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**Bankers**

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July - September 2022

The Battle for Customer Loyalty

Add-ons on SBP Policy Regime

Targeting Inflation with a Focus  
on Combating Persisting

**STAGFLATION**



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STAY AHEAD



Muhammad Mazherul Haq  
Editor

## Where There Is a Will There Is a Way: Broad and Broader

While the insight for continuous growth of the human race is implicit in the use of its divine mental power, the extent and tilt of its use varies from person to person, society to society and generation to generation, but one thing apparently seems common in each scenario, i.e., moving ahead with a faster pace than before. 'Learning and development' has continued since the primitive days when the invention of the wheel and the advent of zero (0) were known as revolutionary breakthroughs, and even prior to that.

Then there comes another use of the (0) and (1); a very widely celebrated combination representing to 'Off' (0) and 'On' (1) positions of electricity which formed the very basis of the unparalleled growth in the computing world and provided the foundation for the development of Artificial Intelligence (AI). It is merely combinations of zero and one which made it possible to view time and space differently. At what momentum did we move forward? Are we faster now? Or were we slow in the past — nothing can be said—because all developments carry off a chain effect and every knot in the chain has its own value and place.

A lot could be said on the progress made in the field of communication and transportation during the last six or seven decades, which is a major achievement after the industrial revolution of the 19th century. It has virtually transformed the entire world into a global village. With no comments on this remarkable achievement, what is left for the future growth is a mind-blowing question. Have we reached the peak in this field? The answer is no, because after saturation there starts the stagnation and recession which is nowhere in sight, at present. Then what could be the peak? The answer is very simple, i.e., the sky is the Limit.

And what is 'sky'? To resolve this puzzle, the event taken place a thousand years ago in the field of transportation could be referred to where Malka Saba's (Queen of Sheba's) throne was brought in the court of Allah's Messenger Suleman (AS) (King Solomon) by a human being within the blink of an eye (The

Quran, An-Naml 27:40). This could be referred to as an ultimate speed for moving an object from one place to another. Is it achievable? The answer is: why not, because we have already made a major breakthrough in the field of communication where the limitation of space has largely been settled and connectivity is established within a fraction of a second.

What made it possible? Very simple; the humans' inspiration or in other words, the desire or 'will to do' (determination) helped a lot in achieving the objectives. Will to do when coupled with power to do, brings miracles and it becomes possible to reach the next level. In simple Algebraic expression it can be interpreted in a way that:

$$(\text{Will to do}) \times (\text{Power to do}) = \text{Willpower (to do)}^2$$

The multiple of these two traits generates the 'willpower' with exponential strength of doing things. While a big push is needed to get out of the status quo and put the renewed efforts in the right direction, willpower is known to be the only factor which generates the required momentum and concurrently removes the obstacles on the road to success. It is willpower that brings miracles whenever it is made nucleolus of the efforts. The present list of wonders of the world is a testimony to the strength/outcome of willpower, either exhibited by one person or by a group of people.

Previewing that in the light of Quran and Sunnah, the beautiful verse of The Quran, (An-Najm 53:39):  
وَأَنْ لَّيْسَ لِلْإِنْسَانِ إِلَّا مَا سَعَى "There is nothing for man except what he strives for." In a similar perspective, Prophet Muhammad (ﷺ) said "The reward of deeds depends upon the intentions, and every person will get the reward according to what he has intended." And this is true both in life here and life after death.

The insight we get from the above verses is that without struggle and hard work no one can achieve the success. Characterized with devotion, dedication, and determination, the will to do opens new vistas for growth and progress broad and broader.





## Winning Streak Continues **4<sup>th</sup> CONSECUTIVE YEAR**

Khushhali Microfinance Bank has been named the Best Microfinance Bank in Pakistan for the fourth straight year by the Institute of Bankers Pakistan at the Pakistan Banking Awards 2021.

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## COVER STORY

### The Contributor

#### Akram Khatoon

is a prominent senior banker who was the founder and President/CEO of First Women Bank Ltd. from 1989 to 2004. She is a prolific writer on topics of current interest such as banking, finance, financial inclusion and economy. She was formerly the Chancellor of Jinnah University for Women, and is currently advisor and member of the Board of Governors at the university.



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THE INSTITUTE OF BANKERS PAKISTAN

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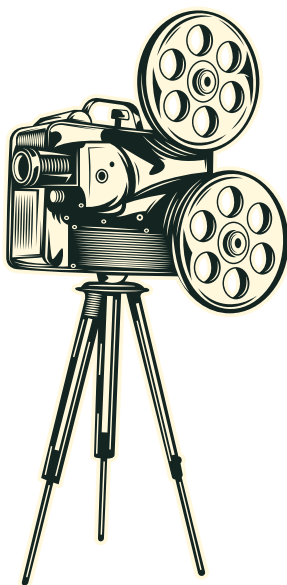
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## TRAINING CALENDAR

- 35 October – December 2022

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# Training Roundup

July – September 2022



## Training & Assessment Highlights

**D**uring the quarter July – September 2022, IBP conducted 26 Regular and 23 Customized training programs. More than 980 participants were trained during this period.

Significant topics of trainings included: State Bank's Concessionary Financing Scheme for Persons with Disabilities (PWDs); Developments in AML/CFT Framework of Pakistan – Post Mutual Evaluation; Strengthening SMEs and Entrepreneurship for Productivity and Inclusive Growth; SBP's AML/CFT Regulations and Update on FATCA; A Workshop on Reviewing Fair Treatment of Customers; and Gender Sensitization at Workplace.

IBP has also conducted 2nd batch of Certification in Trade Based Money Laundering; 14 participants were a part of this training program.

During the quarter July – September, 5 Online Assessments were conducted for Certification & Promotion Programs. More than 614 participants were assessed during the period. Online Classroom assessments were conducted for Certified Trade and Credit Officers and Operations Manager Certification Programs for Bank AL Habib Limited. Promotion test for the Bank of Punjab was conducted through remote monitoring for 414 employees.

E-learning training programs were conducted through electronic IBP's Learning Management System (eILM) for different banks including Al Baraka, BOP, FINCA, U Bank and United Bank Ltd (UBL). More than 14,191 participants were enrolled during the period.

## Examinations

Assessment test for National Banker of Pakistan (NBP) – Overseas Postings were conducted for 04 positions at 04 destinations across Pakistan for 42 employees.

# 49

Regular and Customized  
Training Programs

# 05

Online Assessments

# 14K+

Participants Trained via  
IBP's e-Learning Programs



# HIGHLIGHTS OF MARKETING & SALES ACTIVITIES

## July - September 2022

**A**s a premier knowledge leader for the financial sector, The Institute of Bankers Pakistan (IBP) has designed and rolled out diplomas, certifications, e-Learning modules, customized trainings and capacity assessment tools – all with the aim to ensure continuous learning and subsequent development of human capital serving in the banking and financial sector.

During the July – September 2022 quarter, The Institute of Bankers of Pakistan (IBP) arranged testing services for Bank AL Habib limited. These testing services consisted of Certified Trade and Credit Officer (CTCO) and Operation Manager Certification Program (OMCP). Furthermore, IBP conducted the Promotion testing for the Bank of Punjab. Prior to this, IBP had successfully conducted the Overseas placement drive for National Bank of Pakistan (NBP) held in Karachi, Lahore, Islamabad and Multan on August 25, 2022. There were also many customized trainings arranged in this quarter to cater the requirement of the banking and financial sectors. Prominent clients for customized

trainings were Telenor Microfinance Bank, Bank of Punjab, Askari Bank Limited and Akhtar Fuiou Technologies.

The Marketing & Sales team had also initiated (TNA) Training Need Assessment with banks and financial institutions across the country, where training details of each bank from January to June 2022 were shared with the respective banks and financial institutions along with survey forms. The aim of this activity was to obtain the feedback from the banking sector about the quality and services of IBP. Another objective of this activity was to set the way forward of the Institute.

The Marketing & Sales team invited the banks and financial institutions to participate in the upcoming Pakistan Banking Awards (PBA) 2022. Invitation letters were marked to the presidents of the banks and financial institutions along with the detailed requirements, to help them understand and make them eligible for participation.





