to each other. This article describes the pros and cons of traditional and contemporary compensation designs and leaves it to the readers to decide within their prevailing contexts as to which design will work better; whether a single or a blend of different approaches would be more suitable.

Career landscape in modern organizations has changed. Historically employees used to join an organization at the onset of their careers, grow with it and retire from the same organization. Contrary to this, in modern times Senior management in an organization usually consists of laterally inducted incumbents on fixed term employment contracts, who bring hands-on management experience in diverse work settings. At the managerial cadre, young executives, sometimes fresh University graduates or incumbents with diverse work experience, join the organizations, contribute value and leave within a relatively short period of time. Then come the front-end employees who do routine tasks. First, they have limited career growth both vertically and horizontally and second, with the automation they are becoming redundant, meaning their careers are narrowing down with no upward mobility.

Traditionally, employees were inducted at the beginning of their professional careers, who then grow to higher positions through systematic or unsystematic succession. Such were the incumbents who were retained for a longer period of time. As apparent, some of them would find their way straight to the top, but many would have limited or no growth in their careers yet their cost would continue to rise both in terms of continually increasing salaries and end-of-service benefits but their scope of work (output) may or may not grow, such as front-end employees doing standard routine jobs. During that time, employees could literally move up to the management cadre over a period of time. This was the time when organizations were managed as 'administrative units' and everyone brought administrative skills. However, now organizations have become more complex and diverse requiring specialized inputs from the employees. Hence it is no more plausible for organizations to follow similar trajectory.

> **In today's intense competitive business environment where businesses have become complex and tricky, so is the designing of a compensation system. Different compensation criteria need to be evolved for different set of employees, depending on three major variables i.e. value of output, competition for quality human resources and to compensate for lack of long-term growth opportunities within an organization.**

In modern times, senior management positions are predominantly short termed, as most of the incumbents at these positions are inducted laterally amongst senior corporate leaders and business specialists. Likewise, limited positions at the middle tiers offer upward mobility, hence long-term career. Front-end positions are reducing in numbers as organizations are opting automation to reduce their cost of head counts at the front. Nevertheless, a few positions at the front end will continue into the future.

It is noteworthy here that the term 'loyalty', once treasured by the organizations is now being redefined. Contrary to the traditional concept of loyalty as extended length of employee's commitment to a specific employer, it is now considered as commitment to give ones' best, as long as one stays on the job. While the short-term employment trends demand from the work organizations to constantly recruit and replace their human resources, it has also made possible for the organizations to maintain young and vibrant human resources inventory at the middle-tier positions, as there is always an influx of new employees joining the company and to afford diversely competent management gurus at the senior positions.

In today's intensely competitive business environment where businesses have become complex and tricky, so is the designing of a compensation system. Different compensation criteria need to be evolved for different set of employees, depending on three major variables i.e. value of output, competition for quality human resources and to compensate for lack of long-term growth opportunities within an organization.

In the traditional scenario, designing equitable compensation system was much easier. All positions were considered administrative and could be easily made growth driven; hence all positions were classified on ascending salary grades with fixed annual increments. Majority of the employees could move to next grade in the normal course of time much before their salaries reach to the maximum of their respective salary grade. Value of money used to be much stable so the annual increments provided sufficient raise in terms of real value of employees' income. Besides, the competition for employees was not so fierce then as it is today and so was the need to compete. Hence no competition premiums were added to the salaries, which helped keeping salaries stable and within limits.

In today's intense competitive business environment where businesses have become complex and tricky, so is the designing of a compensation system. Different compensation criteria need to be evolved for different set of employees, depending on three major variables i.e. value of output, competition for quality human resources and to compensate for lack of long-term growth opportunities within an organization.

Here are some variants of compensation structures, each having its merits and demerits:

A. Market based compensation regime was originally introduced to attract incumbents at the senior management positions. These incumbents, save few exceptions, obviously do not look for career growth

"It has also been observed that excessively extra stages created complacency among employees to improve and move up, for they were assured of continued increase in their salaries anyway. It also made the management complacent until the employees had hit the maximum stage of their salaries, say in 20 years. Besides, this makes employees' cost exceed their productivity for their scope of work does not enrich or enlarge with the increase in their salaries over time."

within an organization; it is neither plausible nor is seen as an incentive by them. Instead, their packages have to be market competitive.

However, in market-based compensation regimes evidence suggests that sometimes the gap between senior management and other employees' salaries goes out of proportion. In Pakistani financial institutions for instance, compensation packages of laterally inducted senior management incumbents are humongous compared to their counterparts in regular cadre employment. This is true for a majority of banks operating in Pakistan. Likewise, a similar trend prevails in the emerging autonomous institutions of the government. These institutions usually induct retired and serving senior cadre officers from the federal and provincial governments and sometimes market professionals. Whatever the case, these incumbents avail much higher packages than what they are entitled to in their parent department or elsewhere under the disguise of Management Position Grades, which are higher and outside the purview of standard government pay scales. Although by rule, a serving government incumbent on deputation is not entitled to any additional pay save 20% deputation allowance. This trend has now successfully cascaded to the middle echelons with all the odds attached to it.

It is noteworthy that although under the market-based compensation regime, minimum and maximum salaries are defined for each position. However, the sky is the limit in many cases, which means there is no upper cap of the salaries. It all depends on demand and supply of incumbents at various positions rather than the intrinsic value of the job itself.

Ironically, age old concept given by Hertzberg, called the two-factor motivation theory, propagated the fact that money is the maintenance, not motivation factor. This has been substantiated by an evidence-based study in modern times. It revealed that money (compensation) negatively affects intrinsic (work) motivation, which raises questions about the rationale of offering out of proportion salaries. Quote, "Quite simply, you're more likely to like your job if you focus on the work itself, and less likely to enjoy it if you're focused on money." This finding was true even at low salary levels (Gallup and Judge et al, there's no correlation between engagement and salary levels)[1]. Deci et al's conclusion was that "strategies that focus primarily on the use of extrinsic rewards do, indeed, run a serious risk of diminishing rather than promoting intrinsic motivation." These effects were particularly strong when the tasks were interesting or enjoyable rather than boring or meaningless."

Lastly, another downside of market-based compensation is that it ignites a price war in the industry which eventually raises the cost of doing business for enterprise and the beneficiaries are the incumbents themselves.

B. Standard salary scales with stable growth pattern along the career paths are best suited at positions that integrate incumbents' growth and their productivity on a similar trajectory. However, setting the right number of salary stages and increments thereof is a tricky exercise to do. It has also been observed that excessively extra stages created complacency among employees to improve and move up, for they were assured of continued increase in their salaries anyway. It also made the management complacent until the employees had hit the maximum stage of their salaries, say in 20 years.

Besides, this makes employees' cost exceed their productivity for their scope of work does not enrich or enlarge with the increase in their salaries over time. This is also true for positions which have no upward movement possibility like many front-end positions. In other words, while the employees continued to contribute the same output, their salaries kept on increasing for 20 long years but the management only came to this realization at the end. Had they realized this problem earlier, it would have costed them much less. We as a nation have evidence that our public sector organizations in particular, who traditionally followed standard salary scales and guaranteed annual increase in salaries, have ended up converting their employees from an asset to more of a liability; employees have become archaic over time and their productivity in real terms has diminished instead of increasing.

Contrary to the standard salary scale, if growth driven salary scales are instituted across the positions, it has been observed that in such situations employees' salaries not only burst off the actual job value they contribute but chances are that these surpass salaries of higher grades.

C. A relatively more compatible compensation regime where growth and improving productivity cannot be assured, would be contract-based monetized packages based on the fair value of the job output.

There is no off the rack solution for compensation management. However, the criteria for optimal compensation framework should essentially consider linking compensation to job output and outcomes, and calls for a balanced compensation system design. Nevertheless, responding to the market demand and supply forces, valuing incumbents' specifications and being mindful of inflation is critical but entails a judicious approach in order to maximize the pros and minimize the cons. ■

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[1] *Reference: Study by Yoon Jik Cho and James Perry.*

Goal Setting

A Tool for Motivation

By: Rozina Muzammil

While we all know that motivation is a vital factor for boosting employees' performance, the tools used for achieving this are taken up differently by different researchers and philanthropists. In this article, an attempt has been made to project goal setting exercise as an effective tool for boosting employees' motivation in an organization's performance management system (PMS).

