

Journal of The Institute of

Bankers

P a k i s t a n

Volume 89 | Issue # 1

January - March 2022

HUMAN RESOURCES DYNAMISM:
An Essential Element for Improving
Organizational Management

COUNTERING COVID-19:
Magnitude and Impact of
SBP Initiatives



MONEY...

But Not As We Know It?

IBP

HABIBMETRO

Insta Account

WHY VISIT THE BANK?



WHEN YOU CAN OPEN AN ACCOUNT ANYTIME, ANYWHERE

Your Account Has Been
OPENED SUCCESSFULLY



AAP JAHAN HUM WAHAN

Digital Account | Asaan Digital Remittance Account | Asaan Digital Account | Freelancer Digital Account



24/7 Account Opening
Facility/Accessibility



Quick Account
Opening Process



Convenient And Easy
Form Filling Process



Application Tracing
Till Account Opens

To open an account digitally, visit
<https://dao.habibmetro.com/>



111-1-HABIB(42242)
www.habibmetro.com

STAY AHEAD

EDITORIAL



Muhammad Mazherul Haq
Editor

Squeezing 'Storm in a Teacup'

'Storm in a teacup': this idiom might be as old as the teacup itself and it usually reflects 'a situation in which people are very angry or upset about something that is not important'. It is generally the outcome of embracing the technical issues by non-technical people in almost all spheres of life including economics, medicine, religion, and political matters. Sometimes personal choices and hidden agenda of the lead persons may also distract the people from the right path, even if it is for a shorter span of time.

The persons belonging to the mass media with a strong fan following usually emerge as opinion makers and enjoy the liberty to steer the thought process of their followers. By virtue of their profound knowledge and clarity on basic and complex issues, they succeed in seeking attention/approval of the people and can effectively manage their preferences towards developing better norms in the society. These might include journalists, religious scholars, political leaders, and radio & TV RJs and VJs. Once their sanctity is established, people love to follow their narrative, barring the considerations for creed and breed.

Incidentally, in some situations, the moderators/reformers with a little knowledge tend to pose themselves as experts on the subject and unfairly attempt to cover knowledge deficit with their exceptional oratory skills, and usually succeed in impacting the tilt of the masses towards their biases. Moreover, the lack of interest of majority of people about learning new things and reaching the crux of the ongoing issues for developing clearer understanding pay extra dividend to the pseudo-intellectuals, and make it easier for them to always project 'something' out of 'nothing' of their choice, thereby consciously and unconsciously raising 'a storm in a teacup'.

In this digital age, these pseudo-intellectuals secure a nucleus position among their followers by using a host of social media interventions where they reiterate their viewpoint rhetorically. By smart use of digital media, they make sure continued connectivity with their followers and keep them engaged in heated debates and exert their viewpoint by giving arguments and counterarguments, ironically having a little knowledge on the subject. The proverb 'a little knowledge is a dangerous thing', expresses the idea that a small amount of knowledge can mislead people into thinking that they are more experts than they really are.

While this promotes genuine engagement, it is a manipulative tool inspiring misinformed decisions amongst the masses.

The 'storm in a teacup' does not last for a long time and subsides as rapidly as it starts, but, if structural issues remain unattended, the toxic sediments at the bottom of the cup may cause the birth of another storm.

Not so difficult to tackle, there seems a little need for taking any severe actions against the curator of the 'storm in a teacup'. Only through creating awareness and sharing of knowledge among the most relevant group of people i.e. hosts of talk shows, panels of experts, and mentors by the regulating authorities and the concerned institutions could be a more viable option to deter the storm. Moreover, the intensity of impact, sensationalism and 'false-negative' perceptions spread by the quack media persons may subsided by sharing the factual position with the public in an easy-to-understand way by invoking the support of responsible media houses/channels.

In the absence of any state sponsored mechanism for fake fact-checking or any self-auditing practice followed by the media houses as one of the Standard Operating Procedures (SOPs), the dishonest media persons, with malignant intentions, may take liberty to distort the facts and manipulate the public opinion matching their biased viewpoint. Likewise, this news is disseminated at unprecedented speed on social media. The masses, taking advantage of the anonymity social media platforms have to offer, start a brigade of posts and comments. No doubt, such situations may raise 'a storm in a teacup', but that would be for a short period, because lies have no foundation.

However, the media persons who are habitual of raising 'storms in a teacup' merely to seek attention of the viewers and in the quest of securing higher ratings for serving their commercial interest at the cost of the national interest, may be dealt with by invoking the provisions available in the legislation, without any exception or discrimination. Exemptions, once given, open floodgates for other exemptions to come and as such, the outcomes of the desired policy objectives are more damaging than in the case of absence of the policy stance.

Currency Exchange

کرنسی ایکسچینج

Receive/Send Money by Western Union

رقم وصول کریں / بھجوائیں بذریعہ ویسٹرن یونین

Pay All Utility Bills

بجلی، گیس، پانی اور ٹیلی فون بلز کی ادائیگی

Telegraphic Transfer (TT)

ٹیلی گرافک ٹرانسفر

The Contributors

Akram Kahtoon

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 was formerly the Chancellor of Jinnah University for Women, and is currently advisor and member of the Board of Governors at the University.



CONTENTS



14

COVER STORY

IBP NEWS CORNER

05 Highlights of Assessments, Trainings and Examinations January-March 2022

06 Training Roundup January-March 2022

SBP NICHE

07 Countering COVID-19: Magnitude and Impact of SBP Initiatives

COVER STORY

14 Money... But Not As We Know It?

REWINDING THE REEL

18 Changing Composition of National Income and Other Allied Accounts



THE INSTITUTE OF BANKERS PAKISTAN

QUARTERLY JOURNAL SUBSCRIPTION

☐ One Year Subscription PKR 800 ☐ Two Year Subscription PKR 1400

Pay Order No. _____

Name: _____ Organization: _____

Delivery Address: ☐ Business ☐ Private _____

Telephone: _____ E-mail: _____

Note: Please return this filled out form along with the Pay order of your respective subscription made in favor of "The Institute of Bankers Pakistan".



YOU ASKED FOR IT

22 Q & A

HR MANAGEMENT

24 Human Resources Dynamism: An Essential Element for Improving Organizational Management



BOOK REVIEWS

28 Thinking in Bets: Making Smarter Decisions When You Don't Have All the Facts

29 The Velvet Rope Economy: How Inequality Became Big Business

30 Think Outside the Building: How Advanced Leaders Can Change the World One Smart Innovation at a Time

31 Fintech in Islamic Finance: Theory and Practice

TRAINING CALENDAR

32 April - June 2022

PUBLISHED BY

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

HEAD OF PUBLICATIONS/EDITOR

Muhammad Mazherul Haq

SENIOR MANAGER PUBLICATIONS

Shahla Naqvi
☎ 92 (21) 35277 529
✉ publications@ibp.org.pk

Advertising

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

Design

M. Jahangir Ishaq | S. Haris Jamshaid

Copyright



The Institute of
Bankers Pakistan

All rights reserved. The material appearing in this journal may not be reproduced in any form without prior permission of The Institute of Bankers Pakistan (IBP).

General Disclaimer

IBP Journal is based on contributions from individuals & information obtained from local and international print and electronic media. IBP has not verified this information and no warranty, expressed or implied, is made that such information is accurate, complete or should be relied upon as such. Views expressed in the articles published in this Journal belong to the authors only, and are by no means a reflection of the views of IBP as an institution. In no circumstances IBP and its team members would be liable for any incidental or consequential damage that may occur from the use of information contained in IBP publication(s).

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

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

FOR OFFICE USE ONLY

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

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

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

IBP NEWS CORNER



HIGHLIGHTS OF ASSESSMENTS, TRAININGS AND EXAMINATIONS

January-March 2022

The January to March 2022 quarter was abuzz with various activities pertaining to Assessments, Training sessions and Examinations.

IBP Superior Qualification Examinations (ISQ) were conducted successfully from January 24-27, 2022 across 20 centers all over the country and in overseas center (Manama, Bahrain). Total 7,768 candidates were enrolled in the Examinations.

Promotion Assessments were conducted for one of the leading commercial banks through online testing facility which was attended by more than 2,720 candidates.

Recruitment test for General Banking Officer (OG-3) positions was conducted across five centers for a Cooperative bank which was attended by more than 3,384 candidates.

CISA and CISM review classes, which were conducted in collaboration with ISACA Karachi Chapter, were concluded on March 19, 2021, followed by Certificate Distribution Ceremony.

During the quarter ended March 31, 2022, the following four Certificate Courses were conducted:

- ❖ Certificate Course on Human Firewall;
- ❖ Certificate Course in Trade Based Money Laundering;
- ❖ Certificate Course in AML/CFT Compliance;
- ❖ Certification Course in Housing Finance Legal Framework, Mortgage, Monitoring & Documentation.

The above Certificate Courses were attended by more than 70 participants from different commercial banks.

Keeping in view the initiatives of the State Bank of Pakistan towards gender sensitization and financial inclusions of different segments, the Institute conducted trainings on various topics during the quarter which were appreciated by the banking fraternity:

- ❖ SME ASAAN Finance Scheme (SAAF);
- ❖ SBP Regulatory Instructions for Financial Inclusion of Persons with Disabilities (PWDs);
- ❖ Gender Sensitization at Workplace.

For different commercial banks, the Institute conducted 6 sessions of Branch Manager Certification Program during the quarter ended March 31, 2022.

Training Roundup

January-March 2022



During the quarter January – March 2022, IBP conducted 29 Regular and 21 Customized training and E-Learning programs. More than 4589 participants were trained during this period.

Significant topics of trainings included: SBP ECIB: Significance, Risks and Legal Implications; SBP Regulatory Instructions for Financial Inclusion of Persons with Disabilities (PWDs); Bank Credit – Problem Recognition and Remedial Management; SME ASAAN Finance Scheme (SAAF); Gender Sensitization at Workplace; Account Opening Compliance Under New AML/ CFT Regulations and Data Transformation; Cleaning with Power Query in Microsoft Excel; Minimizing SBP Penalties & Audit Objections; Transaction Monitoring and STR; Processing Effective Credit Proposal and Risk Analysis; Tools and Techniques of Investigation

and Reporting E-Banking Frauds; Time Management Skills: Managing Multiple Tasks, Priorities and Deadlines; and Digital Finance – Payment Technologies and Product Innovations.

IBP has also conducted Certificate courses on The Human Firewall, AML/ CFT Compliance, Housing Finance Legal Framework, Mortgage, Monitoring & Documentation and Trade Based Money Laundering.



COUNTERING COVID-19 MAGNITUDE AND IMPACT OF SBP INITIATIVES

Since the very outset of COVID-19 outbreak, State Bank of Pakistan (SBP) had the fullest realization about its critical role of ensuring liquidity flows to both firms and households amidst the unfolding national lockdowns. To this effect, SBP introduced various policy measures including easing monetary policy stance and announcing a number of concessional refinance schemes to prevent layoffs (Rozgar Scheme), facilitate healthcare institutions to upscale their facilities (Refinance Scheme to Combat COVID), and encourage firms to undertake long-term investments under the Temporary Economic Refinance Facility (TERF).

The export-oriented firms, which were faced with an extremely challenging global business environment, were facilitated by time-bound relaxations in export-related procedural requirements, and an expansion in the eligibility criteria for the concessional Export Finance Scheme (EFS).

In addition to the refinance schemes, SBP also allowed banks to temporarily defer principal repayments of loans for firms, including SMEs, and households, and to restructure loans where appropriate.

In aggregate, SBP measures has provided liquidity support of over Rs. 2 trillion to the businesses and households, which is around 5 percent of GDP. These measures were well responded to by the beneficiaries across the board. Approximately 73 percent of the beneficiaries of the Rozgar scheme to prevent layoffs were small corporates (defined as businesses with turnover of less than Rs. 2 billion) and SMEs.

Similarly, approximately 94 percent of the beneficiaries of the principal extension scheme were clients of microfinance banks which were small borrowers.

The major share of TERF offtake (for new investment, expansion and BMR) is in textiles (42 percent), food and Fast-Moving Consumer Goods (FMCG) (11.9 percent) and plastic manufacturing firms (7.9 percent). These measures were also well targeted and temporary in nature; of the Rs. 691.7 billion approved quantitative measures, approximately Rs. 64.9 billion worth of measures have been unwound by end FY21.

The Rozgar scheme, Loan principal deferment scheme and Refinance Facility for Combating COVID-19 (RFCC) expired on September 30, 2020, whereas Temporary Economic Refinance Facility (TERF) and Loan restructuring schemes, expired on March 31, 2021. Such normalization of support provided during COVID has been an important goal of central banks around the globe.