# Add-ons to SBP POLICY REGIME

## July - September 2022

*This feature is being introduced in the Journal of The Institute of Bankers Pakistan with the primary objective of highlighting changes, or 'add-ons' to the SBP policies on a quarterly basis to provide the readers better comprehension and analysis of the central bank's policy regime, as well as being an easily accessible time-lined reference guide.*

All circulars are easily accessible in the PDF of the Journal, available on the following link on the IBP website: <https://ibp.org.pk/quarterly-journal/>

S#	Circular No / Issued on	Subject Matter
1.	AC&MFD Circular Letter No. 01 of 2022/August 26, 2022	Revision of Indicative Credit Limits for Agriculture Financing <a href="https://www.sbp.org.pk/acd/2022/CL1.htm">https://www.sbp.org.pk/acd/2022/CL1.htm</a>
2.	AC&MFD Circular Letter No. 02 of 2022/ September 19, 2022	Amendments in Prudential Regulations for Agriculture Financing –Enhancement in unsecured/clean financing limit and exposure limit for the requirement of audited financial statements <a href="https://www.sbp.org.pk/acd/2022/CL2.htm">https://www.sbp.org.pk/acd/2022/CL2.htm</a>
3.	BPRD Circular No. 03 Jul 05, 2022/July 5, 2022	Implementation of International Financial Reporting Standard 9 (IFRS9) <a href="https://www.sbp.org.pk/bprd/2022/C3.htm">https://www.sbp.org.pk/bprd/2022/C3.htm</a>
4.	BPRD Circular Letter No. 25/ August 05, 2022	Margin Restriction on Import of Items <a href="https://www.sbp.org.pk/bprd/2022/CL25.htm">https://www.sbp.org.pk/bprd/2022/CL25.htm</a>

5.	BPRD Circular Letter No. 27/ Aug 26, 2022	Notification, Appointment of the Governor, State Bank of Pakistan <a href="https://www.sbp.org.pk/bprd/2022/CL27.htm">https://www.sbp.org.pk/bprd/2022/CL27.htm</a>
6.	DMMD Circular No. 17 of 2022/ September 30, 2022	Rate of Remuneration on Special Cash Reserve Account Maintained With SBP Against Deposits Raised Under Fe-Circular 25 Of 1998 <a href="https://www.sbp.org.pk/dmmd/2022/C17.htm">https://www.sbp.org.pk/dmmd/2022/C17.htm</a>
7.	DMMD Circular No. 16/ August 31, 2022	Rate of Remuneration on Special Cash Reserve Account Maintained with SBP Against Deposits Raised Under Fe-Circular 25 of 1998 <a href="https://www.sbp.org.pk/dmmd/2022/C16.htm">https://www.sbp.org.pk/dmmd/2022/C16.htm</a>
8.	DMMD Circular No. 15/ July 29, 2022	Rate of Remuneration on Special Cash Reserve Account Maintained with SBP against Deposits Raised under FE-Circular 25 of 1998 <a href="https://www.sbp.org.pk/dmmd/2022/C15.htm">https://www.sbp.org.pk/dmmd/2022/C15.htm</a>
9.	DMMD Circular No. 14/ July 12, 2022	Appointment of Primary Dealers/Special Purpose Primary Dealers for Financial Year 2022-23 <a href="https://www.sbp.org.pk/dmmd/2022/C14.htm">https://www.sbp.org.pk/dmmd/2022/C14.htm</a>
10.	DMMD Circular No. 13/ July 07, 2022	SBP's Policy Rate and Overnight Repo/Reverse-Repo Facilities <a href="https://www.sbp.org.pk/dmmd/2022/C13.htm">https://www.sbp.org.pk/dmmd/2022/C13.htm</a>
11.	DI&SD Circular Letter No 03/ August 15, 2022	Service Standards for Enablement of Minimum Set of Services on Mobile Applications for RDA Customers <a href="https://www.sbp.org.pk/disd/2022/CL3.htm">https://www.sbp.org.pk/disd/2022/CL3.htm</a>
12.	FE Circular No. 06/ August 05, 2022	Amendment in Instructions regarding NRP Rupee Value Account Contribution in Units of Authorized Pension Funds by the Non-Resident Pakistanis <a href="https://www.sbp.org.pk/epd/2022/FEC6.htm">https://www.sbp.org.pk/epd/2022/FEC6.htm</a>
13.	FE Circular No. 05/ August 05, 2022	Automated Issuance and Verification of Electronic Proceeds Realization Certificate (ePRC) <a href="https://www.sbp.org.pk/epd/2022/FEC5.htm">https://www.sbp.org.pk/epd/2022/FEC5.htm</a>
14.	FE Circular No. 04/ August 01, 2022	Amendment in Regulatory Instructions-Foreign Currency Business Value Account (FCBVA) <a href="https://www.sbp.org.pk/epd/2022/FEC4.htm">https://www.sbp.org.pk/epd/2022/FEC4.htm</a>
15.	FE Circular No. 03/ August 01, 2022	Amendment in Regulatory Instructions - NRP Rupee Business Value Account (NRBVA) <a href="https://www.sbp.org.pk/epd/2022/FEC3.htm">https://www.sbp.org.pk/epd/2022/FEC3.htm</a>
16.	EPD Circular Letter No. 11/ July 05, 2022	Import of Goods <a href="https://www.sbp.org.pk/epd/2022/FECL11.htm">https://www.sbp.org.pk/epd/2022/FECL11.htm</a>
17.	EPD Circular Letter No. 12/ August 17, 2022	Disbursements of Inward Home Remittances by Exchange Companies as Sub-Agent of Authorized Dealers (ADs) <a href="https://www.sbp.org.pk/epd/2022/FECL12.htm">https://www.sbp.org.pk/epd/2022/FECL12.htm</a>
18.	EPD Circular Letter No. 13/ August 25, 2022	Assumption of charge as Director, Exchange Policy Department, State Bank of Pakistan <a href="https://www.sbp.org.pk/epd/2022/FECL13.htm">https://www.sbp.org.pk/epd/2022/FECL13.htm</a>
19.	EPD Circular Letter No. 14/ September 12, 2022	Extension in Home Remittance Services <a href="https://www.sbp.org.pk/epd/2022/FECL14.htm">https://www.sbp.org.pk/epd/2022/FECL14.htm</a>
20.	EPD Circular Letter No. 15/ September 23, 2022	Purchase of FCY from Exchange Companies - Use of Banking Channels <a href="https://www.sbp.org.pk/epd/2022/FECL15.htm">https://www.sbp.org.pk/epd/2022/FECL15.htm</a>

21.	EPD Circular Letter No. 16 of 2022/September 28, 2022	Transit Trade Transactions <a href="https://www.sbp.org.pk/epd/2022/FECL16.htm">https://www.sbp.org.pk/epd/2022/FECL16.htm</a>
22.	EPD Circular Letter No. 17 of 2022/September 30, 2022	Amendments in Instructions for Exchange Companies <a href="https://www.sbp.org.pk/epd/2022/FECL17.htm">https://www.sbp.org.pk/epd/2022/FECL17.htm</a>
23.	FD Circular No. 01 / 2022/ September 29, 2022	Commemorative Banknote of Rs. 75 Denomination <a href="https://www.sbp.org.pk/acc/2022/CL1.pdf">https://www.sbp.org.pk/acc/2022/CL1.pdf</a>
24.	FD Circular Letter No. 03 of 2022/ August 05, 2022	Prime Minister's Flood Relief Fund, 2022 <a href="https://www.sbp.org.pk/acc/2022/CL3.htm">https://www.sbp.org.pk/acc/2022/CL3.htm</a>
25.	FD Circular Letter No. 04 of 2022/ August 25, 2022	Balochistan Flood Relief and Rehabilitation Fund <a href="https://www.sbp.org.pk/acc/2022/CL4.htm">https://www.sbp.org.pk/acc/2022/CL4.htm</a>
26.	FD Circular Letter No. 05 of 2022/ August 24, 2022	Prime Minister's (PM) Flood Relief Fund, 2022 <a href="https://www.sbp.org.pk/acc/2022/CL5.htm">https://www.sbp.org.pk/acc/2022/CL5.htm</a>
27.	FD Circular Letter No. 06 of 2022/ September 19, 2022	Standard Operating Procedures (SOPs) for Investment in Conventional Naya Pakistan Certificates (Certificates) <a href="https://www.sbp.org.pk/acc/2022/CL6.htm">https://www.sbp.org.pk/acc/2022/CL6.htm</a>
28.	FD Circular Letter No. 07 of 2022/ September 27, 2022	Standard Operating Procedures (SOPs) for Investment in Conventional Naya Pakistan Certificates (NPCs) & Islamic Naya Pakistan Certificates (INPCs) <a href="https://www.sbp.org.pk/acc/2022/CL7.htm">https://www.sbp.org.pk/acc/2022/CL7.htm</a>
29.	IH&SMEFD Circular No. 11/ July 07, 2022	Export Finance Scheme (EFS) and Long Term Financing Facility (LTFF) <a href="https://www.sbp.org.pk/sme fd/circulars/2022/CL11.htm">https://www.sbp.org.pk/sme fd/circulars/2022/CL11.htm</a>
30.	IBD Circular No. 01/ July 04, 2022	Adoption of 'Accounting and Auditing Organization for Islamic Financial Institutions' (AAOIFI) Shariah Standards <a href="https://www.sbp.org.pk/ibd/2022/CL1.htm">https://www.sbp.org.pk/ibd/2022/CL1.htm</a>
31.	PSPOD Circular No. 02/ July 06, 2022	Implementation of Regulatory Approval System (RAS) for Payment Systems Policy & Oversight Department (PSP&OD) <a href="https://www.sbp.org.pk/psd/2022/C2.htm">https://www.sbp.org.pk/psd/2022/C2.htm</a>
32.	PSPOD Circular Letter No. 02/ September 02, 2022	Service Charges on Donations/ Payments to Prime Minister's Flood Relief Fund 2022 <a href="https://www.sbp.org.pk/psd/2022/CL2.htm">https://www.sbp.org.pk/psd/2022/CL2.htm</a>
33.	TOD Circular No. 01/ September 20, 2022	FCY Cross Border Payments / Transfers through SBP Nostros <a href="https://www.sbp.org.pk/tod/2022/c1.htm">https://www.sbp.org.pk/tod/2022/c1.htm</a>

# Targeting Inflation with a Focus on Combating Persisting **STAGFLATION**

The recent abrupt rise in inflation — more pronounced both in rich and developing economies — has been found critically affecting disadvantaged segments of their population, thus failing all efforts to combat rising inequities, being one of the most focused targets among 17 of Sustainable Development Goals (SDGs) to be achieved by 2030. The situation demands vigorous efforts on the part of countries for setting up explicit targets.