Goal Setting Theory

In the 1960s, an American Psychologist Edwin Locke came up with the Goal Setting Theory of Motivation. The said theory asserts that goals are principally linked with the employees' individual performance. He further states that challenging and specific goals with proper feedback can lead to achieving more than the end result and higher individual performance. In other words, setting a goal refers to employees' having a mission and how much effort one needs to accomplish it.

Humans always act in notion for a specific purpose or a goal. All our steps are usually calculated whereas the employees working robustly to achieve a certain target depict how much they are motivated to achieve their goal. Achieving the goal needs persistence and determination to overcome every obstacle. When you see your goal clearer and viable, you tend to achieve it swiftly.

The said theory is the most important and constructive theory of motivation. Moreover, during a survey, it was regarded as the most significant theory by organizational behavior researchers (Miner, 2003). The concept of goal setting was regarded with more than 1000 case studies which included employees to researchers to philosophers depicting that having a direction or a specific goal is linked to employees' performance (Ivancevich & McMahon, 1982; Latham & Locke, 2006; Umstot, Bell, & Mitchell, 1976). As per one study, goal setting increases the employees' performance by 10% to 25% (Pritchard et al., 1988) whereas many international and multinational companies such as Nike Inc, Coca Cola Company, Intel Corporation have implemented goal setting.

Features of Goal Setting Theory

Goal setting is the way to set, define and state the individual, team, departmental and organizational goal which employees' endeavor to deliver.
The development of individual goals is a flexible process that allows the goals to be tailored to each employee according to his or her role.

Following are a few distinct features of Goal Setting theory:

- The eagerness to achieve the end result is the ultimate motivation.
- Precise and arduous goals are the key motivating factor rather than straight and vague goals.
- Precise goals tend to cause greater and higher performance.
- Goals ought to be realistic and challenging. This gives an individual a feeling of pride and triumph when s/he attains them and sets her/him up for attainment of the future goal.
- Misunderstanding ought to be avoided by setting unambiguous, measurable and clear goals accompanied by a deadline for completion for each goal.

Setting SMART Goals

Goals play an important part in employees' behavior and performance. These days organizations have their own goal setting modules implemented. The simplest way to set a goal is by following the SMART acronym i.e. Specific, Measurable, Aggressive, Realistic and Time-bound.

SMART goals always keep employees motivated, give them the direction to reach the end results, and improve their performance and novice ways of performing a task. When employees receive continuous feedback they tend to swiftly improve their performance. The goals which are not SMART have an adverse effect on employees' performance causing low learning factor and work-life balance tends towards unethical behavior. Employers usually link the individual goals to the organization's objective via Management by Objectives.

SMART goals motivate for a variety of reasons.
Sources: Based on information contained in Latham, G. P. (2004). The Motivational Benefits of Goal Setting.

Specific and Measurable

Cogent goals are definite and assessable. When goals are explicit, employees' behavior and performance improve. For instance, 'giving your best' does not follow the SMART acronym and does not give you a specific approach target. At times, it is very feasible to understand, measure and attain the goal in the specific time period such as sales, employee turnover etc. whereas when goals are not quantifiable in nature, how do you measure them? We may effectively use metrics for it developed on the basis of surveys or collecting feedback covering the qualitative aspect of the goal.

Aggressive

This may sound unreasonable, but effective goals are hard, not easy. Aggressive goals are also called stretch goals. According to a Hay Group study, one factor that differentiates companies that are ranked as 'Most Admired Companies' in Fortune magazine is that they set more challenging goals (Stein, 2000). People with tough goals outperform those with easier goals (Mento, Steel, & Karren, 1987; Phillips & Gully, 1997; Tubbs, 1986; Yukl & Latham, 1978). Why?

The reason being said is that easy goals do not challenge you, yet you can achieve them easily. When the end result is hard to achieve, people always strive more towards it which increases and enhances their performance. Many kinds of researches reveal that individuals with high self-efficacy and determination always tend to set difficult goals (Phillips & Gully, 1997).

Realistic

Goals should be difficult to achieve but should also be achievable within the stipulated timeline. In other words, if a goal is hard to achieve, it will not have any motivational value. In fact, one may work hard for it but if it is not possible to achieve then it demoralizes the value.

Time-Bound

Goals should be specific and time-bounded. Adding a time limit to your goals is vital to success. If your weight loss goal is to lose three pounds per week for the next three weeks, you have a deadline to meet each week to help keep you focused and on-track.

Another example, "increasing the overall sales by 10%", the said goal is not time bounded because it does not specify the period. If we certainly add "by December 2021", it gives individuals a stipulated time period.

Why Do SMART Goals Motivate?

There are four reasons why goals motivate (Latham, 2004; Seijts & Latham, 2005; Shaw, 2004). First, goals provide us direction. When you have a goal of reducing shipment defective products by 5% by June, so you should direct your energy toward defects. The goal conveys what to focus on. Therefore, goals should be set prudently. Giving individual goals that are not aligned with organizational goals will be a problem, because goals will direct individual's energies to a certain end. Second, goals boost people and tell them not to stop until the goal is accomplished. If you set goals for yourself such as "I will have a break from reading this storybook when I finish reading this section," you will not give up until you reach the end of the section. Although, if you feel exhausted along the way, having this particular goal will urge you to move forward. Thirdly, having a goal provides a challenge. When people have goals and ensue to reach them, they feel a sense of achievement. Lastly, SMART goals push people to think outside the box and rethink how they are working. If the goal is not very challenging, it only motivates people to work quicker or longer. If a goal is considerably challenging, simply working faster or longer will not get you the results. Instead, you will need to reconsider the way you usually work and devise a creative way of working. It has been argued that this method resulted in designers and engineers in Japan discovering the bullet train. Having a goal that went beyond the speed competences of traditional trains prevented engineers from making minor developments and encouraged them to come up with a radically different idea (Kerr & Landauer, 2004).

When Are Goals More Effective?

Although goals are SMART, they are not always equally effective. At times, goal setting produces more intense effects compared to other methods. Following are three conditions that contribute to the effectiveness of goals (Latham, 2004; Latham & Locke, 2006).

Feedback

To be more operative and effective, employees should receive feedback on the progress they are making toward goal achievement. Providing employees with quantifiable figures about their sales, defects, or other metrics is useful for feedback purposes.

Ability

Employees should have the skills, knowledge and capabilities to reach their goals. In fact, when employees are lacking the necessary capabilities, setting specific result goals has been shown to lead to lower levels of performance (Seijts & Latham, 2005). Individuals are likely to feel deserted when they lack the capabilities to reach a goal, and furthermore, having specific outcome goals prevents them from focusing on learning activities. In these conditions, setting goals about learning may be a better idea. For instance, instead of setting a goal related to increasing sales, the goal could be recognizing three methods of getting better acquainted with customers.

> *"Easy goals do not challenge you, yet you can achieve them easily. When the end result is hard to achieve, people always strive more towards it which increases and enhances their performance. Many kinds of researches reveal that individuals with high self-efficacy and determination always tend to set difficult goals."*

Commitment

SMART goals are effective if employees are dedicated and committed to the goal (Donovan & Radosevich, 1998; Klein et al., 1999; Wofford, Goodwin, & Premack, 1993). As an evidence to the importance of goal commitment, Microsoft actually calls employee goals 'commitments' (Shaw, 2004). Goal commitment states to the degree to which a person is devoted to reaching the goal. What makes people devoted or committed to a goal? It has been suggested that making goals public may increase commitment to the goal, because it creates responsibility and accountability peers. When persons have a helpful and trust-based association with managers, goal commitment tends to be greater. When employees contribute in goal setting, goal commitment may be higher. Inter alia, rewarding people for their goal completion may increase commitment to future goals (Klein & Kim, 1998; Latham, 2004; Pritchard et al., 1988).