The following is an overview of Initiatives taken by SBP to mitigate COVID-19 adverse impact on the economy:

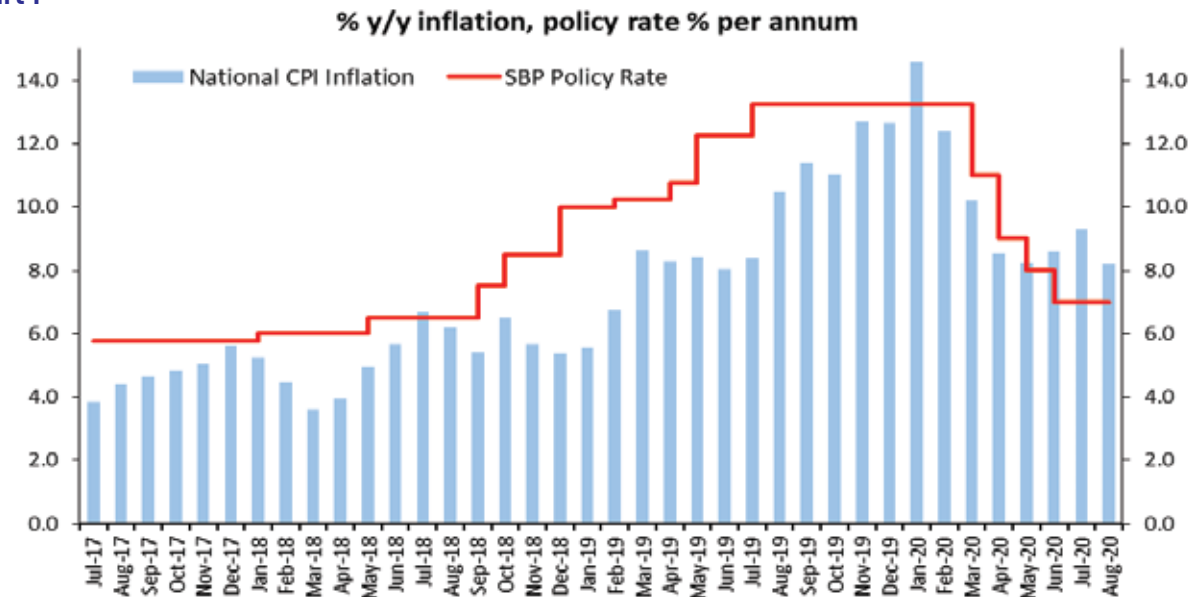
1. COVID-19 Monetary Policy

SBP Reduced Policy Rate by 625 bps

Started with a cut in Policy rate by 75 bps on March 17, 2020, the Monetary Policy Committee (MPC) of SBP reduced the policy rate by a cumulative 625 basis points from 13.25 percent to 7.0 percent in a short span of time from mid-March to June 2020 (see chart-1).

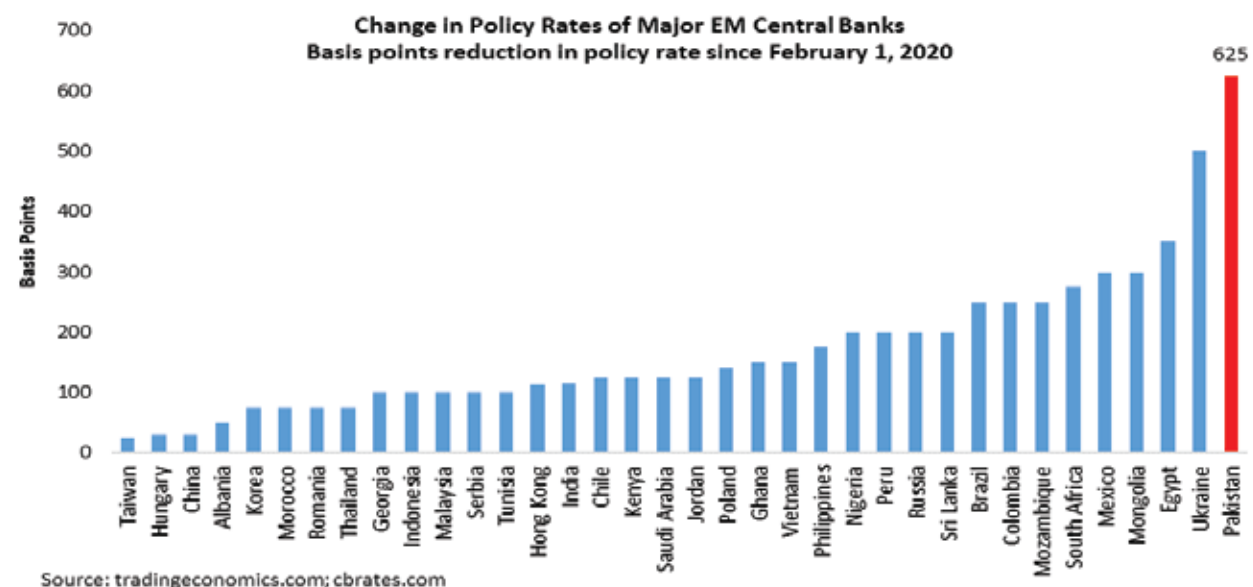
This was one of the largest reductions in the policy rate among the emerging economies during the pandemic (see chart-2). The major factors prompting aggressive reduction in the policy rate was a sharp fall in inflation and continued economic slowdown. During the challenging times, the focus of monetary policy shifted toward supporting growth and employment.

Chart 1



Pakistan had undertaken one of the fastest and largest policy rate cut among the selected emerging markets.

Chart 2



2. COVID-19: Investment

Temporary Economic Refinance Facility (TERF)

On March 17, 2020, SBP announced TERF and its Shariah compliant version to stimulate both new and expansion and/or Balancing, Modernization and Replacement (BMR). Financing under the facility was available through banks/DFIs to all sectors across the board except power sector where SBP's refinance facility for renewable energy projects already exists.

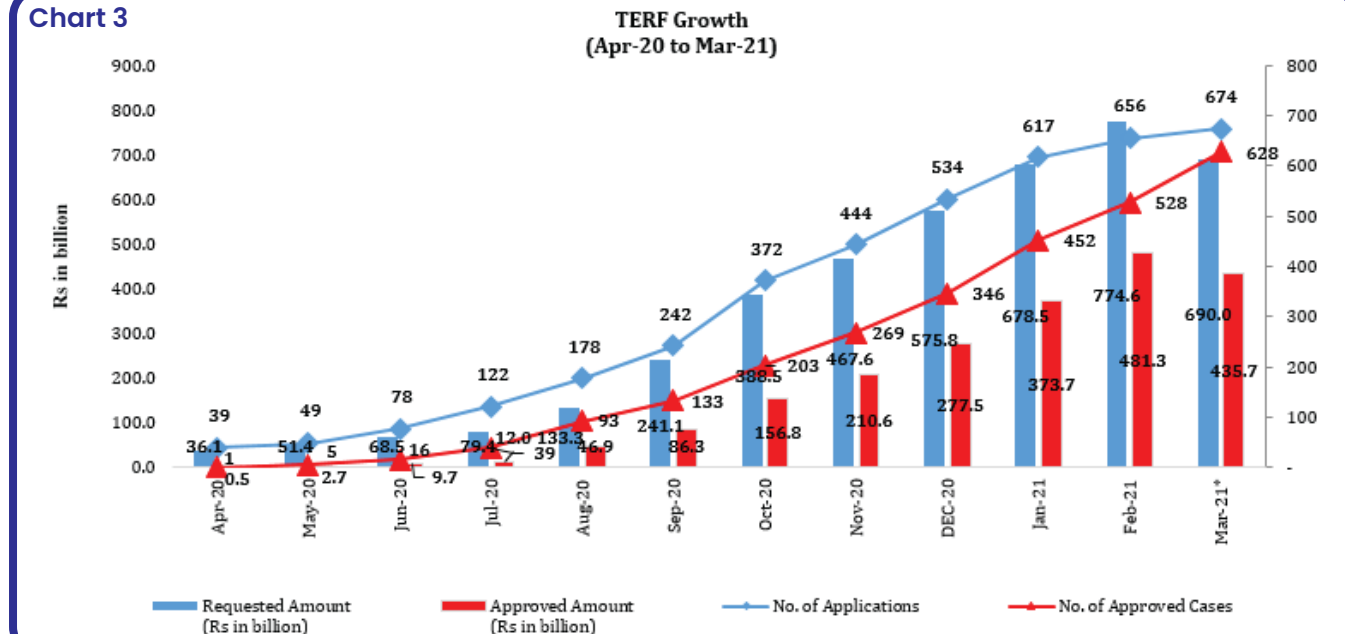
Features of the Scheme

- ♦ **Maximum Loan Limit:** Rs. 5 billion per project
- ♦ **Rate:** End User Rate 5 percent p.a. inclusive of 1 percent refinance rate of SBP

- ♦ **Tenor:** 10 years with grace period up to 2 years
- ♦ **Repayment:** Quarterly/ half-yearly
- ♦ **Validity:** March 31, 2021

TERF showed significant growth over the last 12 months of the validity of the facility as reflected by increase in requested amount from Rs. 36.1 billion by end April 2020 to Rs. 690 billion at maturity while over the same period approved financing has reached to Rs. 435.7 billion from Rs. 0.5 billion.

Chart 3



Since the TERF scheme matured on March 31, 2021, therefore, no further change could be expected.

3. COVID-19: Loans

Loan Extension and Restructuring Package

Announced on March 26, 2020, the Loan Extension and Restructuring Package of State Bank of Pakistan (Debt Relief Scheme) was meant to facilitate the borrowers in restructuring and deferment of their loans. The Debt Relief Scheme aimed to preserve the solvency of the borrowers and enable them to combat the temporary economic disruptions.

Features of the Scheme

i) Deferment

- ♦ Loan principal amount only can be deferred for up to twelve months and borrower continues to service mark-up amount as per agreed terms & conditions.
- ♦ Credit history of borrower will not be affected adversely.
- ♦ Bank will convey their decision to borrower in 15 days of application.
- ♦ Increase in number of days past due after which loan is considered as non-performing, to facilitate processing of applications.

Eligibility Criteria

- ♦ Borrower makes a written request before expiry date of scheme.
- ♦ Loan is performing as on 31-Dec-2019.
- ♦ The borrower continues to service mark-up amount as per agreed terms & conditions.
- ♦ **Validity:** September 30, 2020

ii) Restructuring

- ♦ Loan principal amount can be deferred for more than twelve months and repayment terms of mark-up amount can also be relaxed.
- ♦ Credit history of borrower will not be affected adversely.

- ♦ Increase in number of days past due after which loan is considered as non-performing, to facilitate processing of applications.

Eligibility Criteria

- ♦ Borrower makes a written request before expiry date of scheme.
- ♦ Loan is performing as on 31-Dec-2019.
- ♦ Restructuring is completed within the prescribed number of days.
- ♦ **Validity:** March 31, 2021

Out of 1.883 million applications received, banks, DFIs and MFBs approved 1.825 million applications (96.92 percent) up to April 02, 2021. Since the launch of the scheme, the individual borrowers, especially the customers of microfinance banks, had been the major beneficiaries of the scheme. The restructured and deferred loans include 1.717 million approved applications of customers of microfinance banks involving an amount of Rs. 121 billion, which approximately constituted 50 percent of total net-loan portfolio of MFBs.

Whereas, Rs. 717 billion out of total restructured and deferred amount of Rs. 910 billion related to corporate and commercial borrowers; as corporate loan portfolio of the banking industry constitutes 69.9 percent of total loan portfolio of banks, DFIs and MFBs.

4. COVID-19: Health

Supporting the Health Sector to Combat the Virus – RFCC

SBP on March 17, 2020, announced a Refinance Facility for Combating COVID-19 (RFCC) and its Shariah compliant version to support hospitals and medical centers in combating the spread of COVID-19. Under this scheme, the SBP refinanced banks at 0 percent to provide financing at a maximum end-user rate of 3 percent for 5 years. This Facility was aimed at enhancing the capacity of health sector of the country to deal

with health emergency especially in the backdrop of COVID-19. Financing under the facility was available through banks/DFIs for all hospitals/medical centers not only to combat COVID-19 but also to enhance their overall capacities. Manufacturers of masks/protective dresses/testing kits/hospital beds/ventilators and other items to combat COVID-19 were also allowed to get advantage of this special financing opportunity.

Features of the Scheme

Eligibility:

i. Hospitals, medical centers registered with Provincial/Federal agencies/commissions and manufacturers of masks/protective dresses/testing kits/hospital beds/ventilators and other items to combat COVID-19.

ii. Financing can also be availed for setting up of new hospitals or expansion of the existing hospitals and medical centers subject to minimum conditions.

iii. Financing against existing equipment and purchase of refurbished equipment is also allowed.