By: Akram Khatoon





**T**he global financial meltdown of 2008 which continued to persist until recently, and thereafter ravages of the COVID pandemic, and the threat of a stagflation situation hovering round majority of emerging and developing economies resultant of the Russian and Ukraine war crisis, adversely impacted prices of commodities and oil all over the globe.

Developing economies and Pakistan in particular, are experiencing soaring prices and sluggishness creeping into their economies due to the steep rise in oil prices internationally. They are faced with the common scenario of depleting foreign exchange reserves, depreciating currency value, unemployment and slowing down of economic growth, which are the chief characteristics of stagflation.

The environment relating to stagflation is more visible in case of Pakistan. Despite drastic efforts by successive governments since the end of the last century to turn around the economy through structural adjustment programs and all-out efforts geared to improve all economic growth indicators, the continuously rising oil prices for the last two years with unbridled growth in imports, are going to play havoc with the country's economy.

The rising import bill due to continuous rise in oil prices, unchecked import of non-essential items and an uncalled for government move to subsidize oil prices for the benefit of consumers is gradually depleting foreign exchange reserves, while the fiscal deficit is also inching up. The inflation that was contained at the level 9 to 10 percent until 2018 has crossed the 15 percent mark lately. The rupee has depreciated by 30 percent against dollar and other strong currencies (euro and pound sterling) in the last three years, despite State Bank of Pakistan intervention through selling dollars in the market, and also curbing the activities of exchange companies operating in the country to stop dollarization in order to stabilize the rupee.

After the subsiding threat of COVID pandemic, there was an apprehension of the country's exposure to more external shocks, particularly due to the steep rise in oil prices, causing fuel and energy shortage, adversely impacting all sectors of the economy. Besides that, internal political turmoil is creating uncertainty towards achieving the desired economic growth rate, and efforts — not only to set right dwindling exports but also to expand the export market to untouched destinations — seem to be going in vain. Resultantly, trade deficit continues to increase and thus stood at US\$ 30.52 billion at the end-of FY22. Continuous increase in textile exports' global market share of countries like China, India and Bangladesh is yet another threat adding to trade deficit. The liberalization of bank credit particularly for the private sector, instead of boosting productive investments and development of infrastructure, has unfortunately been channeled into speculative investments in the area of real estate, unrealistic stock exchange activity and unfair trading in consumer items.

In order to curb speculative spendings, State Bank of Pakistan has drastically raised the discount rate, but it

is not likely to bring desired results due to the adverse impact on the overall economic activity and ongoing political uncertainty. Apart from that, the absence of desired industrial infrastructure and soaring prices of energy due to oil crisis and removal of all subsidies granted by the government in this area on the behest of International Monetary Fund (IMF), would make the process of production costlier and continue to hamper both indigenous and foreign direct investments.

As such, the GDP growth rate of the level of 5 percent envisaged for current year will remain a distant dream. A similar trend is visible in the case of highly developed economies. The credit boom emerging in USA since 2014 channeled billions of dollars in technologies and real estate leaving aside other sectors of economy. Investment in infrastructure remained underfunded and growth rate of the economy — further ravaged by the pandemic — is now presenting a downward trend. The sharp rise in unemployment level is giving signals of a stagflation scenario approaching fast.

In Pakistan, unfair and speculative trading in real estate, food and other essential consumer items have resulted in creating more inequalities. The gap between the rich and poor has further widened and the size of the middle-class strata, that ensures sustainability and strength of demand of goods and services produced in the country, continues to shrink. Hence, productive investment both from local and foreign sources remains shy.

Consequently, overall economic activity is likely to remain stagnant unless steps are taken on a war footing to eliminate political uncertainty, improve the law and order situation, build up the necessary infrastructure, and create an overall investment friendly environment to attract higher foreign direct investment and to prompt new indigenous investments.

The continuous rise in oil prices for the last two years and substantial increase in imports, with the volume of exports remaining static, has resulted in creating heavy trade deficit adversely affecting the exchange rate in terms of dollar and other important currencies (as stated above), thereby creating a situation of galloping inflation and substantial fall in forex reserves. To remedy the situation, the country needs to ban import of all non-essential items for at least for two years and revise its industrial policy with emphasis on promoting industries producing import substitutes.

Further, there is a need to provide an impetus to domestic demand-led industrialization and to create effective domestic demand for jobs. In rapidly growing economies of Southeast Asia and even some of the developed economies, growth is consumer-led along with emphasis on exports.

For achieving consumer-oriented growth, the industrial policy must have greater emphasis on small and medium size enterprises (SMEs), which are mostly labor intensive and known for offering sub-contracting/vendor arrangements to large scale industries, bring



The continuous rise in oil prices for the last two years and substantial increase in imports, with the volume of exports remaining static, has resulted in creating heavy trade deficit adversely affecting the exchange rate in terms of dollar and other important currencies, thereby creating a situation of galloping inflation and substantial fall in forex reserves.

savings for them from incurring additional expenditures. Further, this in a way will create a perennial market for SMEs.

Commercial banks' recent initiative to launch various consumer financing products, some backed by the government, to provide relief to the lower class like housing finance and small loans for self-employment of youth will help in boosting the economic growth rate. Banks' financing for the private sector is mainly centered on purchasing electronic goods, cars and vehicles, which in turn has given impetus to electronic goods manufacturing, auto assembling plants, steel, cement and paints manufacturing industries, thus creating sizable employment opportunities.

The government is trying to take care of the increasing trade deficit. Apart from curbing imports, the export target for the current fiscal year has been set at around \$35 billion. If given attention by private sector investors and if a congenial business environment is created for them to produce quality and value-added exportable items, they will be able to compete effectively in the international market despite WTO constraints. Apart from creating sizable employment opportunities, this would ensure sustainable growth of

the country's forex reserves to counter external shocks of any magnitude.

In order to ensure speedy and sustainable growth in exports, the country needs to have greater access to developed markets, particularly United States, China and European Union. These countries owe a moral obligation to help Pakistan ward off all external shocks coming to its economy for its being used as strategic state to eradicate terrorism from the surroundings since last three decades.

Serious efforts are also needed to create more economic and trading collaborations within the Southeast Asian region not only to ensure sustainability of growth in exports, but also to lessen the cost of essential items of imports like machinery and raw material etc. Import of these items from China and India at lesser cost would help rectifying growing trade deficit.

Finally, to combat the likely persisting stagflation situations, it is essential to develop human capital on a war footing to make best possible use of latest technology in all economic activities. ■



# Ravi Exchange

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# The Battle for Customer Loyalty

With digital opening up the payments space to a growing number of disruptors and innovators, *Chartered Banker* examines how banks can rise to the challenge and adapt to a new era.





From understanding purchasing trends to safeguarding customers from fraud, the battle to stay top of the virtual wallet is in full swing for the card-issuing community. This is a pivotal moment for the industry – one that could shape the future of cards and payments. But how can banks best tap into the innovation power of Big Tech, challenger banks and FinTech in the payments space to improve customer experience and grow market share?

To see the full picture, we need to look first at the wider payments landscape, in particular how it has been shaped by the pandemic and the worldwide lockdowns that followed.

“The landscape has changed significantly over the past two years, not in the least because of COVID,” says Jana Mackintosh, Managing Director, Payments and Innovation, UK Finance. “Before that, we were already starting to see the kind of trends and purchasing patterns we’re seeing now – reduced cash, an increase in digital payments. But what we’ve seen during the pandemic is quite a remarkable uptake of digital payments.

Digital payments, like card payments, now account for more than 50 percent of transactions that we see. That’s a significant shift, and it comes back to people feeling confident to buy in a digital era. For example, if I use a card, I know I have some consumer protection compared with some of the new kinds of payment methods that are coming out.”

### Banking’s Backwater

Consumer confidence in digital payments is growing, naturally, as familiarity does. Providers are also tapping into the opportunities offered through rising confidence – and increased consumer expectations of a fast, seamless process – to put digital payments at the forefront of their offerings.

“In the past few years, payments, hitherto banking’s expensive backwater, has seen unprecedented changes with emerging and evolving technologies creating manifold opportunities to revolutionize product offerings, customer experience, infrastructure capabilities and cost-to-market,” said Gerard Lemos, Payments Products and Services Board Chairman, UK Finance, in its *Future Ready Payments 2030* report, published early in 2021 in conjunction with PwC.

We are seeing an acceleration of digital innovation and we need to harness the power of these capabilities for the benefit of our society as a whole.”

Marion King,  
NatWest

Since the launch of Faster Payments in 2008, the UK’s vibrant market has become home to one of the most dynamic FinTech sectors in the world, grounded on a bedrock of stability, resilience and security, with regulators that support, rather than constrain, competition and innovation.”

The report sets out a 10-year plan to help drive and support the wider industry in building an “enhanced yet economically sustainable UK infrastructure” and find ways to beat fraud and digital exclusion.