As with any management practice, there may be some obstacles to goal setting (Locke, 2004; Pritchard et al., 1988; Seijts & Latham, 2005). First, as stated earlier, setting goals for specific results may hamper employee performance if employees are lacking skills and abilities needed to reach the goals. In these circumstances, setting goals for behaviors and learning may be more effective than setting goals for outcomes/results. Second, goal setting may stop employees from adapting and changing their behaviors in response to unanticipated pressures. For example, one study found that when teams had challenging goals and employees within the team had high levels of performance expectations, teams had difficulty adapting to unanticipated circumstances (Le Pine, 2005). Third, goals focus employee attention on the activities that are measured. This focus may lead to surrendering other significant elements of performance. If goals are set for production quantities, quality may suffer. Consequently, it is essential to set goals touching on all critical aspects of performance. Finally, an aggressive recreation of goals may lead to immoral behaviors. If employees are remunerated for goal accomplishment but there are no rewards for coming very close to reaching the goal, employees may be interested to cheat.

Ensuring Goal Setting Through Management by Objectives (MBO)

Goals provide direction to employee attention toward a common end. Hence, it is vital for individual goals to support team goals and department goals in order to support organizational goals. A proficient approach to ensure that individual and organizational goals are aligned is Management by Objectives (MBO).

As suggested by Peter Drucker (Greenwood, 1981; Muczyk & Reimann, 1989; Reif & Bassford, 1975), MBO involves the following process:

- Setting organizational goals derived from corporate strategy
- Determining team and departmental goals
- Setting individual SMART goals that are aligned with corporate strategy

- Preparing an action plan
- Periodically appraising performance and reviewing goals

Literature review depict that sixty-eight out of the seventy studies conducted on this subject showed performance gains as a result of Management by Objective implementation (Rodgers & Hunter, 1991). It also appears that top management commitment to the process is the key to successful implementation of MBO programs (Rodgers, Hunter, & Rogers, 1993). Even though formal MBO programs have fallen out of favor since the 1980s, the idea of linking employee goals to corporate-wide goals is an influential idea that benefits organizations.

Islamic Perspective of Performance Management System

While it is a known fact that all human endeavors are triggered by intelligence quotient (IQ) and performed under the influence of emotional quotient (EQ) which at times also feed the IQ, majority of the psychologists have been seen referring to the values set by religion, culture and society for finding appropriate solutions to performance related matters.

Since performance management system (PMS) at work places focuses on the individual's 'power to work' and 'will to work', the IQ and EQ factors both come across concurrently. The evidences show that more efforts are needed to resort upon the emotional aspect (spiritual dimensions) of the employees in an organization where they are required to portray certain standards of ethics on fairness, teamwork, leadership and accountability.

The spiritual dimensions of human performances guided by Islam is justice, fairness and accountability. A true believer of Islam feels accountable and responsible towards the Creator and shows the best effort without worldly gain. In every aspect of life, like constructing laws, interaction in societies and daily business practices, a Muslim is expected to be fair and accountable. Allah says, "and he who does righteous deeds and he is a believer, he will neither have a fear of injustice nor deprivation," (Quran, 20:112). People will receive reward equivalent to his deeds (Quran, 6:132) and man has nothing except that for which he strives (Quran, 53:39). [ref: Dr. Muhammad Rahim Uddin – The Framework of Appraising Employee Performances: A Study Based on Islamic Principle].

Contentment and patience are the traits which pay a lot of dividends if observed in their right perspective. Allah says "By time, Indeed, mankind is in loss, Except for those who have believed and done righteous deeds and advised each other to truth and advised each other to patience," (al-'Asr 103:1-3).

Commenting on Surah al-'Asr, Imam ash-Shafi'ee said:

"If people thought deeply on this surah, it would provide enough guidance, as man cannot attain perfection without perfecting these two things, his knowledge and his actions, i.e. his faith and right actions. As he is required to perfect himself, so he is required to perfect others, which is joining together in mutual teaching of the truth. The foundation of all this is patience."

(Source: https://istighfar.wordpress.com/allah-has-mentioned-it-90-times/)

Key Takeaways

Goal Setting theory is one of the most powerful theories of motivation. For motivating employees, goals should be SMART (specific, measurable, aggressive, realistic, and time-bound). Effective goals motivate employees because they boost and direct behavior, provide challenges, compel employees to think out-of-the-box, and perform innovatively. On the contrary, poorly derived goals have the downsides of hampering learning, preventing adaptability, causing an indiscreet pursuit of goals, and encouraging unethical behavior. Goals are more effective in motivating employees when employees have the ability to perform, are committed to goals, and receive feedback on their accomplishments. Of course, companies seek to align individual goals to company goals using management by objectives. SMART goal setting creates a win-win situation both for employees as well as the organizations by virtue of its inherent characteristics, some of which have been highlighted through the following algorithm:

BASIC ALGORITHM OF GOAL SETTING

ORGANIZATIONS	EMPLOYEES
Participation of employees at grass-root level;	Employees work with better sense of commitment and ownership;
Employees engagement in healthy debates and discussions;	Employees enjoy healthy competitive environment;
Bring transparency in organizational operations;	Feeling pride on accomplishment of goals;
Discourages gossips, backbiting and rumor mongering culture;	Employees get better opportunities for capacity building;
Things get improved on constructive and timely feedback;	Exhibiting improved attitude towards self, others and doing work and go for out-of-the-box-thinking to achieve challenging goals;
Efficiency of teams improves inherently while setting and achieving goals;	Could better manage work-life balance by negotiating and agreeing upon SMART goals.
Performance curve of the organizations shifts upwards.	

The benefits of goal setting could also be availed in other walks of life if adopted beyond office hours. Likewise, a person can maximize her/his gains in the limited available time by setting some objectives to achieve. Albert Einstein says "If you want to live a happy life, tie it to a goal, not to people or things." ■

HOW CORONAVIRUS COULD RESHAPE THE WORLD

Pandemic recovery choices will shape our future climate, as well as our economic structure, says Professor Jonathan Williams.

The COVID-19 pandemic is emphasizing just how important it is to consider the shape of our future economic structure. Specifically, how restructuring could provide further opportunity for nations to actively tackle climate-related concerns. Such steps would be a logical extension of the Paris Agreement of 2015 and the pledges of 190 signatories to reduce emissions and limit the rise in global temperatures to below 2˚C above pre-industrial levels.

In the absence of regulatory actions, the multitude of potential climate-change impacts could pose a significant challenge to central banks charged with maintaining financial stability. Policymakers are acutely aware that legislation should provide an incentive for financial flows that are compatible with climate-based objectives.

One theoretical challenge facing legislators seeking to encourage a reallocation of capital from climate-insensitive investments towards climate-friendly ones is that climate is a public good, which has characteristics that cannot be priced. While citizens benefit by consuming public goods, private firms do not internalize the broader societal gains and will under-provide such goods. Public goods entice free riding because firms have little incentive to voluntarily protect the environment in the absence of directly observable prices and tradable markets. Free-riding incentives are compounded in the presence of large numbers of firms and the belief that individual actions will not produce meaningful impacts. Coordination problems, for example between sovereign governments with different objectives, can adversely affect provision of public goods such as stable climate.

Commitments to Change

Since 1992, the United Nations Environment Programme Finance Initiative (UNEP FI) has aimed to encourage firms in the private and financial sectors to adhere to the UN's Sustainable Development Goals (SDGs). The UN's Principles for Responsible Banking provide a framework to ensure that signatory banks' strategy and practice align with the vision set out in the SDGs and Paris Agreement. To date, nearly 200 banks from around 50 countries and representing around 40% of the banking industry are signatories to the Principles. The UN has also set out Principles for Sustainable Insurance and Responsible Investment.

At national level, the Bank of England set out proposals for stress testing the financial stability implications of climate change in December 2019. Called the Biennial Exploratory Scenario (BES) exercise, the stress tests are scheduled for mid-2021 and follow the 2019 Insurance Stress Test.

The Prudential Regulation Authority (PRA) has also set out its expectations as to how firms should manage the financial risks from climate change. The PRA expects boards of directors to understand and assess the risks from climate change that affect their businesses. Firms should address these risks within their business strategies and risk appetites, and boards should take a longer-term view of financial risks that could arise beyond standard planning horizons.