Maximum Loan Limit:

- ♦ (i) Rs. 500 million per hospital/medical center
- ♦ (ii) Rs. 1,000 million for setting up of new hospitals
- ♦ **Rate:** End user rate 3 percent p.a., SBP Refinance rate was 0 percent
- ♦ **Tenor:** 5 Years with grace period of 6 months
- ♦ **Repayment:** Quarterly/ half-yearly basis
- ♦ **Validity:**
 - (i) September 30, 2020 except for new hospitals. However, LCs established under approved applications till September 30, 2020 were eligible for refinance even if these LCs were established after the mentioned date (September 30, 2020)

- (ii) Validity for New Hospital was June 30, 2021
- ♦ This was the first time that SBP issued a refinance scheme for Health sector given its utmost importance due to the prevalent pandemic.
- ♦ This concessionary financing facility had enabled hospitals/medical centers to enhance their capacities mainly in terms of building COVID specific isolation wards and increasing number desired machinery such as ventilators.
- ♦ The scheme was also available for establishment of new hospitals.

5.COVID-19: Employment

SBP Rozgar Scheme

On April 10, 2020 State Bank of Pakistan introduced a temporary refinance scheme and its Shariah compliant version to prevent layoff by financing wages and salaries of employees (permanent, contractual, daily wagers as well as outsourced) for six months (April 2020–Sep 2020) for all kind of businesses except for government entities, public sector enterprises, autonomous bodies and deposit taking financial institutions.

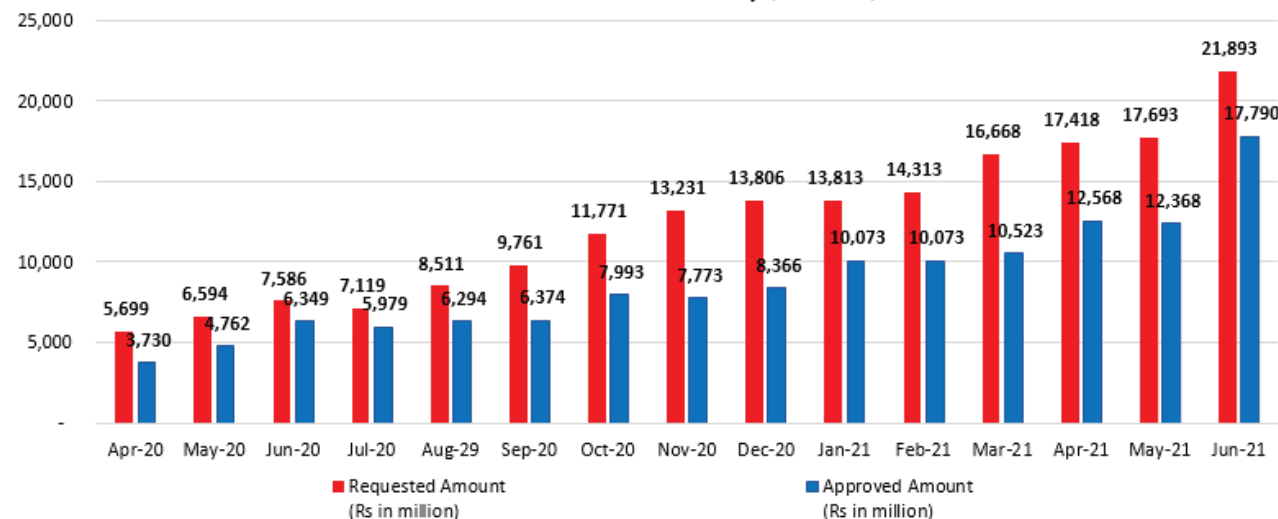
Features of the Scheme:

♦ Maximum Loan Limit

Category	Wage Bill for 6 months	Loan Limit	Loan Limit (Max)
A	Less than or equal to Rs. 1,000 million	100 percent of actual six months wage bill	Rs. 1,000 million
B	More than Rs. 1,000 million	Rs. 1,000 million or 75 percent of actual six months wage bill, whichever is higher	Rs. 2,000 million

Chart 4

RFCC Growth Over Last 15 Months Apr,2020-Jun,2021



- ♦ **Rate**
 - (i) 3 percent p.a. for taxpayers (SBP refinance rate 0 percent)
 - (ii) 5 percent p.a. for non-taxpayers (including SBP refinance rate 2 percent p.a. for corporate/commercial borrowers and 1 percent p.a. for SME borrowers).

♦ Risk Sharing Facility

60 percent risk sharing by Government of Pakistan for SMEs against first loss on disbursed portfolio (principal portion only) of eligible borrowers with sales turnover up to Rs. 800 million and 40 percent risk sharing for eligible borrowers with sales turnover up to Rs. 2 billion.

♦ Repayment

- (i) 8 equal quarterly installments.
- (ii) The repayment of financing under the Scheme will start after a grace period of 06 months (to be counted from the date of last disbursement to business).

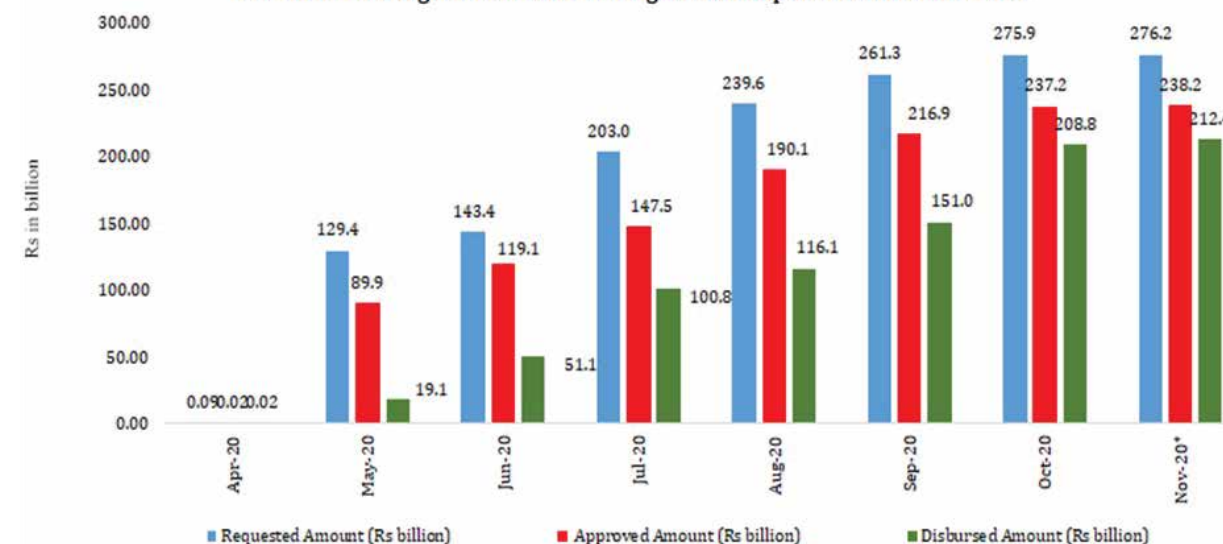
♦ Validity: September 30, 2020

It had been the most popular refinance scheme of SBP which helped to prevent layoff of 1,677,806 employees of 2,683 businesses by November 2020. Out of these, 382,673 employees were of 1,959 SMEs and small corporates.



Chart 5

Growth in SBP Rozgar Scheme over Last Eight Months April 2020-November 2020



*Data as of Nov 13, 2020

Significant growth in SBP Rozgar Scheme is reflected through increase in amount under all three categories i.e., requested amount, approved amount, and disbursed amount. Requested amount has increased from less than Rs. 1 billion by end April 2020 to more than Rs. 276 billion by November 13, 2020, while over this period approved amount and disbursed amount have increased to Rs. 238.2 billion and Rs. 212.4 billion from Rs. 24 million and Rs. 23 million, respectively.

OTHER MEASURES

For further details please browse <https://www.sbp.org.pk/corona-others.asp>

Ensuring the Availability and Continuity of Financial Services

(Updated on Dec 31, 2020)

SBP introduced measures to fight the spread of Coronavirus (COVID-19) through the financial system by increasing awareness among staff and customers and banks and issued detailed directives to ensure the availability of uninterrupted financial services to bank customers.

Promoting Digital Payments

(Updated on Mar 28, 2020)

SBP waived all charges for customers using online fund transfer services, which will allow customers to perform online interbank transactions free of cost. This will contain the spread of COVID-19 by limiting the physical interaction of citizens at bank branches.

Relaxing Credit Requirements for Exporters and Importers

(Updated on Aug 20, 2020)

SBP supported growth and employment by easing the requirements on exporters and importers to gain access to cheap finance under our existing facilities.

Provision of Disinfected Currency Notes by Banks

(Updated on Jun 04, 2020)

To ensure that sufficient fresh or disinfected cash is supplied to banks and additional measures were adopted to safeguard those directly involved in cash management and operations.

Prime Minister's COVID-19 Pandemic Relief Fund-2020

(Updated on Apr 07, 2020)

The Government of Pakistan has established a relief fund namely Prime Minister's COVID-19 Pandemic Relief Fund-2020 for providing relief and assistance to the people of Pakistan affected by the COVID-19 pandemic in the country.

Domestic and International Accreditation to the Measures taken by SBP to Mitigate COVID-19 Adversities

Domestic

"Pakistan has been acknowledged globally for its fast economic recovery from the COVID-19 pandemic compared to peer economies and even before the developed countries. Among others, the central bank and its leadership responded aggressively to the unfolding challenges during the pandemic and shielded the economy through timely measures and initiatives."

The above are the findings among others outcomes of a brief survey conducted by *The Express Tribune* to find out whether the State Bank of Pakistan (SBP) took proactive measures with Governor Reza Baqir at the helm.

Different stakeholders said the institution, through its team, took a number of measures to strengthen the economy in order to absorb shocks, fight against odds and remain resilient. They believe institutions are established or destroyed through the performance of their teams, and putting the right person at the top is a must to motivate the team members.

Dr. Baqir is a capable governor of the central bank. He listens to the stakeholders including bankers and businessmen with an open mind and consults on the emerging issues and challenges with his deputy governors, economists and other team members to come up with possible solutions.

They specially praised the central bank's active role in digitalizing the financial sector and the economy at large. Though digitalization gained traction during the pandemic, fast recovery of the economy would not have been possible without availability of prerequisite infrastructure since pre-COVID times.

"Dr. Reza Baqir is an extremely thoughtful, pro-active and forward-looking governor of the State Bank," said Pakistan Stock Exchange CEO Farrukh H. Khan in comments to *The Express Tribune*.

Under his leadership, the SBP took a number of important steps to stabilize the economy and move it towards growth trajectory, at a time when Pakistan was beset with numerous challenges, including the coronavirus pandemic, he said.

(Source: <https://tribune.com.pk/story/2280320/sbp-a-pillar-of-support-for-business>)

PM Lauds NCOC, SBP, Ehsaas for Effective Response to COVID Pandemic

Prime Minister Imran Khan commended the performance of the National Command and Operation Centre (NCOC), the State Bank of Pakistan (SBP) and the Ehsaas team for their effective and coordinated response during the COVID-19 pandemic.

The prime minister took to the microblogging website Twitter, to appreciate the performance of the three departments, who had been recognized by the

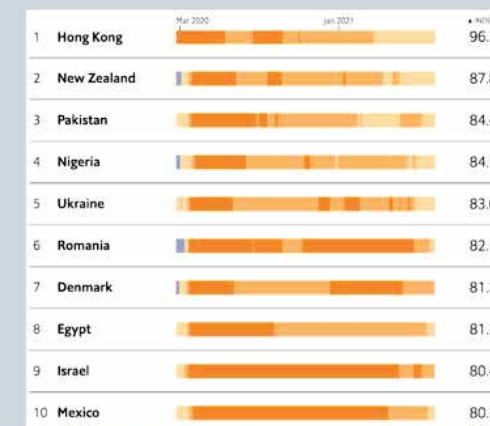
prestigious UK-based *The Economist* in its report on the global pandemic.

"Congratulations to NCOC members, Ehsaas team & State Bank of Pakistan for effective response to COVID-19 pandemic; and above all thanks to the mercy of Almighty Allah," the prime minister tweeted, sharing charts from *The Economist* magazine.

SUNDAY, JULY 4, 2021

Economist Normalcy Index: Pakistan Among Best Performing Countries For Handling COVID19

With a score of 84.4, Pakistan ranks third among 50 countries tracked by the Economist magazine for return to pre-pandemic life. Pakistan's neighbor India has a score of 46.5, ranking it near the bottom in 48th position. China (score 72.9) is 19th and the United States (72.8) is 20th. The global average for return to pre-pandemic activity is 66.6 on a scale of 0 to 100.



Top Performing Countries For Return to Pre-Pandemic Activity Level. Source: Economist

The Economist magazine is tracking 50 countries for return to pre-pandemic activity level.