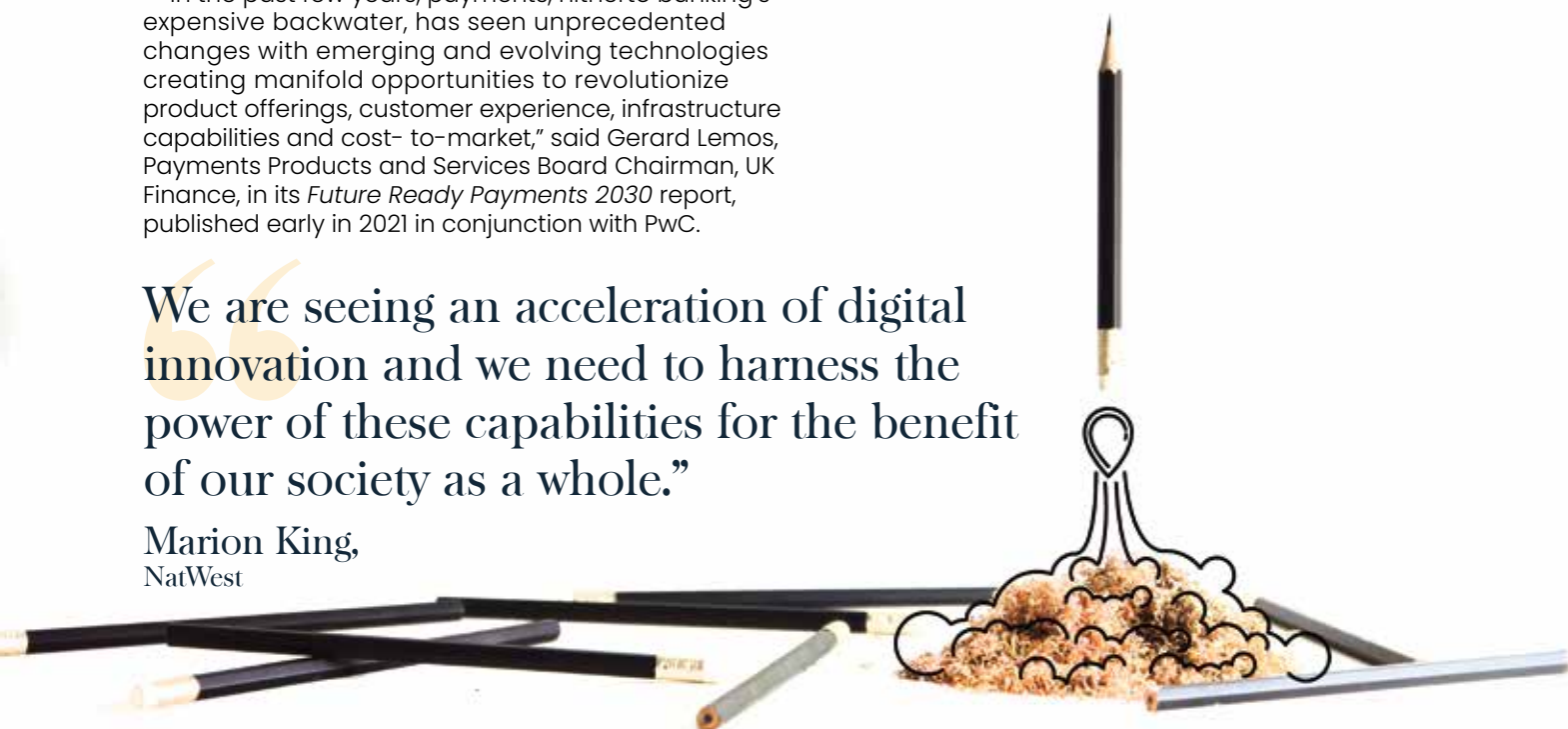
### Collaboration Over Competition

The infrastructure is taking shape, but how can banks navigate the growing presence of increasingly agile disruptors in the payments space to hold on to old customers and attract new ones?

For Mackintosh, it is nothing new – and she is of the opinion that the focus should be on collaboration rather than competition.

“With the rise of FinTech, we saw all of these innovators coming into the market, trying to disrupt payments, focusing on well-known inefficiencies in the space,” she says. “If we think about the cross-border market, it takes an incredibly long time for payments to be transferred. We know that it’s extremely expensive, in certain instances, for customers to transfer money across borders. These kinds of inefficiencies just act as a target for FinTechs and other innovators to go in and try to provide a better solution, be that a better product, a better customer experience, or both.

This isn’t new. Banks have been living with disruption from digital banks and FinTechs for the past 10 years, if not longer. Over the past couple of years, though, there’s been a recognition of the benefits of collaboration versus competition. These kinds of firms are obviously out there to compete and provide better products and attract customers, but there are true benefits in collaboration.”





Competition is not going to eliminate the role that banks have to play, but it will certainly shift the structure of the market.”

Jana Mackintosh,  
UK Finance

## Maintaining Resilience

There is no need, Mackintosh believes, for traditional banks to despair. In contrast, she talks of their irreplaceable role in society, which goes far beyond everyday products and services.

“Banks have an incredibly important role to play in financial markets and society, maintaining resilience and maintaining trust. They provide the foundation in many instances for many of the financial markets that we still have. That doesn’t mean that, as an incumbent, they shouldn’t face competition, but the banks are now looking at this through the lens of ‘how can we work with these disruptors to combine our strength and experience with their agility and innovation?’

That combination, which we’ve seen over and over again, is incredibly powerful. Most of the major banks are now partnered with some form of digital bank or payments provider. Competition is not, by any means, going to eliminate the role that banks have to play, but it will certainly shift the structure of the market.”

This transition period into a new era for payments presents its own risks. But Mackintosh believes it is up to the industry players to manage the transition to ensure the best possible experiences for customers in the future.

“It’s about asking, ‘What do we want it to look like when we get to the other end?’” she says. “This is what we need to focus on as an industry to make sure that we manage the risks during this transition period, because the end state should be better for customers.”

## Minimizing Exclusion

One of the areas that remains key in future-proofing payments strategies is in ensuring that the shift to digital does not lead to financial exclusion for certain groups of customers. It is an ever-changing picture. While *Future Ready Payments 2030* reported that 2.1 million customers still use cash for the majority of their transactions, the majority use other payment methods to pay their regular bills. On top of this, 98 percent of the British population holds a debit card.

The *Access to Cash Review*, which surveyed 2,000 people in 2018, showed that cash is still central to many peoples’ lives, however. It estimated that 97 percent of the population still carries cash – with 67 percent saying they like to pay for small purchases with notes and coins, and 85 percent saying they keep cash at home.

So how can financial organizations ensure that the shift to digital does not hinder customer choice around how they choose to pay?

“We’re always going to put customer choice front and center when we start thinking of innovation, or around anything we do,” continues Mackintosh. “Innovations should be focused on what the customer wants, but that swings both ways. There are customers out there who would prefer another payment method and we should allow customers that choice as much as possible. Cash remains hugely important and we’ve seen what happens when you try to promote a cashless society. It’s just not possible.

We need to enable these payment methods to function efficiently alongside each other, and for market dynamics over time to dictate where those preferences and usage moves to. When we think about cash, there would be substantial legacy infrastructure, which makes it quite expensive and inefficient to maintain that payment method, but that doesn’t mean you’re in a position to eliminate cash payments.

Providers need to think about how they manage that decline alongside how they manage significant increases in digital. Choice is hugely important, but we all truly need to assess and understand the reasons why some people still prefer using cash. In some instances, there’s simply no alternative [method of payment possible] where they are. That’s what a lot of the work we’re doing now is around, on digital inclusion and digital education.”

## A Payments Utopia?

With providers walking the line between fast, innovative tech that also prioritizes reliable security, success will be dependent on harnessing the innovative thinking being brought to the table by a number of non-traditional players.

For Marion King, Director of Payments, NatWest, and Payments Futures Chair, the challenge lies in balancing demands.

“With the introduction of Open Banking, we are seeing an acceleration of digital innovation and we need to harness the power of these capabilities for the benefit of our society as a whole,” she wrote in *Future Ready Payments 2030*.

As the industry continues on its transformational journey, we must meet the challenge of balancing competing priorities, digital versus physical, real-time versus security, and data versus privacy. Working with the FinTech community will be one of the ways in which we can find solutions to address these challenges, as they offer a rich vein of innovation, agility and expertise, and we can work collaboratively to enrich the customer payment experience.

“It’s an incredibly vibrant ecosystem, which is creating all sorts of exciting opportunities for customers and providers.”

Jana Mackintosh,  
UK Finance

My payment utopia would see customers being able to make payments with the method that suits them, whether it is instant, single or bulk, one-off or recurring, domestic or cross-border. Where we can identify the payer and payee using digital ID and authentication technology to thwart fraudsters and where confirmation, reconciliation and data insights for decision-making flow seamlessly, with the payment taking advantage of global messaging standards and APIs [application programming interfaces].”

### Future-proofing Innovation

The digital payments revolution cannot continue without an infrastructure that will be flexible enough to adapt to it. Mackintosh believes that investment in this is vital for the evolution of payments.

“Those wholesale systems, the systems that the Bank of England runs, for example, are going through a significant upgrade,” she says. “There’s a huge amount of investment going into making sure those systems can facilitate innovation and competition while remaining stable and financially resilient.

Real time enables all sorts of new innovations to sit on top of those systems – things like cryptocurrencies – which require immediacy to be effective and provide competition. I think that kind of real-time immediacy will start to manifest in cross-border markets as well. So, if we invest domestically, we have to ask, ‘Do we, and can we, link these systems together to get a seamless real-time experience?’