A Global Financial Risk

Financial risks from climate change originate via two channels: physical risks and transition risks. Physical risks from climate change include effects associated with storms, floods, wildfires and heatwaves, as well as longer-term changes in climate, for instance, sea level rises, extreme weather variability, and changes in precipitation.

The implications for insurance are clear cut: for example, an increase in flooding could affect collateral values held by banks and increase their credit risks. Transition risks arise from the adjustment process of moving towards a low-carbon economy. They can include risks associated with developments in policy and regulation, emergence of technologies that could disrupt business models, shifts in sentiment, and societal preferences. Essentially, tighter energy standards and the introduction of more efficient technologies in addition to companies' inability to accommodate changes could lead to falls in the value of assets held by banks thus prompting an increase in credit risks.

The academic literature addressing these risks offers useful insights. For instance, physical risks caused by catastrophic weather and climate-related events could cause contraction in companies' profitability, which would impact banks via a reduction in asset values, collateral and exposure to greater credit risk.

> **"Economic restructuring could provide further opportunity for nations to actively tackle climate-related concerns."**

Physical risks can create a knock-on effect if a bank suffers large losses and decides to ration the amount of credit it supplies. Physical risk can reduce the value of a bank's investments based on the negative sensitivity of company earnings and exposure to extreme temperature. High temperature is also associated with companies being subjected to higher capital costs.

Transition risks could see overexposed banks liquidating holdings of carbon-intensive assets at significantly discounted prices, which, in turn, could create not only liquidity problems for banks but also contribute to uncertainty and market risk. Movement towards a low-carbon economy could increase the probability of default for carbon-intensive companies as their profits decline and consumer preferences change, which could subsequently lead to an increase in banks' credit risk.

Notwithstanding the potential costs associated with risks arising from climate change, some banks did move early and have long embraced actions to enhance sustainability and develop cleaner technologies. Early movers can gain comparative advantages and build relationships with customers.

A simple application of the net present value formula suggests that the discounted value of expected cash flows from companies needing to expend large future clean-up costs will be far lower than companies that have either cleaned up in anticipation of regulatory requirements or use cleaner technologies.

Many banks are in the process of rebalancing their lending portfolios to be in line with the Paris Agreement, and have publicly declared their intentions and set dates by which they are to reduce exposures to climate-sensitive activities.

> **"One challenge facing legislators seeking to encourage a reallocation of capital from climate-insensitive towards climate-friendly investments is that climate is a public good, which has characteristics that cannot be priced."**

Good Intentions, Sensitive Issues

However, the role of banks and their commitment to addressing climate-related matters remains heavily controversial. Part of the problem might relate to the volume of detailed information banks are providing on how they are planning to reduce exposures to various sectors and the associated timelines. Nevertheless, and while noting the positive attempts banks have made, for example, in funding the renewables sector, claims abound that banks are still financing climate-sensitive activities, such as, coal.

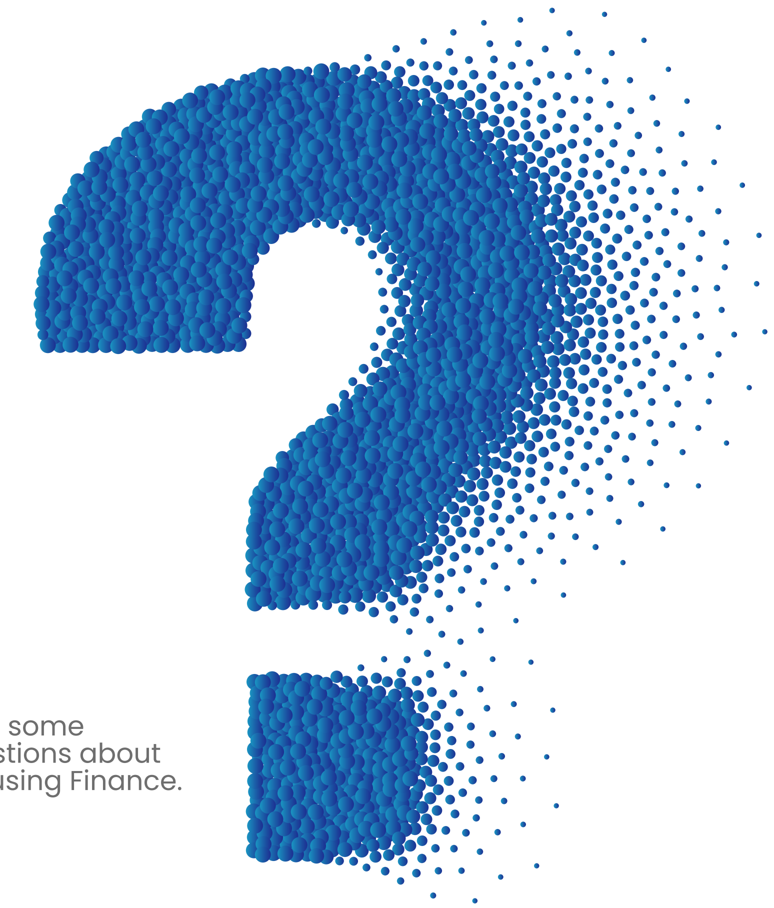
One criticism levied at the banking industry relates to the difference between project finance and trade finance. Specifically, environmentalists have challenged banks to abide by the spirit of the Principles for Responsible Banking. Environmentalists contend, and justify their claims with supportive data, that while banks are willing to reduce exposures to climate-sensitive project finance, they remain tight-lipped on their trade financing of environmentally sensitive commodities.

Since 2015, global banks have directed US$154 billion through loans and underwriting to commodity trades associated with deforestation and land degradation, and furthermore, bank financing of commodities firms has increased by 40% since the Paris Agreement was signed.

Investment management firms alongside banks have fallen under the spotlight for investing in businesses associated with increasing deforestation risk and financing activities that violate environmental and human rights. It remains to be seen how banks and/or their regulators respond to arguments to include the trade finance of climate and environmentally sensitive activities as part of banks' climate strategies. ■

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

Q&A



This issue of the IBP Journal answers some of the most commonly asked questions about Markup Subsidy Scheme for Housing Finance.

Q1: Can financing under the facility be utilized for the purchase of plot?

ANS: A plot of land can only be purchased under the facility if a house is to be constructed on the plot and financing is meant both for purchase of land and construction thereon, provided all other terms and conditions of the facility including maximum price of house and maximum loan under the relevant tier are complied with.

Q2: How can first time homeownership be established?

ANS: In order to establish first time homeownership, the financing bank will obtain an undertaking to the same effect from its borrower/customer with necessary provisions for termination of subsidy and other penalties, in case it is established at a later stage, that the borrower/customer owned a house at the time of application for availing subsidy facility.

Q3: Is the financing also available for purchase of a flat?

ANS: Yes, financing is available for purchase of a flat which meets covered area requirements specified for 'apartment' under the facility.

Q4: Is the financing for expansion/extension in the existing housing unit allowed?

ANS: Yes, financing is available for expansion/extension of existing housing unit provided the housing unit after expansion/extension falls within the criteria specified under the facility.

Q5: Can financing under the scheme be utilized for renovation of the existing residential unit?

ANS: No, financing for renovation of existing housing unit is not allowed under the facility.

Q6: Is bank staff eligible to avail financing under this facility?

ANS: No, bank staff is not eligible under the facility.

Q6a: Is banks' third party staff eligible under the scheme?

ANS: Yes.

Q6b: Are contractual employees of banks eligible for financing under the scheme?

ANS: Contractual employees of banks who are below officer grade and are not eligible to avail staff housing finance are eligible for financing under the scheme.

Q6c: Is staff of Microfinance banks eligible?

ANS: Yes.

Q6d: In case **a bank staff is NOT eligible** under their respective HR house loan policy/facility (for whatever reason), can such employees of the bank avail this scheme?

ANS: No. Permanent employees of the bank are not eligible under the scheme.

Q7: What does new house mean?