In its Global Normalcy Index, the magazine had ranked Pakistan at No 3 out of 50 countries that performed well in controlling the COVID-19 spread. According to the report, India ranked 48th, while China took 19th spot. The United States stood at 20th in the ranking.

The index focused on how better the countries were returning to their pre-pandemic levels, by grading each country using eight indicators: Time not at home, retail, office use, public transport, road traffic, flights, cinema, and sports attendance.

(Source: <https://tribune.com.pk/story/2309254/pm-lauds-ncoc-sbp-ehsaas-for-effective-response-to-covid-pandemic>)

International

Economic Update and Outlook: World Bank

With the pandemic, the government has been focused on managing the repeated COVID-19 infection waves, implementing a mass vaccination campaign, expanding its cash transfer program, and providing accommodative monetary conditions to sustain economic growth.

Due to low-base effects and recovering domestic demand, real GDP growth (at factor cost) is estimated to have rebounded to 3.5 percent in FY21 from a contraction of 0.5 percent in FY20. Buttressed with record-high official remittance inflows, received through formal banking channels, and an accommodative monetary policy, private consumption and investment are both estimated to have strengthened during FY21.

(Source: <https://www.worldbank.org/en/country/pakistan/overview#1>)

International Monetary Fund (IMF)

In its document on 'Policy Tracker: Economic Responses to COVID-19 by 196 Countries', while giving details of measures adopted by the Fiscal and Monetary authorities in Pakistan to counter the COVID-19 pandemic mentioned that "Economic activity worsened notably in FY 2020, recording a negative growth of -0.5 percent, however activity rebounded strongly in FY 2021 with growth preliminary estimated at 3.9 percent."

(Source: <https://www.imf.org/en/Topics/imf-and-covid19/Policy-Responses-to-COVID-19#P>)



MONEY...

But Not As We Know It?

Who likes the idea of acquiring some 'Bitcoin'? The tongue-in-cheek label given to a digital currency that could be launched by the Bank of England for wholesale and retail use belies the seriousness with which it – and many central banks globally – is treating the concept of central bank digital currencies more widely. Are they a stabilizing force for monetary good, or do they create more problems for the banking industry and how it makes its money?

Insight is a wonderful thing. For every person who claims to have made their millions thanks to some smart investing in the digital currency Bitcoin a decade ago, there are potentially hundreds who rue their previous dismissal of it as a passing fad that suited only the mindsets of the riskiest of speculators and fringe investment communities.

Despite enduring the rockiest of rides that has seen Bitcoin's value peak and trough to extreme levels in recent years, the digital currency concept itself has matured in the minds of the financial industry – and, most importantly, among the corridors of numerous state and central banks around the world.

While Bitcoin might serve as an example of how not to nurture a cryptocurrency, the foundations of a system that circumvents orthodox banking models, and has the potential to prevent financial crime and provide crucial safe-haven stability during tough times, are undoubtedly appealing to central bank policymakers.

In the *Financial Times* in July 2021, Martin Wolf cited the US Federal Reserve as having counted more than 8,000 cryptocurrencies in current circulation. Falling into two broad categories, the unbacked 'fiat' cryptocurrencies, such as Bitcoin, are typically prey to a range of financial crimes and in Wolf's view, deserve to be illegal. The 'stablecoins' category is not much less exposed to the vagaries of unregulated activity, but they have the opportunity to be backed by central banks, or the issuers brought into the fold as bona fide banks themselves.

"It is the job of central banks (with other regulators) to ensure that the revolution in digital payments works for society as a whole," he wrote. "There is now the possibility – necessity in my view – of augmenting cash with central bank digital currencies."

The New Crypto Order

Looking at the evidence, Wolf's view is increasingly echoed by a number of state banks around the world. The most visible advantage of creating a central bank digital currency (CBDC) is that it is a constructive response to what is seen as a relatively lawless cryptocurrency landscape that is fraught with negative connotations of unregulated speculation, or worse, money laundering and fraudulent activity.

In analyzing the global activity around CBDCs, Associate Professor Ethan Ilzetki and his colleague Lucile Crumpton at the London School of Economics explored, in a recent column for the Centre for Economic Policy Research's portal, VoxEU.org, the moves that have already taken place to bring these currencies to life. They noted that, based on Bank for International Settlements (BIS) 2021 survey findings, 86 percent of central banks globally are "actively researching the potential for CBDCs; 60 percent were experimenting with the technology, and 14 percent were deploying pilot projects".

"Most transactions in the UK are already conducted 'digitally', and cash comprises only a small fraction of the money base issued by central banks," they stated. "However, digital money is currently mostly in the form of private bank deposits".

"Few households and non-financial corporations have direct access to central bank liabilities, except through physical bills and coins – so the introduction of a CBDC can be seen simultaneously as a way to replace cash with a digital alternative and a way to give households less intermediated access to central bank liabilities."

Nevertheless, a key area of concern, according to Ilzetki and Crumpton, is that a CBDC is argued by some to risk the future of the banking system, where they are sidelined and lose out as the main depositories for customers. "Banks will no longer intermediate savings to investment, which may deprive the non-financial sector of a major financing source".

Despite these concerns, however, when UK respondents fed back to a July 2021 Centre for Macroeconomics survey about the trade-off between desirability and risk of a CBDC, 84 percent of panel members "thought a CBDC would benefit the UK economy".

A Very British Consultation

So how does one go about creating a CBDC? From the Bank of England's (BoE's) point of view, there is much merit in creating the conditions for a stable currency that exploits the technological possibilities for both wholesale and retail use – though the journey to get there is not without challenges.

In its discussion paper published in 2020, the BoE outlined its understanding of the pros and cons of a CBDC, viewing it through the lens of its own remit to "maintain monetary and financial stability".

"The introduction of a CBDC can be seen simultaneously as a way to replace cash with a digital alternative and a way to give households less intermediated access to central bank liabilities."

**Ethan Ilzetki and Lucile Crumpton,
London School of Economics**

The range of “use cases” included, among others, its contribution to a resilient and secure payment environment, countering the risks associated with new independent cryptocurrency creation, meeting the needs of the wider digital economy, and helping improve cross-border payments.

The proposed model in the report shows how private payment interface providers – authorized and regulated by the state – could service the needs of business and individuals, as intermediaries that have access to the core ledger or platform housed by the bank.

The best technology to suit the purposes of a CBDC is less clear: while it could be created in a more conventional and linearly digital way, the attraction of distributed ledger technology (blockchain) is strong. Resilience and equality of access does, however, potentially raise risks around security and privacy.



Since the BoE paper went out for response from the industry, Tom Mutton, the bank's Director for FinTech, reported back to FStech: The Future of FinTech Conference in June 2021 with an update. He was quick to say that a decision is still to be made – notably for one reason that “cash is still very important to a lot of people and it will remain available for as long as they wish to use it”.

Confidence is a Prime Factor

Mutton concedes in his report that the technological framework for making a digital currency available to businesses and individuals is not something unique to the capabilities of the BoE. Private sector is more than

capable of creating a workable system, he says, but at the heart of the bank's credentials would be the confidence it enjoys as an institution of state among users.

“Confidence in money and payments is fundamental to financial stability,” he argues. “And the ability to convert, on demand, ‘private’ money – such as a bank deposit, into ‘public’ money, issued by the central bank, in the form of cash, is a foundation of that confidence. It also promotes the understanding that different types of money are uniform and makes them substitutable. More generally, the ability to access central bank money acts as an anchor, and reference point, for value, given cash is a universally available and accepted ‘safe asset’.”

A second important factor, Mutton adds, is that the BoE would be operating with wider “public policy objectives” in mind, such as ensuring a healthy competitive payments environment and striving to maintain equitable financial inclusion for all. In the order of trustworthiness, state banks rank above private sector banks and technology companies.

Of the groups that fed back to the BoE's initial paper, nearly 40 percent were technology or FinTech companies, with 21 percent being private individuals. The most prominent concerns were that a CBDC needed to be simple and better distinguished from other payment options; it needed to be able to be used at a low-or no-cost basis; and that sufficient financial and technological inclusion (such as for those who do not use smartphones) and privacy criteria were met to make it viable.

Mutton's view is that the BoE is better placed than most to meet those requirements over time.

First, he says: “The Bank of England has no commercial incentive to gather users’ data. Indeed, we see strong standards of privacy and data protection as a hallmark of any UK CBDC. And in general, it is important that, if we were to launch a CBDC, the central bank should collect only the very minimum set of information needed to operate the system and meet our legal and compliance obligations.”

Second, he believes that the BoE is in a strong position to adapt the CBDC architecture to limit access to just a trusted pool of players.

The BoE's progress towards a CBDC is slow and steady by many standards, but the forming of a joint taskforce between it and HM Treasury – as well as two forums accommodating stakeholder views in engagement and technology – means that it can learn from how others overseas are piloting similar initiatives, before committing in its own right to one.

The International Perspective

In Frankfurt, a similar debate on the merits of a CBDC is being held at the European Central Bank (ECB). Like the BoE, the ECB reached out to citizens and institutions

across the Eurozone about the merits of a digital euro, garnering more than 8,000 responses which, according to board member Fabio Panetta, is an “all-time record for ECB public consultations”.

High on the respondents' agenda was privacy, though that was tempered by a recognition that the currency needs to be resilient against illicit or criminal activity such as money laundering or the financing of terrorism.

As well as the high expectations respondents had in seeing a digital euro integrated to work seamlessly with existing payments technologies, there was an understanding that this could be built upon when new innovations eventually allowed for enhanced features.

“Cross-border CBDCs could offer the opportunity to start with a clean slate, and address the frictions inherent in current cross-border payment systems and arrangements from the outset.”

The Bank of International Settlements

As in the BoE's consultation, easier, cheaper and faster cross-border payments were a particular ambition of respondents.

Indeed, when the wider international sentiment is taken into account, cross-border payments become a significant aspect of how CBDC could ease international capital flows. In its report to the G20 in July 2021, the BIS looked specifically at the impact of CBDC design on cross-border payments, concluding that global cooperation would be required to ensure a frictionless payments ecosystem that worked for all.

“CBDCs have the potential to enhance the efficiency of cross-border payments, as long as their design follows the ‘Hippocratic Oath for CBDC design’ and its premise to ‘do no harm’, as highlighted by the Group of central banks (2020),” it states.

“The coordination of national CBDC designs could lead to more efficient cross-currency and cross-border payments. Cross-border CBDCs could offer the opportunity to start with a clean slate, and address the frictions inherent in current cross-border payment systems and arrangements from the outset. The enhancements could be made by offering secure settlement... reducing costly and lengthy intermediation chains throughout the payment process, and eliminating operating hour mismatches by being accessible 24/7.”

The lesson from this is maybe that it is not in any central bank's interest to rush ahead with a CBDC without some meaningful form of international framework that is at least as resilient to the risks of financial crime – whatever jurisdiction it may come from – as it is to facilitating smooth cross-border payments.



Trust is a Global Issue

While Mutton already cited user confidence as a priority factor in positioning the BoE as a digital currency provider, it is apparent that a similar sentiment is being revealed at a global level. The Official Monetary and Financial Institutions Forum (OMFIF), in its 2020 report, *Digital Currencies: A Question of Trust*, noted that, whatever the complexities of the route map that they face to make it happen, central banks the world over are seen as the best institutions to roll out a CBDC.

“In almost all countries,” the report says, “respondents indicated that they would feel most confident in digital money issued by the domestic monetary authority. Respondents globally expressed a lack of confidence in digital money issued by a tech or credit card company, particularly respondents from advanced economies.”

This last point is sobering reading for private-sector players, but it does not necessarily lead them away from supporting digital currency efforts in a more innovative role. The difference, says the report, becomes clear when preferences are compared across remerging and advanced markets.

“Emerging market respondents are generally open-minded on the question of who should issue digital money in the future, with only a slight preference for the central bank in some countries. The findings suggest that public-private partnerships may be an accepted route for digital currency issuance.”

So, will ‘Bitcoin’ – or its equivalent – ever see the light of day? All the evidence points to a period of necessary stock-taking, not just in individual jurisdictions but at a cross-border level where, if this is ever going to work to the benefit of most individuals and businesses in most parts of the world, an unprecedented level of common agreement will be needed.