It’s an incredibly vibrant ecosystem, which is creating all sorts of exciting opportunities for customers and providers. The past couple of years have been the first time I can think of in my career that I’ve been able to see true innovation solving problems.” ■

*This article originally appeared in the Winter 2022 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, this feature on 'Rewinding the Reel' allows the readers to see the changes which have taken place in the composition, magnitude, and significance of key economic variables over time. How far the analysis could be done, depends upon the availability of consistent timeseries in terms of its definition, components, and the source of data. In the presentation below, more emphasis has been given to the graphical interpretation of data with minimal commentary as to give readers freedom to draw inferences on their own about the policies adopted in the past, sustainability of the existing policies, as well as looking into the emerging trends.*



## A JOURNEY THROUGH CONSOLIDATED EXPENDITURES AND REVENUES

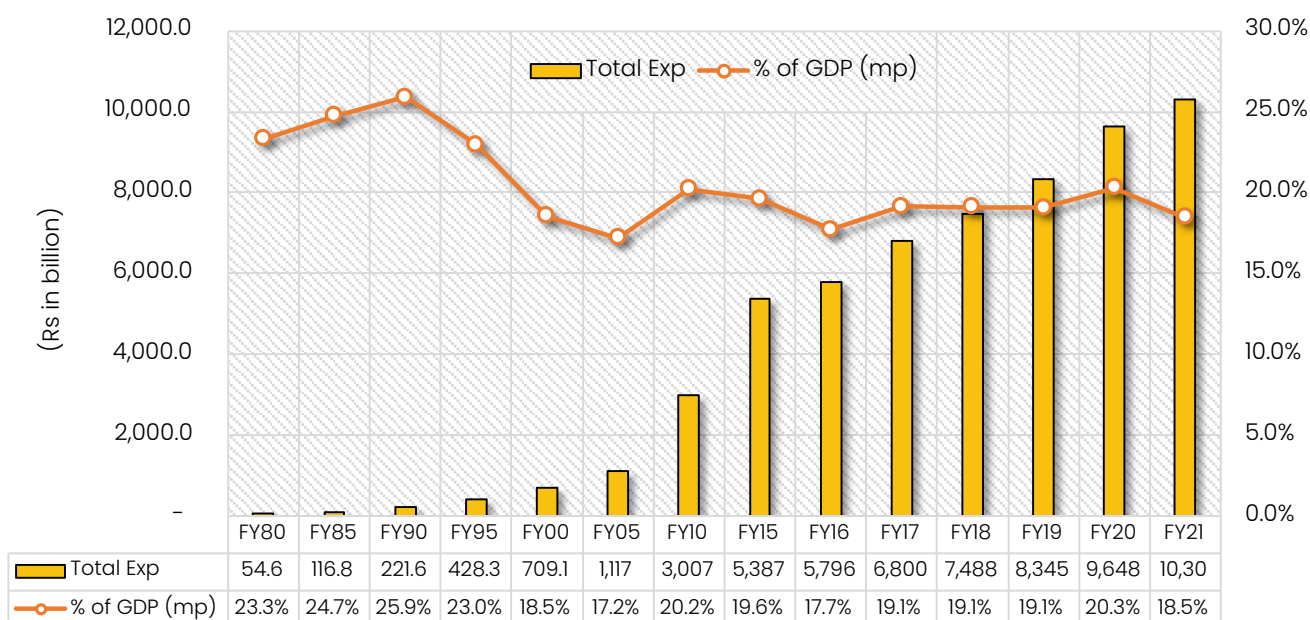
In budgeting exercise, a slightly different approach is adopted by the government compared to an individual household. The government considers the expenditures first and later decides about collection of the matching revenues, while the household primarily accounts for the income first and then manages the expenses accordingly. However, in both the situations, there appears budget surplus or deficit with different implications and challenges to resolve. In the paragraphs below an attempt has been made to highlight the changes taken place in the composition and magnitude of consolidated budget in Pakistan over the past 40 years.



## GOVERNMENT CONSOLIDATED EXPENDITURES (FEDERAL + PROVINCIAL):

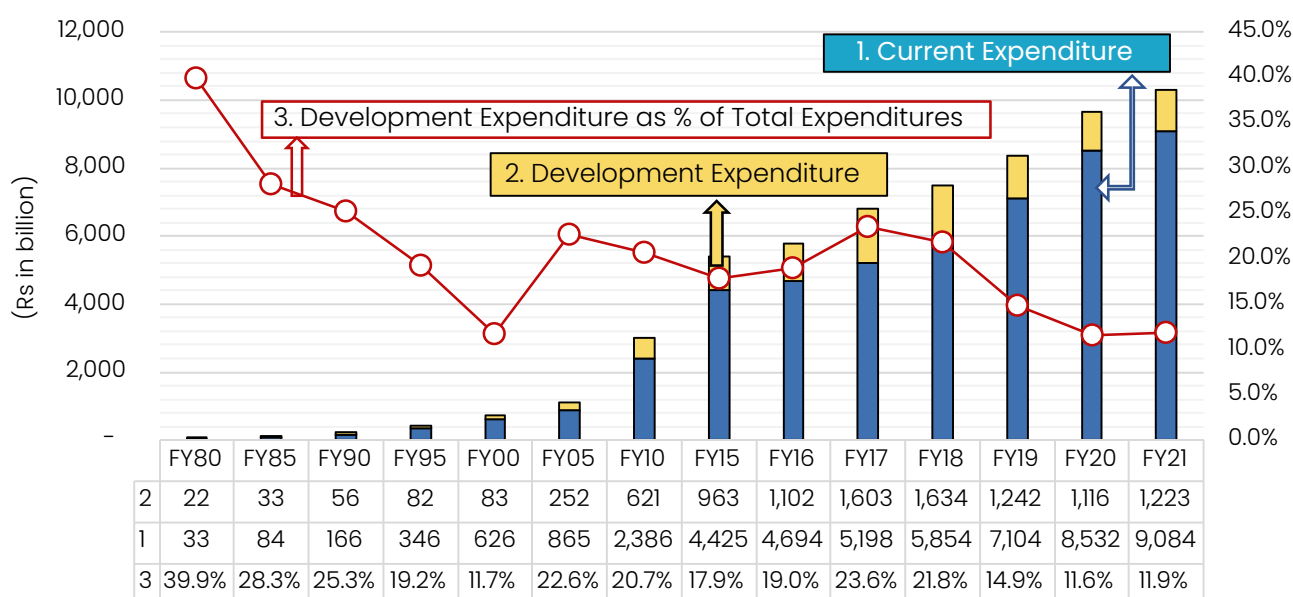
The Government expenditures are broadly divided into Current expenditure and the Development expenditure with explicit head of accounts where these expenses are incurred. Expenditures provided for meeting the on-going costs of Government, such as salaries and allowances of employees and contingent expenditures are known as current expenditure. Expenditures provided for executing development projects and building or improving physical assets, or developing human resources are categorized as Development Expenditures.

### Consolidated Expenditure



During the past forty years, the consolidated federal and provincial governments' expenditure hovered in the band of 17 to 26 percent of GDP with witnessing the peak at 25.9 percent in FY 1990 and the trough at 17.2 percent in FY2005.

### Consolidated Current & Development Expenditure



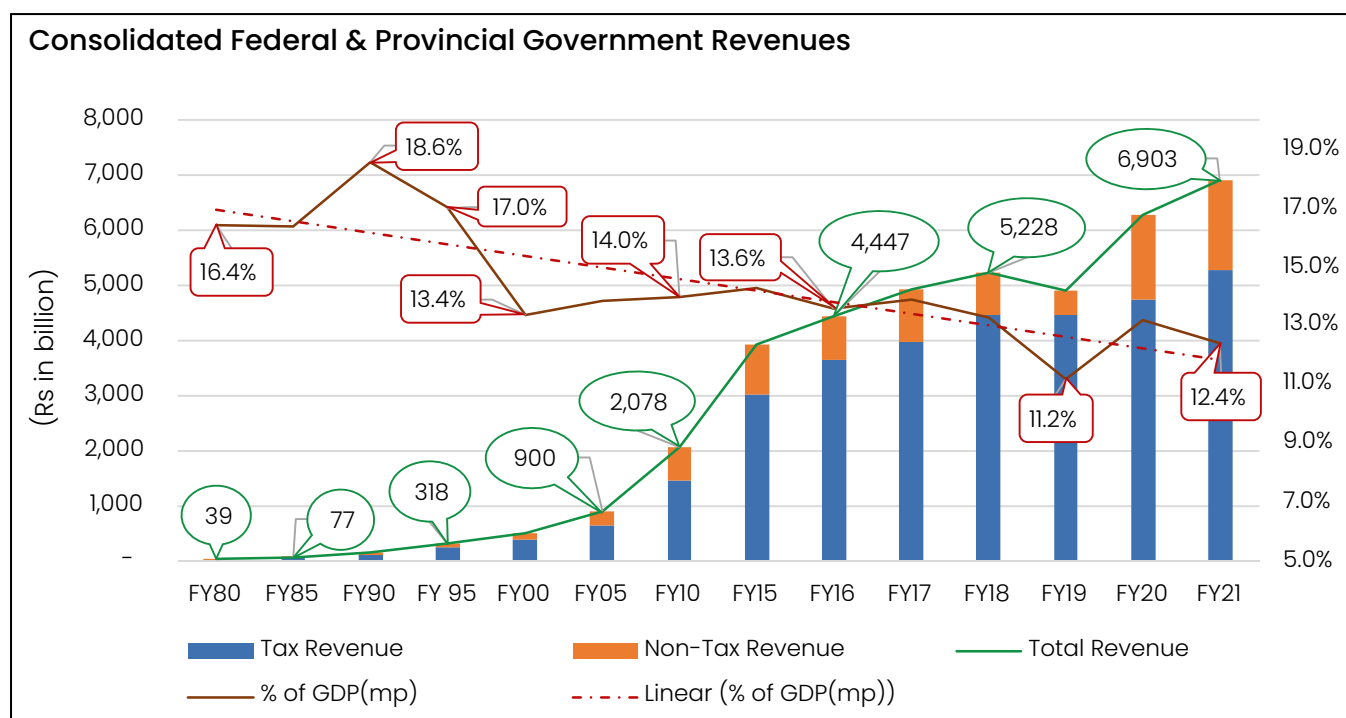
The breakup of total expenditure into Current and Development expenditures reflect that during past 40 years, there had been a less priority towards increasing the development expenditures and consequently, the share of development expenditure in total expenditure fell from around 40.0 percent in FY1980 to around 12.0 percent in FY2021.