ANS: New house/ apartment/ flat means a unit not more than 1 year old from the date of application, as established by Completion Certificate.

Q7a: Where "Completion Certificate" is **NOT available**, how we can gauge age of property?

ANS: In such areas where completion certificate is not available, valuation certificate issued by external valuers may be considered.

Q8: What does first purchase mean?

ANS: First purchase means first transfer of the house/apartment/flat.

Q8a: If the property is being sold out in 1 year to 2nd owner, can the 2nd owner apply for the financing under this facility?

ANS: Financing is available under the scheme to the borrower at the time of first transfer of title document.

Q9: How much income of co-borrower can be clubbed and how many co-borrowers/applicants are allowed?

ANS: In case of co-applicants, 100% income of co-applicants may be clubbed for credit assessment. Up to four co-applicants are allowed for a single housing unit.

Q10: While availing the markup subsidy, is it allowed to sell or rent out the residential unit?

ANS: Home owner is not allowed to sell the housing unit before expiry of 5 years from the date of acquisition. Further, during this period, he/she will not be allowed to rent out financed housing unit.

Q11: What is difference between Tier 1 (T1) and Tier 2 (T2)?

ANS: The residential units announced by NAPHDA fall under Tier 1 (T1). All other residential units with the same specifications/measurements fall under Tier 2 (T2).

Q12: What would be the size of housing units under Tier 3 in terms of Marla?

ANS: Housing units under Tier 3 are required to be greater than 5 Marla but up to 10 Marla.

Q12a: Is there any covered area requirement for house in Tier 3 as covered area is only mentioned against apartment/ flat?

ANS: The covered area requirement for house under Tier 3 is the same as it is for apartments/ flats that fall under Tier 3.

Q13: In case the plot size of housing unit is 5 Marla but the covered area is more than 850 square feet, what would be its classification in terms of Tiers defined in the scheme?

ANS: The housing units of up to 5 Marla with covered area of more than 850 square feet and up to 1,100 square feet will be covered under Tier 3 (T3).

Q13a: If the price of housing unit is greater than Rs. 3.5 million (say Rs. 4.0 million) but size of housing unit is under Tier 2 i.e. up to 5 marla with covered area up to 850 square feet, will **it fall under tier-2 or tier-3 and why?**

ANS: It will fall under Tier 3. This has already been clarified in Q 13 above. In order for a house/flat/apartment to be eligible under a particular Tier, all criteria under that Tier has to be met. If any of the criteria exceeds prescribed limit, financing will fall under higher Tier.

Q14: What Loan-to-Value (LTV) ratio should be observed while extending financing under the scheme?

ANS: The housing finance under Tier 1 and Tier 2 shall be provided at a maximum LTV ratio of 90:10 whereas it is 85:15 for Tier 3.

Q15: Will the markup subsidy be available even after the loan is classified as loss?

ANS: Markup Subsidy will be discontinued on categorization of a loan as "loss".

Q16: Is unequal monthly installment for the repayment of loan allowed under the scheme?

ANS: The repayment of financing under this facility will be in equal monthly installments.

Q17: Will there be any prepayment penalty?

ANS: In case of early payment, banks will not charge penalty to the customer.

Q18: Which KIBOR shall be used for loan pricing?

ANS: The KIBOR used for pricing will be One Year KIBOR, to be reset every year.

Q19: Is the pricing spread for banks mentioned in the scheme fixed for each Tier?

ANS: The spread mentioned in the scheme for each Tier is the maximum spread. Banks may opt for less spread.

Q20: Can banks obtain documents in addition to checklist provided by Pakistan Banks' Association (PBA)?

ANS: The financing banks will not require borrowers to provide documents in excess of standard checklist of documents circulated by Pakistan Banks' Association (PBA).

Q21: Is it right to say that the financing tenor under the facility is up to 10 years with flexibility to go up to 20 years, depending upon choice of customers.

ANS: It is other way round. The financing tenor is up to 20 years with the flexibility on the choice of the customer.

Q22: What is the **minimum financing tenor** under this scheme?

ANS: Minimum financing tenor under the scheme is 10 years.

Q23: Is Non-Resident Pakistani (**NRP**) eligible under this scheme either as a main applicant or co-applicant?

ANS: The financing can be extended to an NRP holding CNIC. However, financing bank has to adhere to all relevant regulations including Foreign Exchange Regulations.

Q23a: Are NRP allowed to avail financing under the subsidy facility?

ANS: Yes, NRPs holding NICOP can also avail financing under 'Markup Subsidy for Housing Finance'.

Q24: In case of both salaried & non-salaried individual working in an **informal sector**, how can a minimum required tenor of job & business be ascertained in the absence of any formal document?

ANS: There is no regulatory requirement of minimum tenure for job/business of a borrower.

Q25: Can this facility be **terminated/paid-off** at any point of time say **before 5 years** or there is any minimum terminated/pay-off period.

ANS: Facility can be terminated/paid-off by borrower at any point in time. Further, financing banks will not charge any prepayment penalty in case of early repayment by the borrower.

Q26: Is there any **maximum income criteria**?

ANS: There is no such regulatory requirement.

Q27: If applicant holds an **agricultural land**, can he/she apply under this scheme?

ANS: The scheme does not bar such arrangement provided all other Federal/Provincial Governments' rules & regulations are observed.

Q28: In case where **both spouses are working** can they both apply on their own?

ANS: Both spouses can apply. However, only one spouse can avail financing under the scheme.

Q29: Is subsidy mechanism for this scheme available?

ANS: State Bank will provide procedure of claiming subsidy separately.

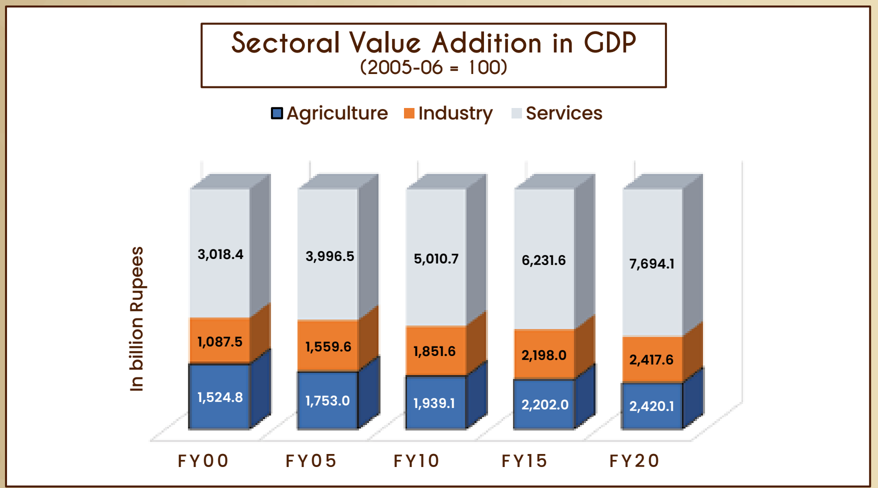
Source: https://www.sbp.org.pk/Incen-others/pdf/FAQs-MarkupSubsidyScheme%20-HousingFinance.pdf [Updated on February 2, 2021]

GLIMPSES OF SHIFT IN:

• National Income Accounts
• Credit to Agricultural Sector

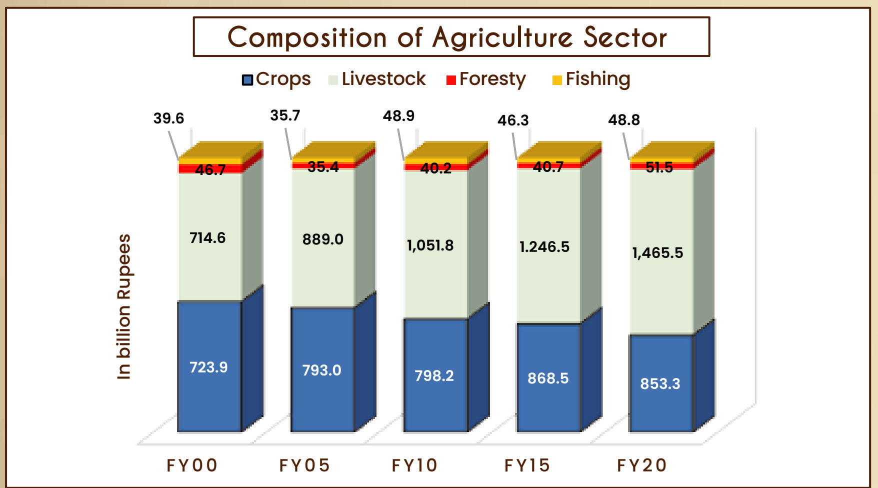
Started from the previous issue of the quarterly Journal, this feature allows the readers to see how the things were appearing in the past and where do they stand now. Availability of time series carrying reflection of a certain policy regime would be the main consideration for deciding the extent to which the reel could be rewound. With minimal narration, the change in scenario would be presented in figures and graphs to give the readers wide opportunity to draw inferences on their own. What glories were lost and what gained would be a personal call.