All eyes for now remain on the Caribbean, where at the end of March this year, the Eastern Caribbean Central Bank launched DCash as a pilot digital currency, with transactions being stored on a blockchain. This, along with the Bahamas' Sand Dollar being launched last year, will likely be a significant measure of how the rest of the world's central banks follow suit. ■

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

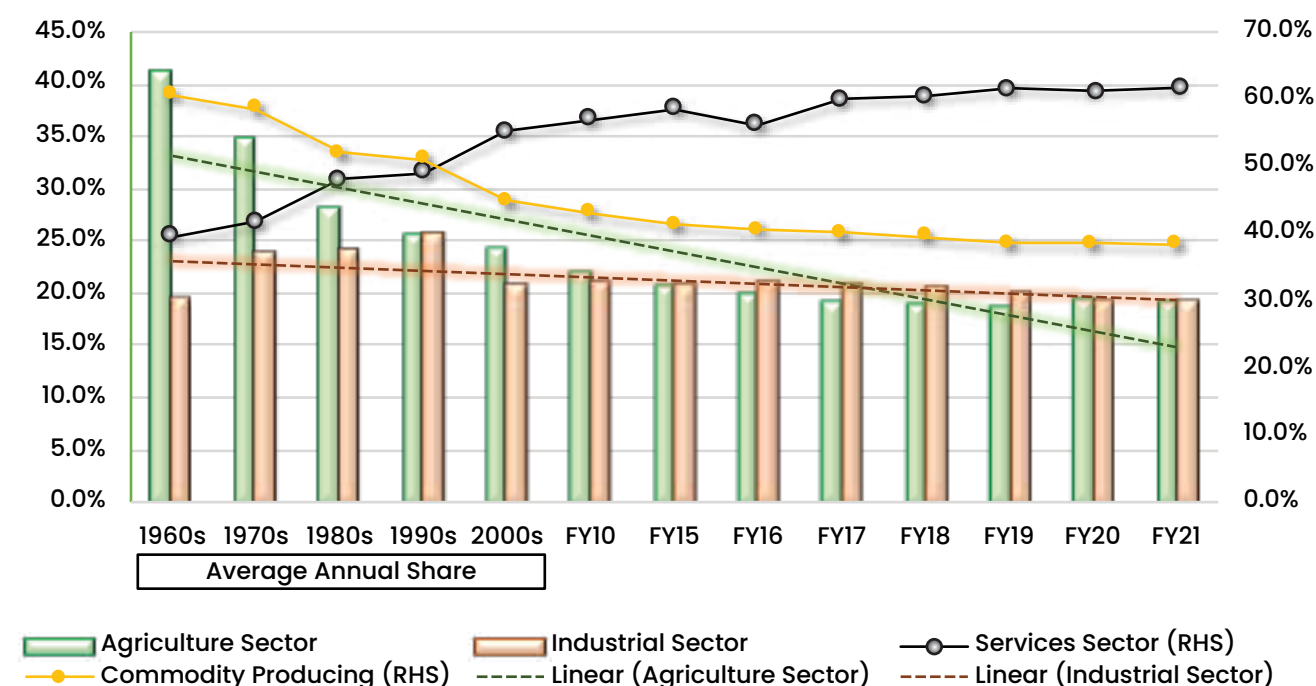
First appeared in IBP's quarterly Journal October–December 2020, the feature on 'Rewinding the Reel' allows the readers to see the changes appear in the composition, magnitude, and significance of key economic variables over a period. Availability of consistent time series in terms of its definition,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

Changing Composition of National Income and Other Allied Accounts



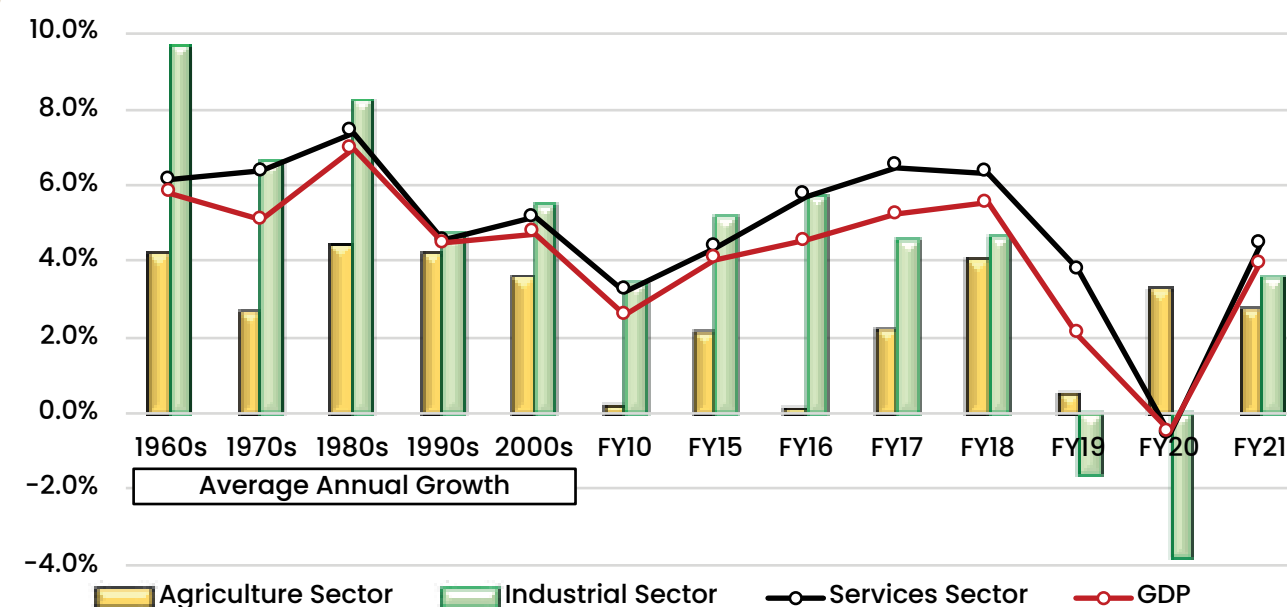
National Income Accounts of a country present reliable and comparable statistics mostly on production, consumption, saving and investment activities in an economy. These statistics are used for the purpose of economic analysis, decision taking and policy making. Pakistan National Accounts estimates are prepared in the light of the UN System of National Accounts (SNA) 2008. The graphical presentation below contains the glimpses of changes in the composition of National Income Accounts and some of its associated key economic ratios experienced over the time.

Sectoral Share in Gross Domestic Product



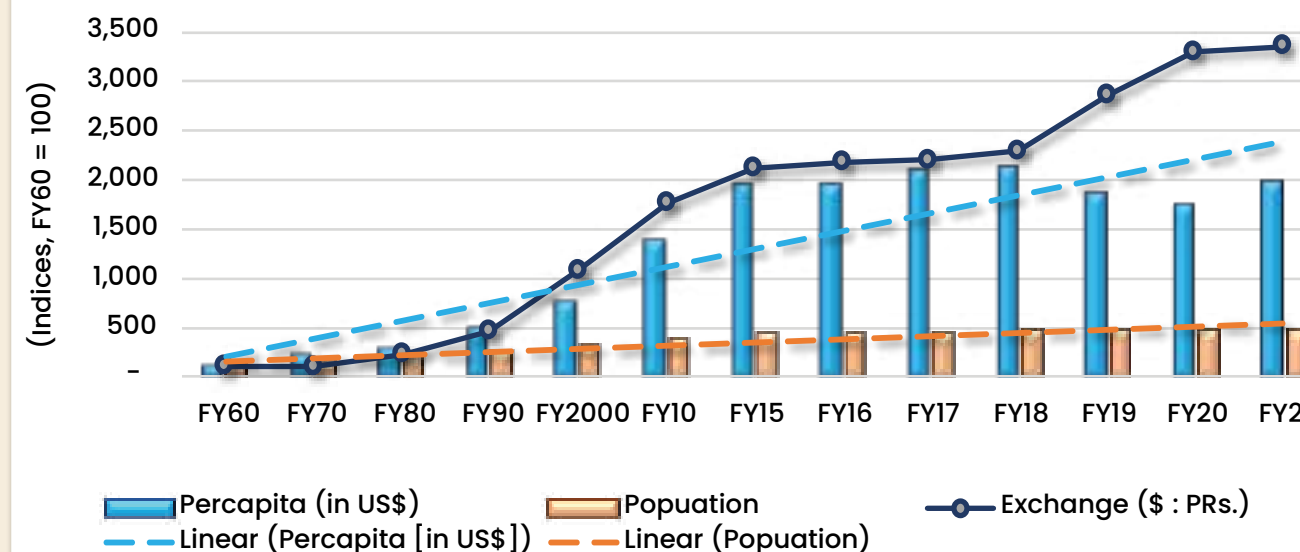
After 1990s onwards, a shift can be seen in terms of share of services sector surpassing the share of commodity producing sector in the accumulation of GDP. In commodity producing sector, steeper falling trend in contribution to GDP is evident in agriculture sector, where it declined from 41.2 in 1960s to 19.1 in FY21.

Growth Rates – Real GDP



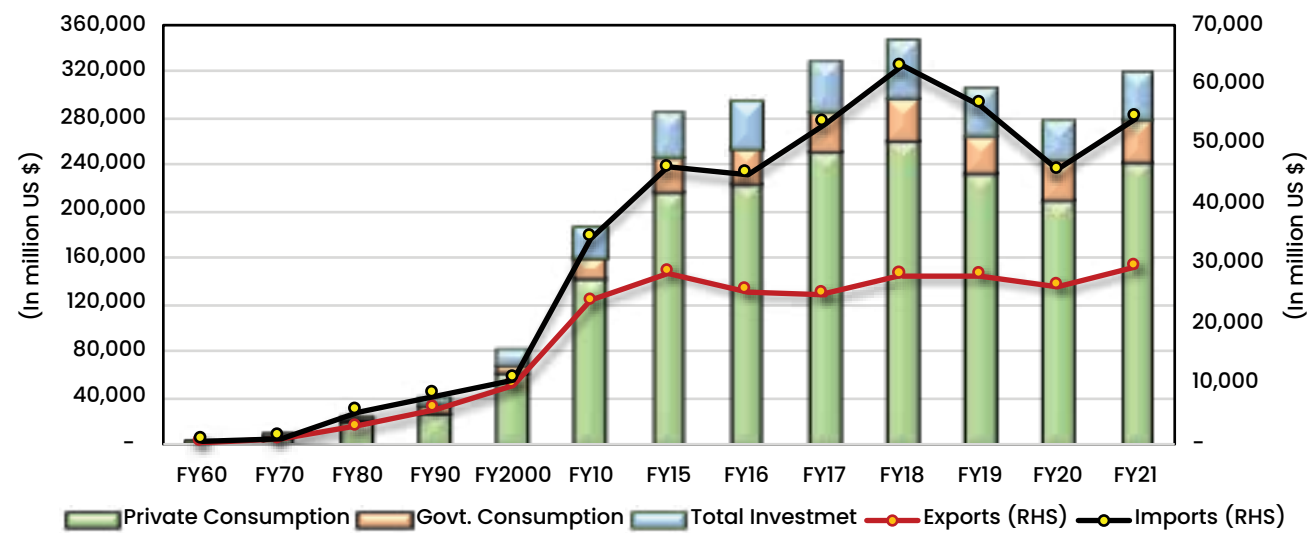
During past 30 years (i.e., from 1960 to 1980), Pakistan's economy rallied stronger growth in industrial and services sectors with registering average annual growth rate exceeding 6.0 percent. Later on, it never reached this threshold in any single year or on the average. Moreover, during the entire review period, growth in the services sector has been seen moving in tandem with the overall growth in the GDP.

Growth Trends in Per capita, Population and Exchange Rates



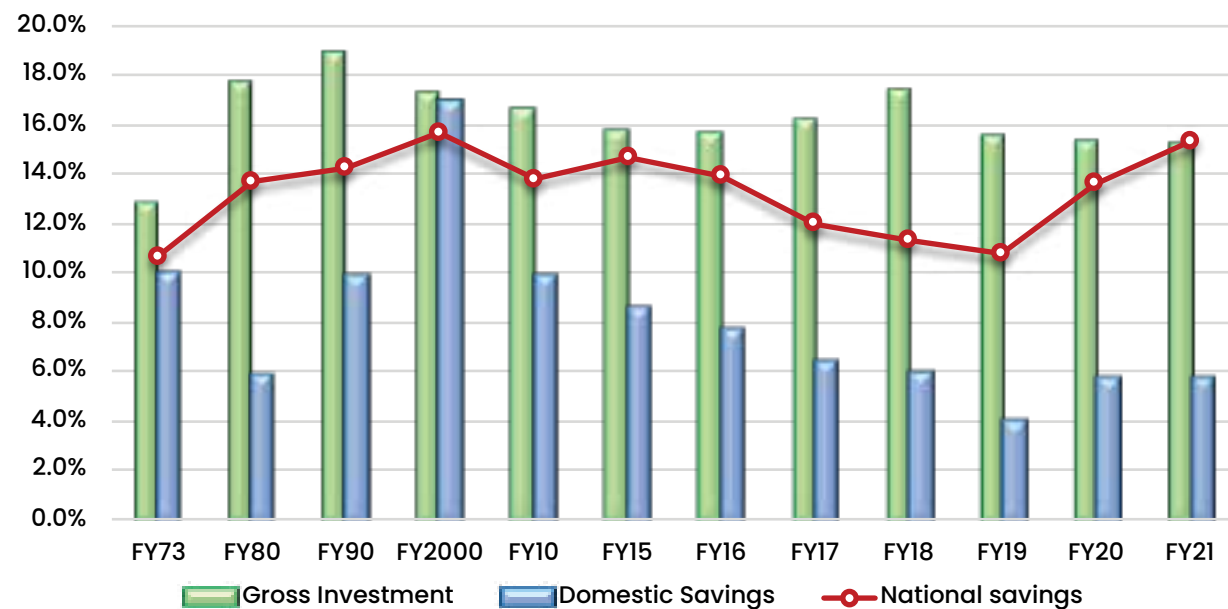
The per capita income measured in terms of US \$ has showed steady growth over the years since 1960. With exceptions in some years, the index of per capita income rose to around 1000 in FY21 as against 100 in 1960. In FY18 the per capita income reached its peak level i.e., at US \$ 1,652 per person per year. More than quadrupled increase was seen in per capita income in FY 18, compared to its level in the 1990s. The percent growth in GDP seemed to offset the decline in the value of Pak rupee as well as growth in population.