## GOVERNMENT CONSOLIDATED REVENUES (FEDERAL + PROVINCIAL):

In cash and modified cash accounting, revenues are defined as an inflow of cash, arising as a result of collections received in a given reporting period. Revenues are increases in economic benefits in the form of increases or enhancements of assets or decreases of liabilities that, other than those relating to contributions by the government as owner, result in an increase in equity.

Revenue Receipts are broadly categorized as Tax Revenue and Non-Tax Revenue. The tax revenues comprise two parts Direct and Indirect Taxes. Direct Taxes include Income Tax; Wealth Tax; Property Tax; Land Revenue; Workers Welfare Tax; Tax on Profession, Trade and Callings; and Capital Value Taxes on Movable and Immovable Assets. Indirect Taxes include Sea Customs; Land Customs; Custom Surcharge; Sales Tax on Goods and Services; Federal Excise; Provincial Excise; Stamp Duty; Motor Vehicle (registration); Sale of Opium.

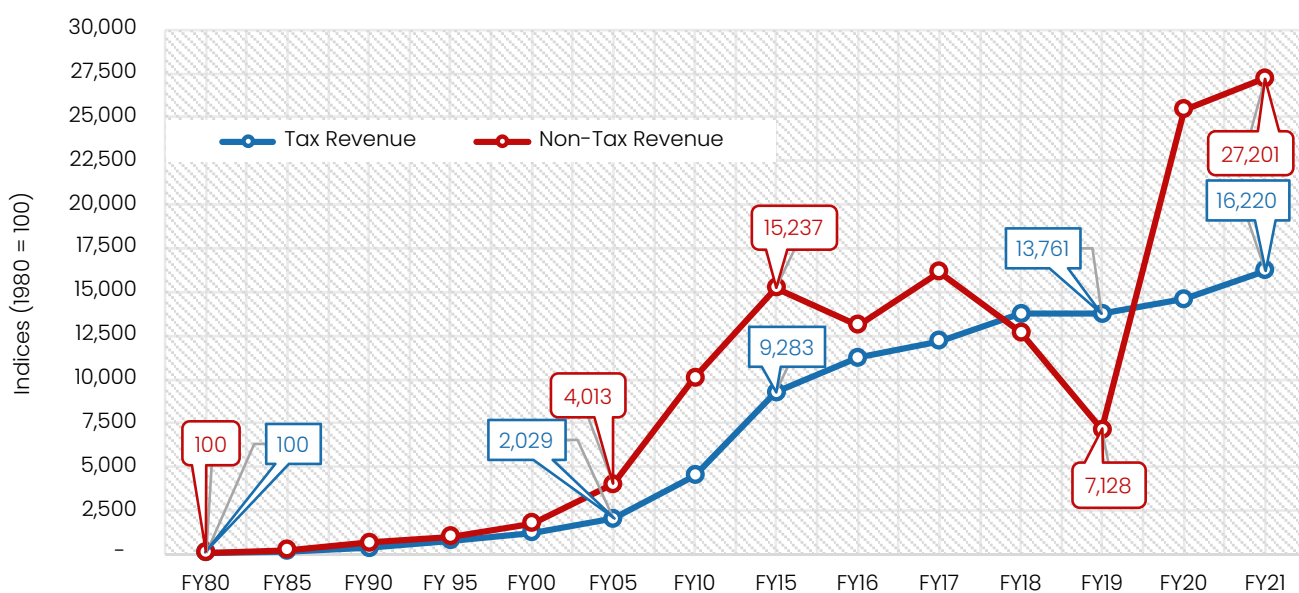
Non-Tax Revenue represents the recurring income earned by the Federal Government from sources other than taxes. The major sources are Interest receipts, dividends, profits earned by various regulatory authorities. Moreover, various services provided by the government i.e., social services, community services, economic services, defense services etc. also yield revenue for the government.



Witnessed at 16.4 percent of GDP in FY1980, the total tax revenue to GDP ratio went as high as 18.6 percent in FY1990. Thereafter this ratio is on continuous decline and reached as low as 12.4 percent in FY2021. This slowdown in revenue growth was attributable to slower growth in tax revenues as compared to non-tax revenues. This can be seen in the graph on next page.