National Income Accounts

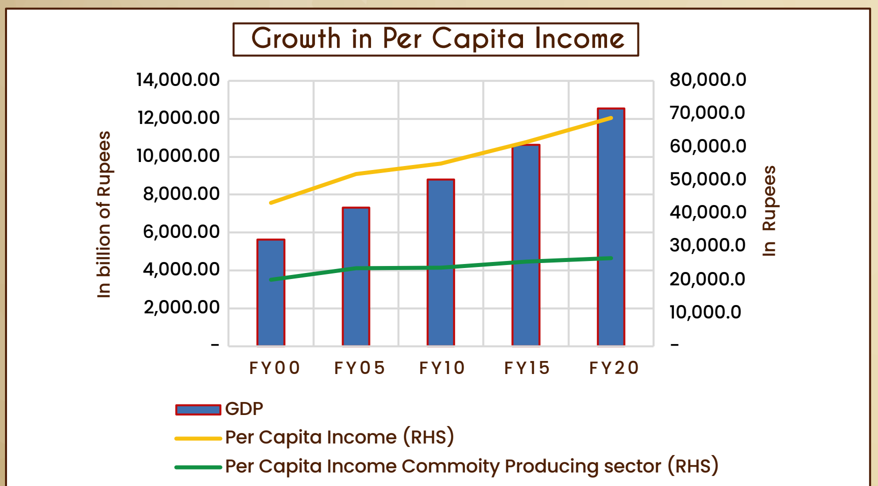


In the past 20 years, share of agricultural sector declined from 27.8 percent in FY2000 to 19.3 percent in FY2020.

With almost static share at 19.3 percent witnessed in Industrial sector, the share of Services sector in GDP rose from 53.6 percent in FY2000 to 61.4 percent in FY2020.

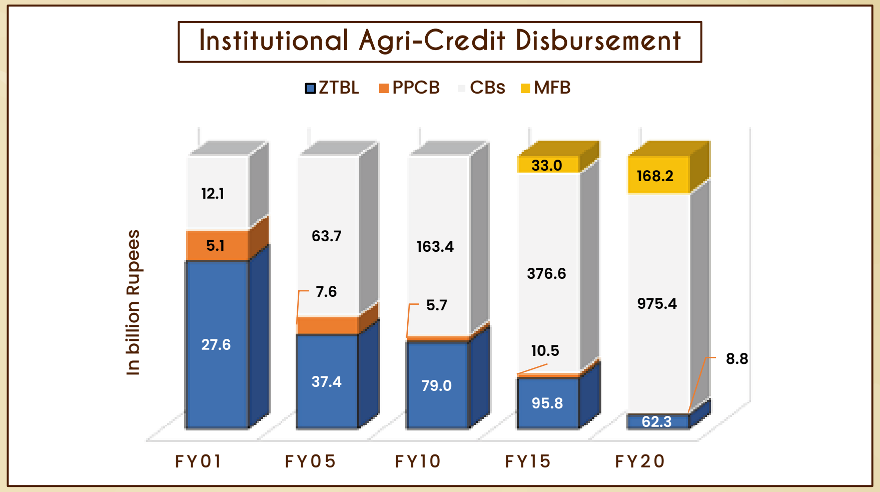


With persistent growth seen in livestock sub-sector during the past 20 years, it emerged as the single largest contributing sub-sector to the agricultural sector with share jumped from 46.9 percent in FY2000 to 60.6 percent in FY2020. Within livestock, steadier growth was observed in the production of milk.



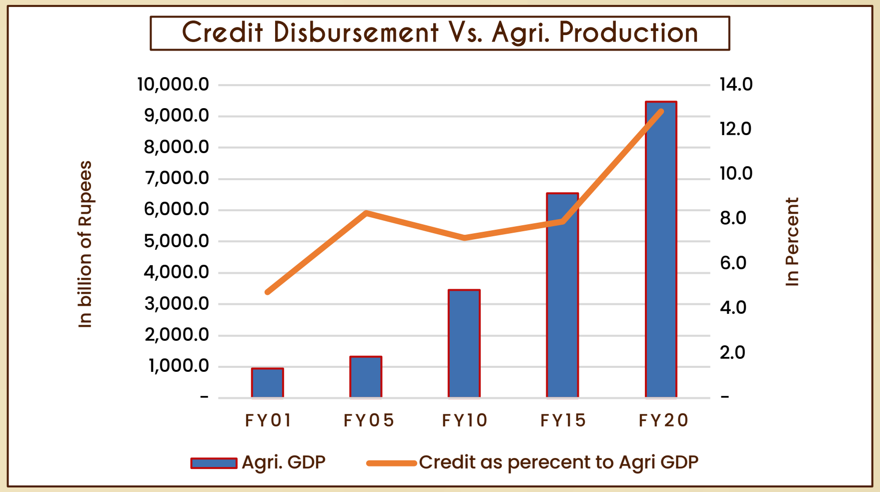
In the past 20 years, real per capita income per year grew from Rs. 43,237/- in FY2000 to Rs. 68,827/- in FY2020. It showed an annual average growth of 2.82 per cent despite 2.45 percent increase in population per year. The increase in per capita income was mostly contributed by stronger growth in services sector.

Credit to Agricultural Sector



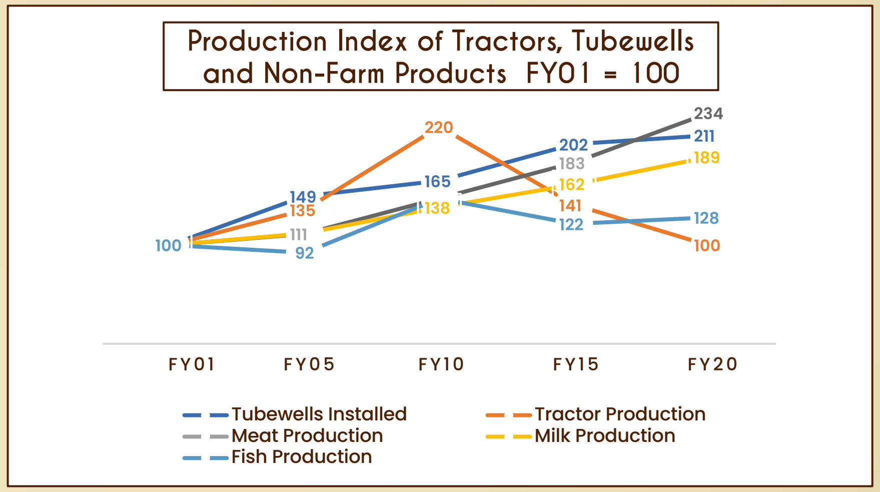
In the past 20 years, a phenomenal growth of 27 times has been witnessed in availability of institutional credit to agricultural sector. It rose from Rs. 44.8 billion in FY 2001 to Rs. 1,214.7 billion in FY2020

This could be possible because of commercial banks' overwhelming response to the SBP policies and as such left specialized institution Zarat Taraqiati Bank Limited (ZTBL) far behind.



The credit to agricultural GDP ratio significantly increased during past 20 years. It reached 12.8 percent in FY20 as against 4.7 percent in FY01.