Expenditure on Gross National Product



The expenditure approach to GDP showed that expenditure on capital goods (total investment), a prerequisite for sustainable and stable growth, has been critically low since 1960's. The consumption expenditure both by government and private sectors is on continuous rise and dependency on imports can be seen rising vertically.

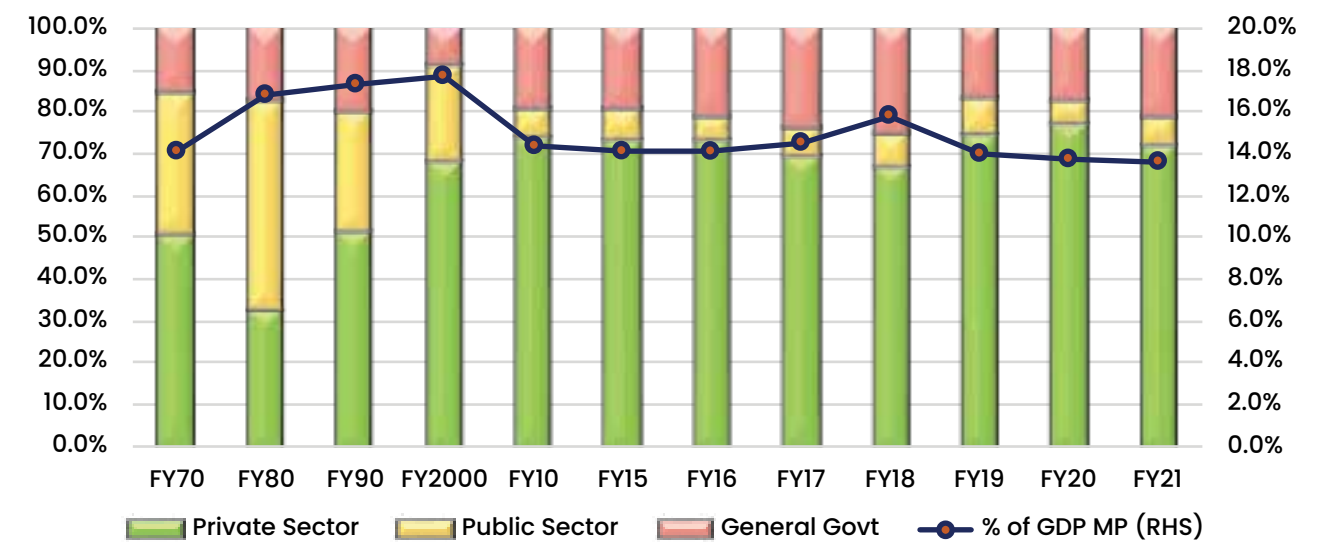
Investment and Savings as Percent of GDP



Domestic savings which were as high as 16.9 percent of GDP in FY00 with continuous decline over the period came down as low as 4.1 percent in FY19. The foreign savings however, rescued this deterioration in domestic savings and as such the share of national savings has never been below the double digit i.e., 10 percent of the GDP.



Sectoral Contribution in Gross Fixed Capital Formation



During 1970s, 80s, 90s and 2000s a significant part of gross fixed capital formation was being contributed by the public sector which later on reduced considerably. However, the contribution by general government to capital formation have been fairly encouraging and mostly hovered in between 15 to 25 percent share in the overall gross fixed capital formation.



Q&A



Sohni Dharti Remittance Program (SDRP)

Sohni Dharti Remittance Program (SDRP) is a point-based loyalty scheme for our remitters who work abroad and send money to their loved ones in Pakistan through banking channels or exchange companies.

It is a unique and first-ever smartphone application available in English and Urdu language that tracks and updates every remittance a remitter sends home and awards remitters with reward points, which can be redeemed for free of cost services at multiple Public Service Entities (PSEs).

Q1: What is Sohni Dharti Remittance Program (SDRP)?

ANS: Sohni Dharti Remittance Program is an initiative of the Government of Pakistan to incentivize Non-Resident Pakistanis who send home remittances to Pakistan through official remittance channels. The eligible transactions for this program include:

- Remittances sent by an overseas Pakistani and received by a Pakistani in Pak Rupees bank account in Pakistan.
- Remittances sent by an overseas Pakistani and received by a Pakistani in cash PKR over the counter of banks and exchange companies in Pakistan.
- Local utilization of funds (non-repatriable) in Pakistan by Roshan Digital Account holders. (It is further explained below.)

Q2: Why should I join Sohni Dharti Remittance Program?

ANS: You will be eligible to receive reward points on every remittance transaction you send to Pakistan. These points will be awarded on the basis of the assigned criteria, and you can avail exclusive services at participating Public Sector Entities (PSEs) through in-App redemption process.

Q3: Who can register for Sohni Dharti Remittance Program?

ANS: Any Non-Resident Pakistani, CNIC/NICOP/POC holder, who has sent remittance to Pakistan on or after October 1, 2021 can register as a remitter. A remitter can further register 01 beneficiary using the Sohni Dharti Mobile App.

This Program is effective from October 1, 2021. The reward points will be awarded and accumulated for transactions during a financial year starting from July 1st to June 30th. However, in the first fiscal year 2021-2022 points will be awarded for the period from October 1, 2021 to June 30, 2022.

Q4: How can I register for the Sohni Dharti Remittance Program?

ANS: Simply download the Sohni Dharti Remittance Mobile App from the Google Play Store or Apple App Store. Input a few registration details, including your active mobile number and set a password and your registration request will be processed.

Q5: I am unable to register using my transaction reference number as a remitter. What should I do?

ANS: In case your transaction reference number is not accepted on the Sohni Dharti App for registration, please check the following:

- The home remittance was sent on or after October 1, 2021.
- At least two working days have passed since you sent the remittance.
- The transaction reference number has not been previously used for registration in the Sohni Dharti App.
- In case of RDA remittances, transaction number of local consumption transaction may be used.

In case your issue does not fall under any of the above, please call at +92 21 111 72 77 74 or email at sdrpsupport@ilink.net.pk or sdrpsupport@sbp.org.pk for assistance.

Q6: What should I do if my country/region/territory is not mentioned in the Country of Residence list?

ANS: For assistance on the matter, please get in touch with Contact Center representative at +92 21 11172 77 74 or email at sdrpsupport@ilink.net.pk or sdrpsupport@sbp.org.pk

Q7: How can I register my beneficiary?

ANS: As a remitter, you can register a beneficiary against his/her valid CNIC No. using the Mobile App.

The beneficiary will receive a registration code along with the App download link on SMS on provided mobile number, using which he/she can enroll as a beneficiary. The registration code is valid for 03 days, after which the request will expire, and you will have to re-add the beneficiary.

Q8: Can I claim the reward for my remittances sent into Roshan Digital Account (RDA)?

ANS: The remittances received in RDA account (PKR and FCY) will be eligible for reward points once amount is consumed for expenses i.e. the RDA holder spends the amount to meet certain expenses. The amount so spent will become eligible for rewards. For example, an RDA holder who pays education fees of his/her dependents in Pakistan, pays rent for residence, medical or insurance expenses or any similar expenses, will become eligible for reward points.

Further, reward points may be earned on the funds spent for Roshan Apni Car or Roshan Samaji Khidmat. However, the unspent balance in PKR or FCY account and amount invested in property, stocks, NPCs and INPCs etc. is repatriable and will not be eligible for rewards under SDRP.

Q9: I have a joint RDA with a resident of Pakistan, can I earn the reward points on my joint RDA?

ANS: Yes, joint RDA holders will be eligible for reward points provided remittances received in RDA (PKR and FCY) are utilized for the expenses stated above.

Source: <https://www.sbp.org.pk/sohniharti/FAQs.html>





HUMAN RESOURCES DYNAMISM

An Essential Element for Improving Organizational Management

By: Akram Khatoon

The revolutionary change in the concept of Human Resources (HR) that it is not a means to an end, but an end in itself, is no longer applied as a measurable component of the process of organizational activity.

The people in an organization are a dynamic force, but at the same time they differ in age, gender, religion, social background and education, and as such bring a range of motives and commitments to their work. This very fact, combined with accelerated growth in technology and its application in various combinations with HR as a component of management — both before and after onslaught of COVID pandemic — have rendered the process of human resource management (HRM) a phenomenon involving a complex of socio-economic problems. On global basis the virus has taken far more than a million lives and hundreds of millions more have been altered forever by rising poverty and massive job losses and interruptions to education. As such, the world needs not to go back to the economy of yesteryears. It is particularly the developing economies who need to look ahead towards a future where things will be done differently to achieve all the seventeen sustainable developmental goals (SDGs) by end of 2030.

To achieve the above stated objectives, it is imperative upon organizations to design strategies for management of HR keeping in view all aspects of human psychology including personal beliefs, outlooks, ethics and morality standards, aspirations and growth, which entail supportive as well as 'system approach' instead of 'traditional management approach', which involves an authoritative and controlling strategy.

The supportive approach helps people to grow in self-control and responsibility and creates an ideal organizational culture where all employees are eager to put in their best efforts to achieve organizational mission. This, in turn, results in developing a situation of job satisfaction at all levels, whereas the 'system approach' implies that any action of management in relation to HR always has repercussions on other variables in an organization. As such, it should be a sincere concern of a manager that his policies in relation to motivating and actuating manpower should have a favorable impact on the entire organizational system.

Here, the question arises as to what the limits and boundaries are for exercising policy of motivation and drive in an organization regarding its people. The theory propounded by A. H. Maslow regarding human behavior in the context of goal seeking states that human needs, combined with heredity and environment, determine a set of human behaviors which need to be managed and monitored through the process of actuation and motivation to achieve organizational goals, and at the same time maximum satisfaction on the part of employees of all levels.

The factors determining strategy for effective management of HR to be undertaken in an organization are:

Management Philosophy

It is the management philosophy that develops a peculiar culture of the organization concerned and strategy for management of HR is designed accordingly.

“It should be a sincere concern of a manager that his policies in relation to motivating and actuating manpower should have a favorable impact on the entire organizational system.”

An organization typically specifies the nature of contract of agreement it enters with its employees. This may range from policy of a “fair day's work for a fair day's pay” (which is in vogue in majority of the American businesses and industrial organizations with regard to blue collar jobs) to a policy which stresses challenging and meaningful work in return for a loyal, committed and self-motivated employee, commonly prevalent in Japan. “Employees in Japan generally view their company as an extension of their family life. Indeed, many of them equate the importance of their company with that of their own lives,” as stated by Ryutaro Nohmura, who owns a tent making company in Osaka.

On the other hand, in case of companies exercising autocratic policies, their selections, appraisal and rewarding decisions are centralized; whereas in firms which have a culture of participating management, people running it develop a sense of responsibility. Self-discipline, teamwork and aspirations of achieving the very best, thus make maximum contribution towards organizational goals.

The strategy of HRM also depends on extent of weightage given to quality of selection and development. The organization practicing quality selection, training and subsequent career building program of the employee would develop a team of high performers having aspirations and desire to grow in line of their profession.

Focus on Group Based Performance

Another factor stimulating the strategic management of HR is the company's ability to gear human resources system towards collective and group based performance. When emphasis is on group performance rather than individual performance, selection must take into account social compatibility. Similarly, appraisal system must be group focused and accordingly rewards must provide incentives for the work group.

Clear and Concise Knowledge of Assignments

For effective management of HR, it is also imperative for organizations that employees at all levels are provided clear and concise knowledge of their assignments or in other words what is expected of them. To determine standard of expectations is both a formal and informal process. The standard can be inferred through an organization's performance appraisal system, which is a formal method; whereas informal development of standard is helped through ongoing activities of assigning work, consultation, monitoring of work, critique or reviewing the progress and giving feedback.