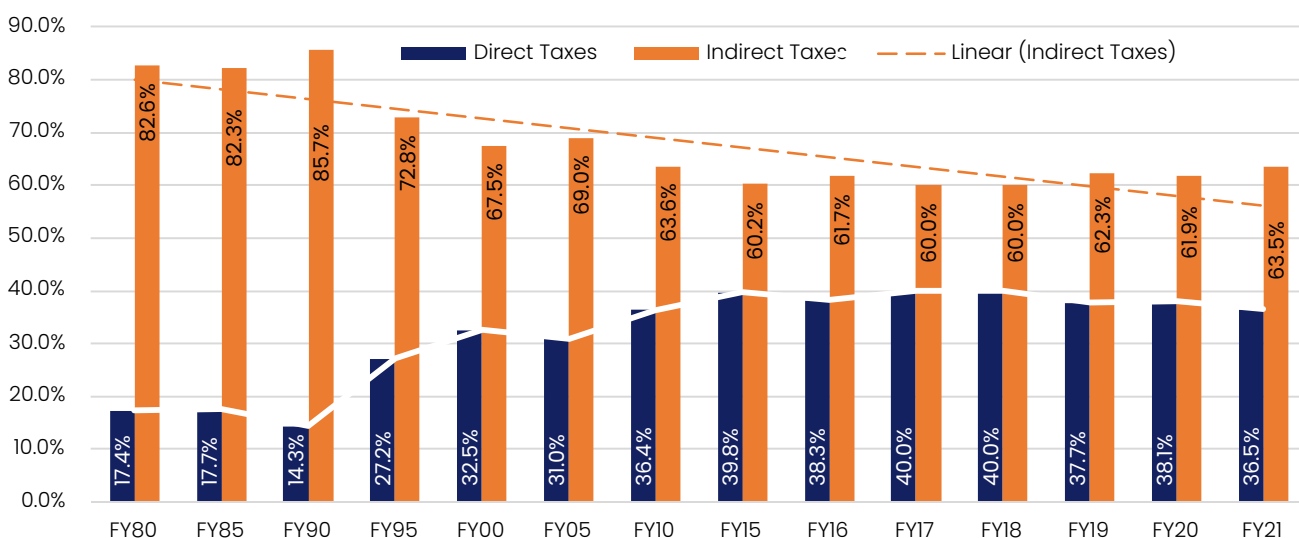


## Collection of Tax and Non-Tax Revenues

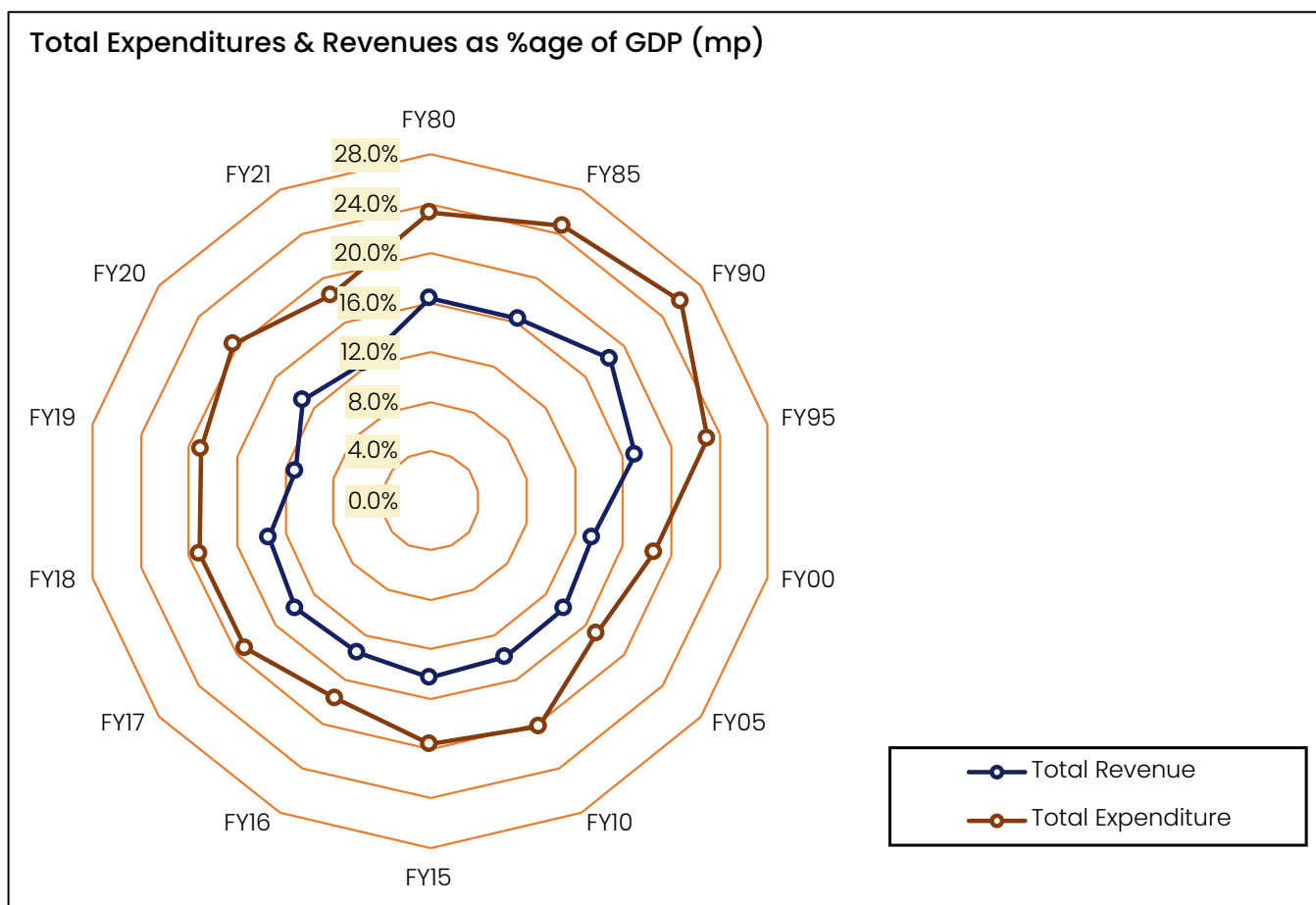


Taking FY80 = 100, the indices during subsequent years showed progressive growth both in tax and non-tax revenues with comparatively higher growth in non-tax revenues except for FY18 and FY19.

## Composition of Direct & Indirect Taxes



A significant change in composition of tax collection has been witnessed during past 40 years, where the share of Direct taxes have significantly increased from 17.4 percent in FY1980 to 36.5 percent by the end of FY21. This more than 100 percent increase in share of Direct taxes lead to assume that it had directly impacted the distribution of wealth because the Direct taxes are non-transferable.

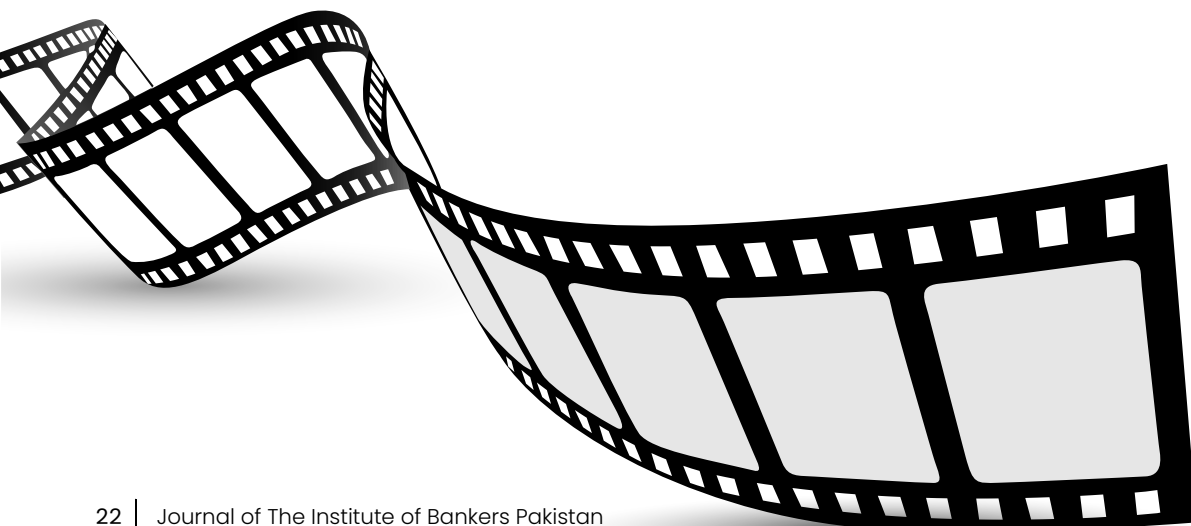


Like many developed and under-developed countries, the total revenue collection in Pakistan lagged than that of total expenditure during past 40 years. In the graph, the total revenues seem like sub-set of the total expenditure with wider budget deficit seen during the 1980s and the 1990s decades.

## BUDGET DEFICIT AND ITS FINANCING:

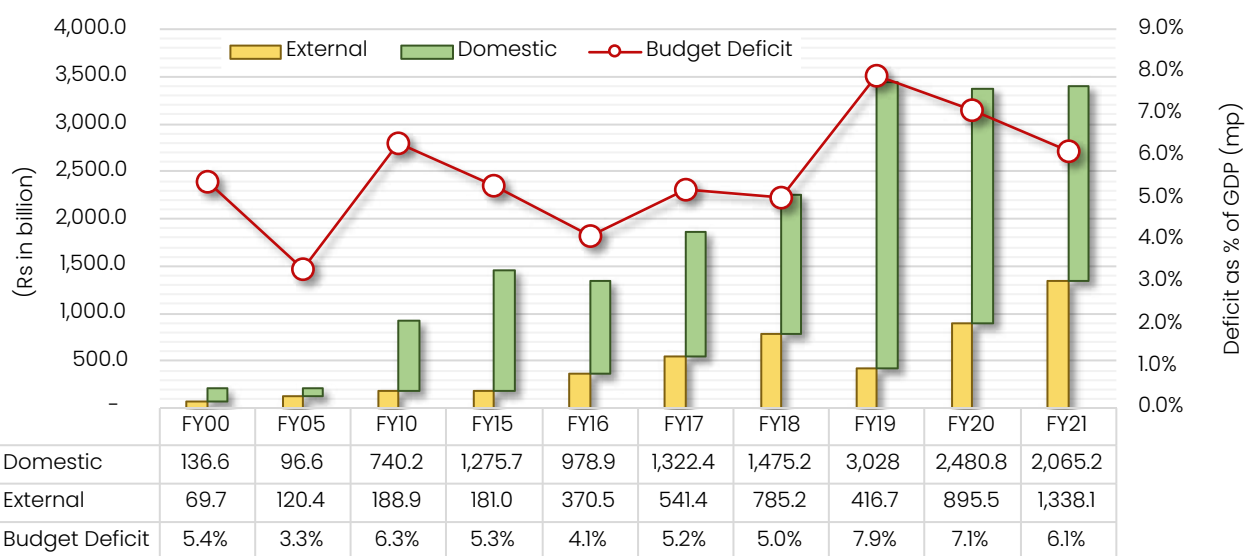
A budget/fiscal deficit is a shortfall in a government's income compared with its spending. The government that has a fiscal deficit is spending beyond its means. A fiscal deficit is calculated as a percentage of gross domestic product (GDP), or simply as total Rupees spent in excess of income.

The Government of Pakistan promulgated Fiscal Responsibility and Debt Limitation Act, 2005 to provide for reduction of Federal Fiscal Deficit and ratio of Public Debt to Gross Domestic Products (GDP) to a prudent level by effective Public Debt Management. The Act prescribes the principles of sound fiscal and debt management, and the Federal Government shall pursue its policy objectives in accordance with the principles of sound fiscal and debt management specified.



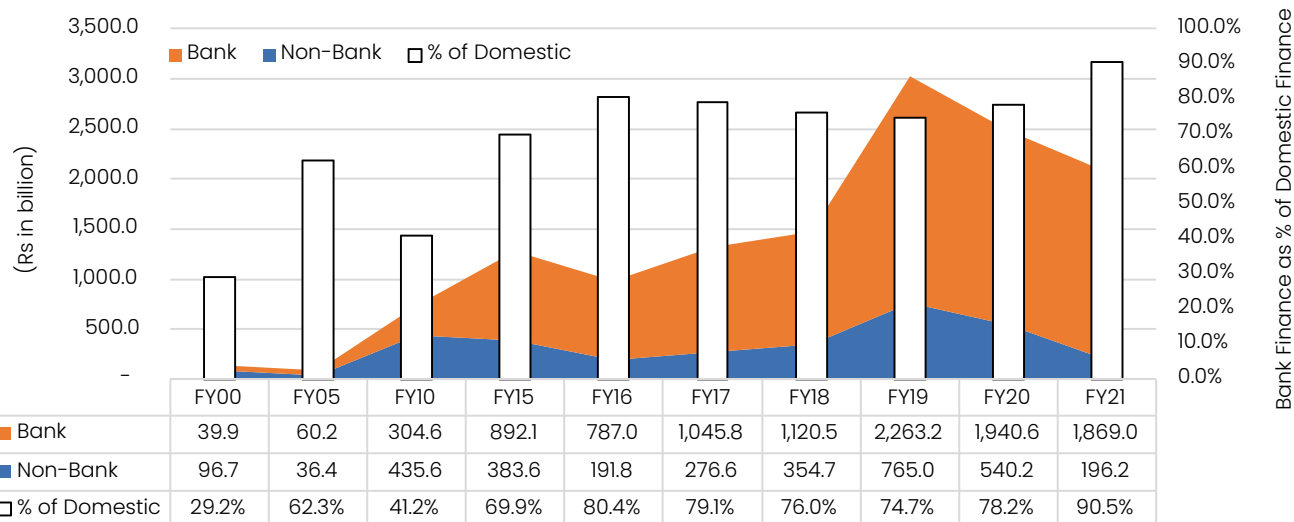


## Financing of Budget Deficit (Domestic+External)



The Fiscal/ Budget deficit was seen at the peak in FY2019 during past 40 years when it was recorded at 7.9 percent of the GDP. Moreover, the budget deficit was mostly met by domestic sources which comprised of funds acquired from bank and non-bank financing.