Higher availability of credit helped to boost the agriculture sector's resilience to the market imperfection and the adverse impact of calamities.



Higher amount of credit disbursed at each subsequent year helped to boost the farmers' confidence in banking sector and their reliance on informal sources reduced to a larger extent. Apart from availing production loans, the farmers prefer to avail bank credit for farm implements as well as for developing non-farm sector.

BUSINESS COMMUNICATION ETIQUETTE IN THE WORKPLACE

Communication methods have changed drastically over the last two decades, from telephone calls and faxes to emails, social media and texting. Digitalization in communication has also brought new rules of business communication etiquette. Whether the communication is with customers, supervisors or with co-workers, proper communication etiquette is vital for establishing good working relationships.

MODES OF BUSINESS COMMUNICATION

To make workplace communication more effective and professional it is important to predefine which mode of communication you choose to employ as a part of communication policy of the organization. Factors to keep in mind include:

- The required **formality** of the communication
- The importance or need for good **documentation**
- The **urgency** of response required
- The level of **detail** required
- The **number of people** being communicated with
- The **sensitivity** of the information being communicated

Telephone

With all the technological advances in the digital age, the telephone is the most common mode of communication. Phone calls allow for a lot information to be exchanged very quickly, and each person can hear the other's voice, removing the risk of misrepresenting the tone of the conversation. Whether you are calling a business associate or speaking to a co-worker, keep in mind the following factors when communicating on the phone:

- Volume: Be aware of your speaking volume. You may not realize how loud you are when your attention is directed towards the serious nature of the conversation or the person at the other end of the line.
- Tone: There can be no mistake in misinterpreting tone on telephone. In addition to your voice, the way you breathe can denote aggression, boredom, impatience etc. Every emotion is easily perceptible by the person at the other end. A word of advice: smile when you pick up that receiver. Believe it or not, it shows.
- Speakerphone: It is unacceptable business protocol to put your phone on speakerphone, allowing other people to hear the conversation without the knowledge of the person at the other end. If you must put someone on speakerphone, let them know immediately who else is with you.
- Do Not Answer Your Phone When Meeting with Others: Answering your phone leaves the impression that the person you are meeting is neither significant nor worthy of your time.
- Return Calls: Make sure you return calls you have missed. It sends a clear message that you are professional enough to respect and value others' time and consider business relationships with clients/coworkers important.

Email

Email is usually the best method to deliver a message quickly while remaining formal and keeping an accurate documented record. Email is also useful for delivering a message to multiple people at once, or if you need to send attachments.

Your ability to handle email well is an important part of your professional reputation. People usually expect a reply to email the same day or within twenty-four hours.

It is generally less useful if an immediate response is needed, although a follow up email as a written record of a phone conversation is often advisable. It should be used with caution if sensitive information is to be delivered; there are often better channels of communication when privacy is required.

Keep the following points in mind when using email:

- Keep it professional: Regardless of your friendship with coworkers outside the office, it is important to keep all communication professional.
- Subject line: Explain clearly what the message is about.
- Consider the formality of how you address the recipient(s): Do you have a company culture of using Mr./Ms. or first names? Also check that the addressee lines are correct, placing the correct recipients in the "To", "CC" and "BCC" sections.
- Overall tone: It can be hard not to sound condescending, aggressive or impatient in an email.
- Attempts at humor should be avoided: Unless it is a personal message or you and the recipient understand each other very well, leave humor out.

- Do not use all caps: Using all capital letters indicates shouting or a lack of digital skills, neither of which will be appreciated by coworkers. The only time caps are acceptable in the workplace is when you are sending "CONGRATULATIONS!" to celebrate an achievement.

- Grammatical correctness and spelling: People will forgive occasional minor errors, but more than this is damaging to you personally and shows your company in an unprofessional light.

- Keep up with the same email thread when replying or following up on emails: Your manager and colleagues are bombarded by emails throughout the day and may forget what you are referencing if you create an entirely new email message. It also adds unnecessary email volume.

- Think twice before hitting 'Reply All' button: Does everyone need to see your response, or just the sender?

OTHER ELECTRONIC COMMUNICATION

Although emails are the most commonly used mode of communication in the modern business world, video conferencing, social media and instant text messages are also used.

Video Conferencing

Video conferencing is a natural advancement of phone technology and has become all the rage, particularly over the past year with the COVID-19 pandemic, where various conferencing platforms for video calls have served as the primary means of communication with teams and clients working remotely.

- Communication etiquette in a video conference should be as you would expect in a regular meeting, so treat it with the same respect.

Instant Messaging and Texting

Texts and instant messages are commonly used to send quick internal notes to colleagues, such as last-minute meeting updates or delays. When texting:

- Avoid texting if you only know the person through social media.

- Keep language and spelling correct.

- Restrict text abbreviations and emojis that might be more common for personal communications.

- Keep it short. If a comprehensive response is required, it is better to email or call instead.

- Bad news and serious issues should be avoided; a more formal medium should be employed to convey such news.

Social Media: Twitter, Facebook and Website Communications

Many companies have Facebook, Twitter, LinkedIn and other accounts that they use to communicate, advertise and market to their customers, and allow an easy and accessible means for customers to provide feedback.

There are certain risks that you should be aware about:

- Tone: You will most often set an informal tone, but posts can backfire if the tone is not right.

- Use humor with care: Although humor may be appropriate, avoid being too carefree or getting carried away.

- Take care that posts are not insensitive or poorly timed. Remember that even the best posts may be trolled or attacked by someone with a complaint against your company.

With so many communication media to choose from, the medium you choose becomes an important part of the message you send. Embrace professionalism and employ best practices to add value to your message, to yourself as a professional and to your organization. ■

REINVENTING BANKING AND FINANCE

Frameworks To Navigate Global Fintech Innovation

By: Helene Panzarino and Alessandro Hatami

Synopsis

The finance industry is currently going through a digital revolution, with new and developing technology transforming the world of banking and financial services beyond recognition. Banks and financial institutions worldwide recognize the pressing need to innovate to avoid disruption or displacement by highly agile and often smaller fintech companies. *Reinventing Banking and Finance* is an essential guide for finance professionals to current trends in fintech, innovation frameworks, the challenges of outsourcing or embedding innovation and how to effectively collaborate with other organizations. Beginning with the history and background of how banking got to the era of fintech, the book provides a thorough overview of the global fintech ecosystem and the drivers behind innovation in technologies, business models and distribution channels. Examples of key institutions and interviews with innovators and experts shine a light on key financial innovation hubs in UK, US, China, Israel and more, and offer advice for institutions looking to choose the right market for their needs. Covering genuine innovations in artificial intelligence (AI), machine learning, blockchain and digital identity, *Reinventing Banking and Finance* offers expert insight into navigating the complex and multi-layered finance industry.

Reviews

"A compelling book looking at how banking is being transformed at its core by technology, changing customer expectations and evolving regulation. It provides a global perspective on fintech, explaining how - unlike other tech innovations - it is not a US-centric phenomenon, with Europe and Asia being home to some of the more innovative businesses in the sector. A good book to read if you are keen to understand what is happening to banking around the world and how it will affect you."

— Laurent Nizri, CEO Paris Fintech Forum and Chairman ACSEL

"A compelling narrative of the history, forces, threats and opportunities that are reshaping the financial industry. The experience of the authors shines through in their confident and accessible writing, as well as in their cross-continental overview of the key institutions and people that are enabling better ways for all of us to manage our money in the mobile and data-centered world we live in."

— Josh Bottomley, Global Head of Digital, HSBC

"Delivers great insight on the global fintech ecosystem with the profiles of both the fintech hubs and what they call the fintech tribes. An enjoyable and thoughtful book for anyone looking for an insider's perspective on banking innovation."