The clarity of goal or job expectation is correlated to the development of congenial working environment, which again includes elements like feedback, consultation, critique and problem solving. These emerge when the goal or job is well defined.

Competency

Competency is another important determinant of the standard of performance of an employee. Competency implies one's ability to perform, which in turn depends

on academic and professional qualifications, natural aptitude, confidence, skills and job experience. The lack of competency always has direct impact on the services or products offered by the organization. Induction policy of selecting right man for the right job ensures total quality control of the end products.

Being In-sync with the Global Changing Environment

No doubt, the above discussed set norms of HRM still hold ground but the changing environment all over the globe, like incredible advancement in science and technology — particularly relating to information technology — which has made inroads in working operations of organizations of all kind through online dealings and digitization, demands diversity in job competency and sophistication in the process of production and quality of the services offered.

Caring for Employees' Health and Well-being

Besides this, transformational happenings in the overall process of operations of organizations including HR management policies, the onslaught of COVID pandemic has greatly disrupted the businesses, social sector and overall way of life throughout the world. In this scenario, apart from organizational well-being, initiatives to enhance employees' health and well-being should have an upper hand. In addition to working from home (WFH) practice, HR departments of organizations need to introduce flexible working hours, coaching sessions for acquiring knowledge on rapidly changing aspects of information technology and introducing problem solving portals for the benefit of employees of all levels, which is essential to keep the work force highly motivated in pandemic situation.

Smarter Use of IT Interventions

Besides that, advancement in information technology has effected the organizational structures where digitization, use of computers and online working has been introduced in various areas of operations of both business and non-business entities. Problem solving and decision making has been made easier; as such the number of hierarchical levels have been reduced and organizational structures have become flattened or have expanded horizontally, making business entities cost effective as quite a number of mid-management levels can be eliminated due to use of computer technology. As it is, the general experience is that existence of unnecessary hierarchy levels fails to create a congenial working environment, which is the outcome of procedural bottlenecks, lack of two-way vertical and horizontal communication, failure to make timely decisions and inaccessible management having authoritative style of management, which discourages employees from putting in their best efforts. The continuous feedback from management is the most needed element to reinforce performance and also to adjust the performance which is irrelevant or not required.

Adopting Synergetic and Consultative Approach

Most importantly the synergetic and consultative approach of the management at all levels during

the entire process right from decision making through implementation stage to completion of job, infuse enthusiasm and initiative among workers, which is a prerequisite for obtaining outstanding performance from the work force of an organization.

One of the most important characteristic of Japanese culture is to achieve consensus by comprising and thus, conflict is automatically avoided. Accordingly, in running the affairs of the country everyone contributes right from grassroots level to the largest multinational organizations. Japanese call it '*memawashi*' (root binding). Just as a gardener wraps all the roots of a tree together before he transplants it, Japanese leaders, also, in all spheres of trade, industry and social welfare organizations ring all stakeholders together before an important decision is made.

Ethics and morality are personal traits, but ethics and morality, including transparency, must exist in a working environment as well. This presupposes that man will rise above personal gains and ulterior motives, and will not be oblivious of group ethics, which is the most important ingredient of team management philosophy. It is unfortunate that in the Pakistani scenario, despite its being a Muslim country, group ethics are totally ignored in business-life; resultantly, amassing of ill-acquired wealth and rampant corruption have become part of the country's business and social culture.

Fair Management of Rewarding Mechanism

Finally, the proper management of rewarding system is most essential to motivate the employees to perform well. Lack of focus on this issue common both in developed and developing countries results in lack of initiative to give outstanding performance. The goal oriented performance should be the very basis of determining the extent or nature of reward to an employee. The appraisal system may range from subjective, personal evaluation to impersonal criteria based on profitability, quality of production, return on investment and other quantitate measures. It depends on the ability of the appraising manager to determine the extent to which subjective and objective approach are to be given weightage while evaluating the performance of an employee.

In Pakistan's scenario where ad-hocism has the upper hand in all aspects of economic life, the organizations usually look towards short-term goals like rewarding managers by giving raise in pay and promotion for achieving profitability higher than the target set. The long-term goals are usually ignored. It is essential that good performers along with immediate benefit concurrently be motivated to strive for long-term goals by assigning to them a challenging and responsible position in the hierarchy of management.

Hence, the ideal approach towards rewarding must result in a balanced support to short- and long-term strategic goals both from organizational and employees' point of view. ■

Bank on IBP

The Journal of The Institute of Bankers Pakistan is a reputed quarterly publication of IBP. It enjoys a wide readership of local and international subscribers of the hard copy as well as 20,000 online readers.



We value all of our stakeholders and patrons, who bank on IBP to deliver quality professional services in the banking and financial sector of Pakistan. The IBP Journal is an ideal platform to promote your organization within the banking sphere.



For Advertisement details contact publications@ibp.org.pk

Thinking in Bets

Making Smarter Decisions When You Don't Have All the Facts

By: Annie Duke

Synopsis

Even the best decision does not yield the best outcome every time. There is always an element of luck that you cannot control, and there is always information that is hidden from view. So the key to long-term success (and avoiding worrying yourself to death) is to think in bets: How sure am I? What are the possible ways things could turn out? What decision has the highest odds of success? Did I land in the unlucky 10 percent on the strategy that works 90 percent of the time? Or is my success attributable to dumb luck rather than great decision making?

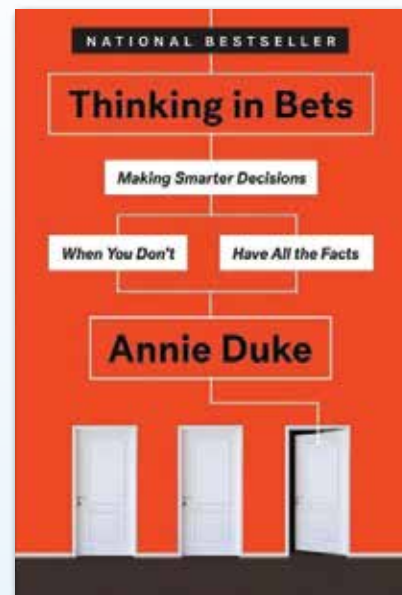
Annie Duke, a former World Series of Poker champion turned business consultant, draws on examples from business, sports, politics, and (of course) poker to share tools anyone can use to embrace uncertainty and make better decisions. For most people, it is difficult to say "I'm not sure" in a world that values and, even, rewards the appearance of certainty. But professional poker players are comfortable with the fact that great decisions do not always lead to great outcomes and bad decisions do not always lead to bad outcomes. By shifting your thinking from a need for certainty to a goal of accurately assessing what you know and what you do not, you will be less vulnerable to reactive emotions, knee-jerk biases, and destructive habits in your decision making. You will become more confident, calm, compassionate and successful in the long run.

Reviews

"A big favorite among investors these days."
— *The New York Times*

"A compact guide to probabilistic domains like poker, or venture capital... Recommend for people operating in the real world."
— *Marc Andreessen*

"Outstanding."
— *Jason Zweig, The Wall Street Journal*



"Duke's discussion is full of wisdom and also of fun, warmth, humor and humanity. Her sharp, data-driven analysis comes with a large lesson, which is that losers should be willing to forgive themselves: Sometimes the right play just doesn't work."
— *Cass Sunstein, co-author of Nudge*

About the Author

Annie Duke is a World Series of Poker bracelet winner, the winner of the 2004 Tournament of Champions and the only woman to win the NBC National Poker Heads Up Championship. As a professional speaker and decision strategist, she merges her poker expertise with her cognitive psychology graduate work at University of Pennsylvania. She is a founder of How I Decide, a non-profit that creates curricula and tools to improve decision making and critical thinking skills for under-served middle school students.



THE VELVET ROPE ECONOMY

HOW INEQUALITY BECAME BIG BUSINESS

By: Nelson D. Schwartz

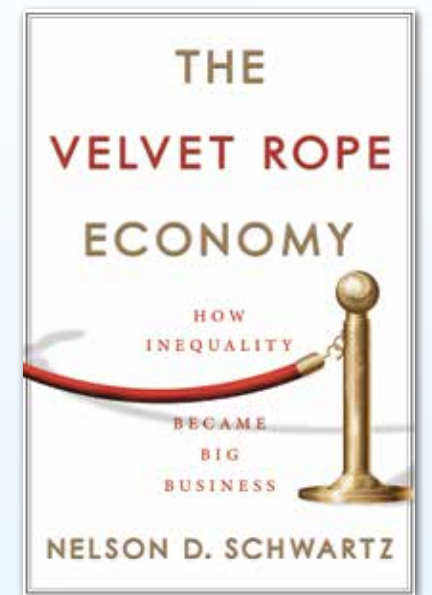
Synopsis

From *The New York Times* business reporter Nelson D. Schwartz comes a gripping investigation of how a virtual velvet rope divides Americans in every arena of life, creating a friction-free existence for those with money on one side and a Darwinian struggle for the middle class on the other side. In nearly every realm of daily life — from health care to education, highways to home security — there is an invisible velvet rope that divides how Americans live. On one side of the rope, for a price, red tape is cut, lines are jumped, appointments are secured, and doors are opened. On the other side, middle- and working-class Americans fight to find an empty seat on the plane, a place in line with their kids at the amusement park, a college acceptance, or a hospital bed.

We are all aware of the gap between the rich and everyone else, but when we were not looking, business innovators stepped in to exploit it, shifting services away from the masses and finding new ways to profit by serving the privileged. And as decision-makers and corporate leaders increasingly live on the friction-free side of the velvet rope, they are less inclined to change —or even notice —the obstacles everyone else must contend with. Schwartz's "must read" book takes us on a behind-the-scenes tour of this new reality and shows the toll the velvet rope divide takes on society.

Reviews

If you have wondered how today's rich live—why they speed past us at ball games and amusement parks, how a select few never have to wait to see top



doctors—you need to read *The Velvet Rope Economy*. You'll never look at boarding a plane—or privilege and polarization—the same way."
— *Charles Duhigg, bestselling author of The Power of Habit*

"Schwartz's tour of the modern economy is a study of not just how the market carves consumers into separate tribal groups, but of how it can create countries within countries whose borders—however velvet—are incontrovertibly real."
— *Kanishk Tharoor, The New Republic*

"Everyone has heard that America is suffering through a second Gilded Age of economic extremes and new levels of privilege and inequality. But very few people are aware of the detailed architecture that builds inequality into daily life. That is what makes Nelson Schwartz's account of the hidden history of privilege so revealing and fascinating — and so important."
— *James Fallows, winner of the National Book Award and author of Our Towns: A 100,000-Mile Journey Into the Heart of America*

"Timely and essential . . . Through careful reporting and entertaining storytelling, Schwartz unpacks the degree to which wealth insulates the privileged, as well as the dangers of our free-falling transformation into a caste-based society."
— *Esquire*

About the Author

Nelson D. Schwartz writes about economics for *The New York Times*, where he has worked for more than a decade. Before his current beat, Schwartz covered Wall Street and banking and served as European economics correspondent in Paris from 2008 to 2010. In 2014, Schwartz was the recipient of the Times's Nathaniel Nash Award for the reporter who "best excels in business and economic news." A graduate of the University of Chicago, he worked for ten years at *Fortune* magazine before joining the *Times*.

THINK OUTSIDE THE BUILDING

How Advanced Leaders Can Change the World One Smart Innovation at a Time

By: Rosabeth Moss Kanter

Synopsis

One of the leading business thinkers in the world offers a bold, new theory of advanced leadership for tackling the world's complex, messy, and recalcitrant social and environmental problems.

Over a decade ago, renowned innovation expert Rosabeth Moss Kanter co-founded and then directed Harvard's Advanced Leadership Initiative. Her breakthrough work with hundreds of successful professionals and executives, as well as aspiring young entrepreneurs, identifies the leadership paradigm of the future: the ability to "think outside the building" to overcome establishment paralysis and produce significant innovation for a better world.

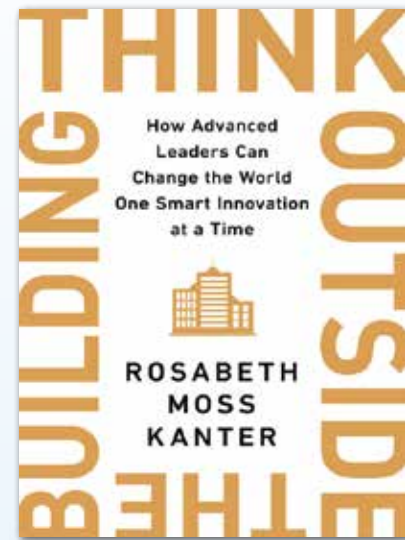
Kanter provides extraordinary accounts of the successes and near-stumbles of purpose-driven men and women from diverse backgrounds united in their conviction that positive change is possible. A former Trader Joe's executive, for example, navigated across business, government, and community sectors to deal with poor nutrition in inner cities while reducing food waste. A concerned European banker used the power of persuasion, not position, to find novel financing for improving the health of the oceans. A Washington couple enticed global partners to join an Uber-like platform to match skilled refugees with talent-hungry companies. A visionary journalist-turned-entrepreneur closed social divides by giving fifty million social media users access to free local education and culture.