— Shachar Bialick, Founder, CEO, Curve

About the Authors

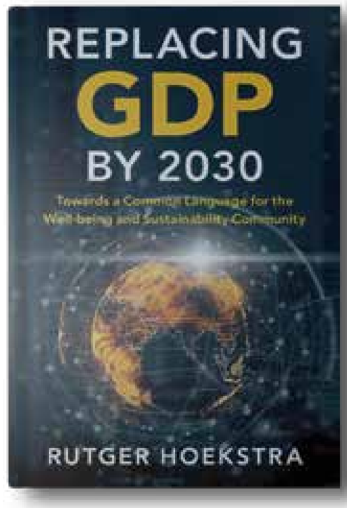
Helene Panzarino is a highly experienced Fintech entrepreneur, educator and author. Her most recent role was MD of the global Rainmaking Colab fintech programme. She is an associate Director of the LIBF Digital Banking Centre, the Lead Fellow and creator on the MSc Technology Entrepreneurship. She was named in the Computer Weekly 100 Women in Tech Award 2018-20 and in the Innovate Finance Women in FintTech Power List.

Alessandro Hatami is the founder of advisory firm Pacemakers.io. He has been a practitioner in digital transformation in finance for over 15 years, holding executive roles at the Lloyds Banking Group, Paypal, PayPoint and GE Capital. He is non-executive director and board advisor as well as a mentor and investor in early-stage tech firms. He is a well-known figure in fintech transformation and is a frequent speaker at events across the globe.

REPLACING GDP BY 2030

Towards a Common Language for the Well-being and Sustainability Community

By: Rutger Hoekstra



Synopsis

How did Gross Domestic Product (GDP) become the world's most influential indicator? Why does it still remain the primary measure of societal progress despite being widely criticized for not considering well-being or sustainability? Why have the many beyond-GDP alternatives not managed to effectively challenge GDP's dominance? The success of GDP and the failure of beyond-GDP lies in their underlying communities. The macro-economic community emerged in the aftermath of the Great Depression and WWII. This community formalized their 'language' in the System of National Accounts (SNA), which provided the global terminology with which to communicate. On the other hand, beyond-GDP is a heterogeneous community, which speaks in many dialects, accents and languages. Unless this changes, the 'beyond-GDP cottage industry' will never beat the 'GDP-multinational'. This book proposes a new roadmap to 2030, detailing how to create a multidisciplinary Wellbeing and Sustainability Science (WSS) with a common language, the System of Global and National Accounts (SGNA)

Reviews

"This book shows why a 'beyond-GDP world' is needed and how it can be built. A must-read contribution to the move towards a sustainable future."

– **Enrico Giovannini, Università degli Studi di Roma "Tor Vergata"**

"In crisp prose, Rutger Hoekstra conveys an important message. We won't convince policy makers to look beyond GDP simply by multiplying the production of well-being indicators. Something more is clearly needed."

– **Marco Mira d'Ercole, Head of Household Statistics, OECD**

"This book by environmental economist Hoekstra does not only offer a good read and an excellent introduction to the big debate about GDP and beyond GDP. It also provides a clear strategy to make beyond-GDP much more effective and to learn from the success of GDP as an indicator and language."

– **Frits Bos, CPB Netherlands Bureau for Economics Policy Analysis.**

About the Author

Rutger Hoekstra has worked on well-being and sustainability from an academic, governmental and business perspective. He has worked with the United Nations, OECD, World Bank, European Commission, European Central Bank and other international organizations. He was the co-chair of the UNECE/OECD/Eurostat Task Force which developed the Conference of European Statisticians Recommendations on Measuring Sustainable Development. He has lectured at various universities and published numerous publications on sustainable development, globalization, circular economy and big data applications. He was also Scientific Director of the KPMG True Value methodology at KPMG Sustainability. Rutger Hoekstra is now the owner of MetricsForTheFuture.com, which provides consultancy services to governments, international institutes and companies on Beyond-GDP and Beyond-Profit.

IBP TRAINING CALENDAR

APRIL - JUNE 2021*

OPERATIONS & GENERAL MANAGEMENT | COMPLIANCE & REGULATIONS | TRADE FINANCE | CREDIT & RISK | ISLAMIC FINANCE

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

DATE	TRAINING — **APRIL**	FACILITATOR
April 10, 2021	New Developments in Banking Conduct	Sundus Saleem
April 10, 2021	Foreign Exchange: Regulatory Framework	Rana Salim Saleem
April 12, 2021	International Trade Import Export Documentation & Procedures and Working with Letters of Credit	Aqeel Muslim
April 13, 2021	SBP Inspection, Regulatory Compliance and Banks' Operations	Shamwail Sohail
April 16, 2021	Employee Performance Management Using KPIs	Seemin Shafi
April 17, 2021	Understanding Fundamentals of Monetary Variables	Faisal Sarwar
April 17, 2021 - May 9, 2021	Certification Course in AML/CFT Compliance	Multiple Trainers
April 20, 2021	Financial Modeling and Business Valuation	Saad Usman
April 21, 2021	Risk Management in Islamic Banks	Asim Hameed
April 23, 2021	Crop Loan Insurance Scheme in Pakistan	Kamran Akram Bakhshi
April 24, 2021	Using IFRS 16 Effectively in Banking Sector	Hassan Marfani
April 26, 2021	Processing Effective Credit Proposal	M.A. Hijazi
April 27, 2021	Marketing Strategies & Sale of Banking Products	Rabia Omar
April 28, 2021	SME Financing and Credit Monitoring	Atif Ikram
April 28, 2021	The Impact of Cloud Computing on Banking Sector	Syed Muhammad Ali Naqvi

TRAINING	MAY	FACILITATOR
Smart Analytics with Lookup Functions in Excel		Rahim Zulfiqar Ali
Treasury Operations and Risk Management		Faisal Sarwar
Digital Banking - Trends and Challenges		Ahmed Hassan Gardezi
Impactful Communication/Email Writing Skills		Aisha Bela Malik
Governance and Management of Bank's IT		Syed Muhammad Ali Naqvi
The Role of Design Thinking in Banks		Ashar Kazi
Developing a Branch Business Plan		Sehba Ehsan
SBP Guidelines on Compliance Risk Management		Shahid Abbas
Effectiveness of Blockchain Technology in Banking		Imran Ashraf
Fair Treatment of Customers Framework		Sundus Saleem
Trade Based Money Laundering		Salim Thobani
Structuring Islamic Investment Products and Pricing Mechanism		Asim Hameed
ISACA COBIT5: Business Framework for Governance and Management of Bank IT		Atta Ullah Memon
Green Banking Guidelines for DFIs		Syed Asim Ali Bukhari
Bank Guarantees: How Significant and Risky They Are?		M.A. Hijazi

TRAINING	JUNE	FACILITATOR
Managing SBP's Audit - A Proactive Approach		Atta Ullah Memon
Role of Banks in Mutual Evaluation of Pakistan (AML & CFT Measures)		Kamran Hyder
Risk Based Approaches in International Trade		Aqeel Muslim
SBP Mandatory Requirement for Import, Export & Inward/Outward Remittances		Ejaz Qadri
Analysis of Financial Statements: An Effective Risk Management Tool		Murtaza Rizvi
Creating Digital Marketing Promotional Campaigns		Asif Iqbal
Micro Payment Gateway		Syed Muhammad Taha
Pool Management in Islamic Banks		Hasan Faraz
Transaction Monitoring and STR		Sumera Baloch
SBP Guidelines on Stress Testing		TBA
Risk Mitigation of Information Security in Branches		Fahd Azam
Credit Risk Modeling		M.A. Hijazi
Budgeting and Forecasting Skills for Managers		Muhammad Ahmed Khan
Collection/ Recovery: Techniques and Skills		Adnan Adil Hussain

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BEST BANK OF PAKISTAN

Pakistan Banking Awards 2020

Pakistan's Most Prestigious Banking Award

Bank with the Best

We are humbled to be recognized, for the second time, as the Best Bank in Pakistan by Pakistan Banking Awards under the patronage of State Bank of Pakistan. On this momentous occasion, we thank Allah ﷻ, our customers, regulators, shareholders and our entire team.

As we continue to grow, we will take our standards of service higher than ever before, adding more value to our relationships through advancement in technology. Meezan Bank was founded with the Vision to **Establish Islamic Banking as Banking of First Choice**... Today, we reaffirm this Vision and pledge to become the **Bank of First Choice,** Insha'Allah.

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