When traditional approaches are inadequate or resisted, advanced leadership skills are essential. In this book, Kanter shows how people everywhere can unleash their creativity and entrepreneurial adroitness to mobilize partners across challenging cultural, social, and political situations and innovate for a brighter future.

Reviews

"This is the best book on leadership written in this century. It may change the world — at the least make it better."

— Congresswoman Donna Shalala



"This realistic and hopeful manual shows how accomplished individuals can tackle problems whose victims often lack resources to take action."

— *Kirkus Reviews* (starred review)

Think Outside the Building is an excellent and inspiring guide for anybody who is trying to make change in the world. Drawing on the stories of dozens of effective efforts, Rosabeth Moss Kanter has created a guidebook that, with wisdom and optimism, extracts the essential techniques for success — especially for new initiatives with a mission to improve society.

— Nicholas Lemann, Joseph Pulitzer II and Edith Pulitzer Moore Professor of Journalism and Dean Emeritus of Columbia University School of Journalism

Drawing on fifty detailed case studies and hundreds of interviews, Rosabeth Moss Kanter distills her experiences with Harvard's Advanced Leadership Initiative in this informative and fascinating volume. Both an 'inspiration and a guide to action,' this book challenges the reader with narratives describing extraordinary new approaches to old institutional and societal problems; Kanter has penned essential reading for twenty-first century leaders.

— Henry Louis Gates, Jr., Alphonse Fletcher University Professor, Harvard University

About the Author

Rosabeth Moss Kanter is an influential and well-known professor at Harvard Business School (holding the Ernest L. Arbuckle Professorship), specializing in strategy, innovation, and leadership for change. She is also chair and director of the Harvard University Advanced Leadership Initiative, a Harvard-wide innovation she co-founded in 2008, to build a growing international model that helps successful leaders at the top of their fields apply their skills to national and global challenges and build a new leadership force for the world.

FINTECH IN ISLAMIC FINANCE

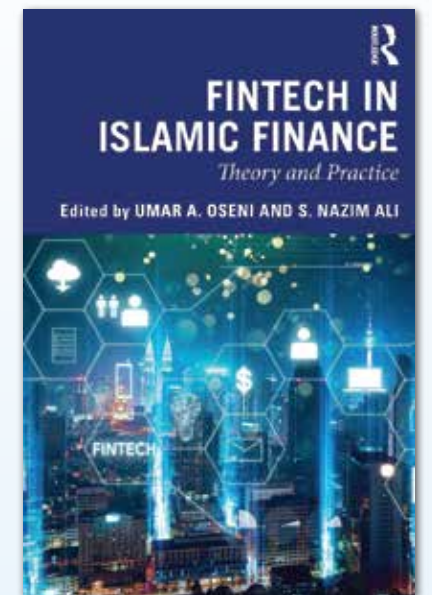
Theory and Practice

Edited by: Umar A. Oseni and S. Nazim Ali

Synopsis

Featuring high-level analysis of Islamic law, this book examines fintech in Islamic finance from both theoretical and empirical perspectives. Whilst building on existing approaches, it also discusses the current application of fintech in promoting financial inclusion through innovative solutions in Muslim-majority countries, identifying future directions for policy-makers.

With original chapters written by prominent academics, senior lawyers and practitioners in the global Islamic finance industry, this book serves as the first standalone pioneering reference work on fintech in Islamic finance. It also, for the first time, examines the position of Islamic law on cryptocurrencies, such as bitcoin. Besides the conceptual analysis of the Shariah and legal aspects of fintech in Islamic finance, this book provides relevant case studies showing current and potential developments in the application of fintech in various sectors ranging from crowdfunding and smart contracts, to Online Dispute Resolution, Investment Account Platform and identity verification in the KYC process. Setting the agenda for researchers in the field, *Fintech in Islamic Finance* will be useful to students and scholars of Islamic finance and financial technology.



About the Authors

Umar A. Oseni is an Executive Director of the International Islamic Liquidity Management Corporation. He was an Associate Professor of Law and Regulation of Islamic Finance at the International Islamic University, Malaysia.

S. Nazim Ali is Director of the Research Division of the College of Islamic Studies, at Hamad Bin Khalifa University, Qatar. He was the Director of the Islamic Finance Project at Harvard University from 1995 to 2014.



APRIL – JUNE

TRAINING CALENDAR

2022


**VIRTUAL
TRAININGS**
**CLASSROOM
TRAININGS**

IBP Training Calendar

APRIL 2022

	Workshop	Facilitator	Fee	Timings	
2 Saturday	IT Auditing and Fraud Detection	Zeeshan Tariq	PKR 8,500 <small>(Excluding Sales Tax)</small>	10 AM – 2 PM	VIRTUAL TRAINING
7 Thursday	Sohni Dharti Remittance Program	Hassan Shahid	PKR 8,500 <small>(Excluding Sales Tax)</small>	2 PM – 4 PM	VIRTUAL TRAINING
12 Tuesday	Maintaining Fidelity & Secrecy of Customer Information	Usman Yousuf Butt	PKR 8,500 <small>(Excluding Sales Tax)</small>	10 AM – 2 PM	VIRTUAL TRAINING
14 Thursday	Anti Harassment Compliance and Implementing Controls	Gulbano Bukhari Asim	PKR 8,500 <small>(Excluding Sales Tax)</small>	10 AM – 2 PM	VIRTUAL TRAINING
16 Saturday	Financing Needs for Potential Women Borrowers	Muhammad Akbar	PKR 8,500 <small>(Excluding Sales Tax)</small>	10 AM – 2 PM	VIRTUAL TRAINING
16 Saturday	Raast Person-to-Person (P2P)	Syed M. Taha	PKR 8,500 <small>(Excluding Sales Tax)</small>	10 AM – 2 PM	VIRTUAL TRAINING
19 Tuesday	State Bank's Concessionary Financing Scheme for Persons with Disabilities (PWDs)	Shamwail Sohail	PKR 8,500 <small>(Excluding Sales Tax)</small>	10 AM – 2 PM	VIRTUAL TRAINING
21 Thursday	Pakistan Single Window (PSW)	Syed Khalid Faridi	PKR 8,500 <small>(Excluding Sales Tax)</small>	10 AM – 2 PM	VIRTUAL TRAINING
23 Saturday	Money Laundering and Terrorist Financing Risk in Designated Non – Financial Business and Professions (DNFBPs)	Sumera Baloch	PKR 8,500 <small>(Excluding Sales Tax)</small>	10 AM – 2 PM	VIRTUAL TRAINING
27 Wednesday	FE Regulations and Compliance for Foreign Account Transactions	Ejaz Ahmed Qadri	PKR 8,500 <small>(Excluding Sales Tax)</small>	10 AM – 2 PM	VIRTUAL TRAINING

IBP Training Calendar

MAY 2022

	Workshop	Facilitator	Fee	Timings
TBD	Regulatory and Statutory Compliance in Banks and Financial Institutions (FIs)	Kamran Hyder	PKR 8,500 <i>(Excluding Sales Tax)</i>	VIRTUAL TRAINING
TBD	State Bank's Banking on Equality Policy	Muhammad Akbar	PKR 8,500 <i>(Excluding Sales Tax)</i>	VIRTUAL TRAINING
TBD	Collection of Delinquent Loans and Recovery of NPLs	M.A. Hijazi	PKR 8,500 <i>(Excluding Sales Tax)</i>	VIRTUAL TRAINING
TBD	Competency Based Interviewing Skills	Dr. Hanif Mohammed	PKR 15,000 <i>(Excluding Sales Tax)</i>	VIRTUAL TRAINING
TBD	SBP Refinancing Schemes	Muhammad Akbar	PKR 8,500 <i>(Excluding Sales Tax)</i>	VIRTUAL TRAINING
TBD	Gender Sensitization at Workplace	Gulbano B. Asim	PKR 8,500 <i>(Excluding Sales Tax)</i>	VIRTUAL TRAINING
TBD	IBFT/ATM Frauds: Operational & Monitoring Lapses	Syed Khurram Abbas	PKR 8,500 <i>(Excluding Sales Tax)</i>	VIRTUAL TRAINING
TBD	Credit Risk Review: A Continuous Risk Management Process	M.A. Hijazi	PKR 8,500 <i>(Excluding Sales Tax)</i>	VIRTUAL TRAINING
TBD	Cloud Computing and Security	Syed Ubaid Jaffery	PKR 8,500 <i>(Excluding Sales Tax)</i>	VIRTUAL TRAINING
TBD	Prudential Regulations for SME	Imran Ahmad	PKR 8,500 <i>(Excluding Sales Tax)</i>	VIRTUAL TRAINING

IBP Training Calendar

MAY 2022

	Workshop	Facilitator	Fee	Timings
TBD Multan	Regulatory Compliance and Internal Control	Sehrish Taj	PKR 12,500 <i>(Excluding Sales Tax)</i>	CLASSROOM TRAINING
TBD Karachi	Certified Sanction Specialist Professional (CGSP)	Salim Thobani	PKR 25,000 <i>(Excluding Sales Tax)</i>	CLASSROOM TRAINING

IBP Training Calendar

JUNE 2022

	Workshop	Facilitator	Fee	Timings
TBD	MS Excel and Financial Modeling	Zubair Vohra	PKR 8,500 <i>(Excluding Sales Tax)</i>	VIRTUAL TRAINING
TBD	SBP eCIB: Significance, Risks and Legal Implications	M.A. Hijazi	PKR 8,500 <i>(Excluding Sales Tax)</i>	VIRTUAL TRAINING
TBD	FATF & Pakistan AML/CFT/CPF Regime for Financial Institutions	Kamran Hyder	PKR 8,500 <i>(Excluding Sales Tax)</i>	VIRTUAL TRAINING
TBD	Reporting of Foreign Exchange Returns	Ejaz Ahmed Qadri	PKR 8,500 <i>(Excluding Sales Tax)</i>	VIRTUAL TRAINING
TBD	Preventing Common Audit Objections	Rizwan Khaleel Shamsi	PKR 8,500 <i>(Excluding Sales Tax)</i>	VIRTUAL TRAINING

IBP Training Calendar

JUNE 2022

	Workshop	Facilitator	Fee	Timings
TBD	Secured Loan Transaction: Perfecting Loan Securities & Documentation	Murtaza Rizvi	PKR 8,500 (Excluding Sales Tax)	VIRTUAL TRAINING
TBD	Consumer Banking Frauds: Verification lapses	Syed Khurram Abbas	PKR 8,500 (Excluding Sales Tax)	VIRTUAL TRAINING
TBD	Development of Positive Organizational Behavior in Banks	Aisha Bela	PKR 8,500 (Excluding Sales Tax)	VIRTUAL TRAINING
TBD	Financial Investigation Techniques	Shaukat Ali Malik	PKR 8,500 (Excluding Sales Tax)	VIRTUAL TRAINING
TBD	Liquidity Risk & Treasury Risk Management	Faisal Sarwar	PKR 8,500 (Excluding Sales Tax)	VIRTUAL TRAINING
TBD Faisalabad	Managing of Branch Operations - Tools & Techniques	Atif Sohail	PKR 12,500 (Excluding Sales Tax)	CLASSROOM TRAINING
TBD Sialkot	Audit of General Banking /Operations	Khurram Jahangir	PKR 12,500 (Excluding Sales Tax)	CLASSROOM TRAINING

OPERATIONS
AND GENERAL
MANAGEMENTCOMPLIANCE AND
REGULATIONS

TRADE FINANCE

CREDIT AND RISK

ISLAMIC FINANCE

Paracha Exchange

پراچہ ایکسچینج سے ٹرانزیکشنز کریں اور جیتیں ڈھیروں انعامات
جتنی زیادہ ٹرانزیکشنز اتنے زیادہ جیتنے کے امکانات
ہوم ریمیٹنس پراچہ ایکسچینج سے کریں اور ہو جائیں
سوہنی دھرتی پروگرام میں شامل۔



SOHNI DHARTI
REMITTANCE PROGRAM

ہمیشہ اپنل کے قریب

First Shariah Compliant

ria Money Transfer

1 LINK

Omni

Jazz Cash

www.parachaexchange.com /parachaintexchange /parachaexchange @Paracha_Ex

Tel: 021-34312285 / 021-35373201 Cell: 0320-8202227

Save for Pakistan Invest in Pakistan



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

Mohammad Ali Jinnah
Founder of Pakistan
(Ziarat, 1948)



Bank AL Habib Limited

رشته بھروسے کا