## Bank Financing as % of Total Domestic Financing



A major shift could be seen in the component of Bank financing which increased drastically in FY2021 to 90.5 percent of total Domestic financing as against 29.2 percent in FY2000.

# UNDERSTANDING MONEY: SBP PERSPECTIVE



### Q1. What is money?

**ANS:** Money is any asset or a good that is readily acceptable for making payments against the purchase of goods and services or settling debt obligations. For example, currency notes, coins, and cheques drawn against bank deposits are the most common forms of money used by an average Pakistani to carry out their day-to-day transactions. Recently, payments through credit and debit cards are gaining popularity. However, their acceptability is restricted to main cities and towns only.

Money can also be thought of as a special asset or good that could perform three basic functions viz. medium of exchange, unit of account, and store of value. For this reason, it is sometimes stated that money is what money does.

### Q2. How is money created?

**ANS:** Money is usually created when SBP either buys domestic assets, mainly government securities, and foreign exchange from the banking system or directly lends to the government or financial institutions. For example, when SBP buys government securities through its open market operations from the interbank market, it gives banks equivalent rupee liquidity in return; which banks use to create more assets, such as loans to private and public sectors. The money thus created is called base money, seed money, high powered money, or reserve money.

Since most of the loaned funds are later re-deposited into the banking system and banks keep only a fraction of deposits in cash in tills or reserves with the SBP, it allows banks to make further lending and create additional money by multiplying the base money. Deposits and assets of banks are expanded and therefore broad money increases in the system.

### Q3. How is money supply measured in Pakistan?

**ANS:** There are several ways to measure money supply in an economy depending upon different degrees of liquidity that different types of monetary assets have. Money supply is generally measured as a sum of currency in circulation and deposits of general public in different financial institutions.

In Pakistan, M2 is the most widely used definition of broad money. From liability side, it is measured as a sum of currency in circulation; total deposits of non-government sector, including residents' foreign currency deposits; and other deposits with SBP. From asset side, M2 is a sum of net domestic assets and net foreign assets of the banking system (i.e. SBP and scheduled banks). In addition, data from liability side of a narrower definition of money as M1 and a broader definition of money as M3 are being regularly compiled and published by SBP. M1 is defined as a sum currency in circulation, demand deposits with banks, and other deposits with SBP. M3 is measured as M2 plus public deposits or investment in national saving schemes, deposits with post offices, and non-bank financial institutions.

### Q4. Why is it important to monitor growth in money supply?

**ANS:** There exists a strong and positive correlation between inflation and monetary growth in Pakistan in a long-term perspective. A number of empirical studies concluded that high inflation is associated with high monetary growth in the country in the long-run. Therefore, to achieve the objective of maintaining low and stable inflation, it is essential to monitor the growth in money supply as an important indicator for monetary policy.

There is no defined level of monetary growth that is suitable for all time. Rather it depends on overall economic conditions in the country, in particular levels and trends in inflation and economic growth.

### Q5. How does SBP influence money supply in the system?

**ANS:** SBP mainly influences the broad money growth by changing its monetary policy rate, conducting open market operations and foreign exchange SWAPs, and modifying cash reserve requirements for the scheduled banks. A cut in the policy rate, followed by appropriate liquidity management, transmits to bank lending rates with a lag and may induce demand for credit and broad money in the economy. Similarly, with low reserve requirements, banks are able to loan more money, which may increase the overall supply of money in the economy.

## INTEREST RATES IN PAKISTAN

### Q6. How does SBP influence long-term interest rates and bank's lending and deposits rate?

**ANS:** SBP signals its monetary policy stance through changes in its policy rate known as the SBP reverse repo rate. SBP aims to keep the overnight interbank repo rate within the 250 basis points corridor set by the SBP reverse repo rate as its ceiling and SBP repo rate as its floor with effect from February 11, 2013.

SBP influences long-term rates by exploiting their relationship with short-term rates. In general, the long-term interest rates reflect the average expected future level of short-term interest rate plus a term premium to compensate for uncertainties. Changes in the policy rate influence the long-term interest rate through its impact on short-term interest rates, term premium, and inflation expectations. Demand and supply of loanable funds also play a vital role in determination of interest rates in the market.

Lending rates of banks are linked to a benchmark rate known as Karachi Interbank Offered Rate (KIBOR), which is published by Financial Market Association of Pakistan. SBP has mandated banks to benchmark their lending to the corporate sector to KIBOR, so that the pricing mechanism is transparent.

Deposit rates are largely market driven; nonetheless, State Bank of Pakistan has set a minimum rate on saving deposits (which are approximately one-third of

total deposits) to safeguard the interest of depositors and to avoid a high lending-deposit spread.

## UNDERSTANDING INFLATION

### Q7. What is inflation? How is inflation measured in Pakistan?

**ANS:** Inflation is a sustained rise in general price level in an economy over time. It also indicates a decline in the purchasing power of money over time; i.e. a certain amount of money buys less and less over time than it used to do earlier. For example, the price of one kg of wheat, one kg of basmati rice and one liter of milk was Rs24 in July 1991, which has increased to Rs226 in May 2013. This shows that the purchasing power of money has significantly declined during 1991-2013.

Pakistan Bureau of Statistics (PBS) compiles and publishes data of various measures of general price levels in Pakistan; including consumer price index (CPI), wholesale price index (WPI), sensitive price indicator (SPI), and GDP deflator. CPI, WPI, and SPI are compiled on monthly basis, while the data on GDP deflator is published on annual basis. SPI data is also available at weekly frequency.

CPI is the most commonly used measure of general prices to analyze inflation in the country. Inflation targets are set in terms of an annual change in CPI on average basis for a fiscal year. The CPI records weighted average change, with respect to a base year, in the prices of a 'basket' of goods and services—such as food, housing, fuel, transport, clothing, furniture, education, medicines and entertainment etc. — that a 'typical Pakistani consumer' purchases. The weight attached to a particular item in the CPI basket, e.g. milk, is derived as ratio of average spending by the households on purchase of milk to average expenditure of the households. Family budget survey, periodically conducted by PBS, provides the basis of selecting items and their respective weights in the CPI basket.

Details on the methodology of data compilation of price indices are available on PBS website.

### Q8. What causes inflation in Pakistan?

**ANS:** There are several factors that can affect inflation on a temporary or a permanent basis. For instance, a relatively higher growth in aggregate demand of goods and services than of its supply; upward adjustment in administered prices such as utility prices; rise in international commodity prices such as oil; supply-side disruptions due to natural calamities such as floods and earthquake; depreciation of local currency vis-à-vis other currencies; etc. are some of the factors that can spur inflation at least in the short-run.

A large number of empirical studies find growth in money supply as one of the most important determinants of long-term inflation in Pakistan. This is in line with theoretical underpinnings and empirical

results for inflation in many other countries. This is why inflation is often described as "too much money chasing too few goods". In other words, as the money supply in an economy exceeds the amount needed for financial transactions, aggregate demand outpaces the production of goods and services. As an outcome, inflation increases and the purchasing power of a local currency unit declines.

In the studies on inflation in Pakistan, fiscal deficit, government borrowings from SBP, exchange rate depreciation, international commodity prices are some other factors that are found to play a significant role in determining long-term inflation in the country.

### Q9. Why is high inflation bad?

**ANS:** High inflation makes maintaining a standard of living difficult because it erodes the purchasing power of money in terms of amount of goods and services one could buy. It also undermines the use of money as a store of value. High inflation can severely affect the normal working of an economy and is usually detrimental for sustained economic growth. At times, high inflation is also accompanied by increased volatility in prices of goods and services. It creates uncertainties and affects the decisions of households and businesses to consume, save, or invest.

It particularly discourages investment, which has negative implications for sustaining higher economic growth over long-run. Uncertainty about future prices makes businesses hesitant to make investment decisions. This is because volatility in inflation makes it difficult for businesses to anticipate the prices of the products they plan to produce now and which would make their way into the market in future. Similarly, high and volatile inflation confuses consumers about spending now or postpone it to some later date. Ultimately, it reduces overall spending in the economy that starts hurting economic activity in the short run.

Higher domestic inflation compared to inflation in countries which are our trading partners or competitors also erodes competitiveness of our exports and imports, thus negatively affecting the trade deficit – the gap between receipts against export of goods and payments against imports, all expressed in foreign currency. Higher inflation increases the prices of raw material as well that pushes up domestic cost of production. This makes our exports costly relative to our competitors in our export destination countries. Therefore, growth in exports slows down leading to widening of trade deficit.

Prolonged inflation also affects income distribution in the country negatively, particularly affecting the poor by redistributing wealth to the riches that have non-money assets, such as land or gold.

### Q10. Why shouldn't SBP attempt to bring inflation down to zero?

**ANS:** Some inflation is always necessary for incentivizing the businesses to invest and produce more, creating employment opportunities for the new



entrants in the labor market. There are at least four reasons cited against targeting 'zero' inflation

*First*, as widely believed, there is an upward bias in the measurement of CPI inflation and targeting 'zero' inflation might run the risk of deflation in the economy. In other words, after adjusting for the impact of improvement in quality of goods and services over time, the rate of increase in adjusted price level might even decline on average across the economy.

*Second*, given downward rigidity in wages, no inflation would lead to a rise in real wages making adjustments in the labor market difficult. Low inflation, however, might allow some flexibility and wages might not rise in relative terms.

*Third*, bringing inflation down to zero is costly in terms of required contraction in economic activity and employment in the economy.

*Fourth*, as nominal interest rates cannot be negative, keeping inflation at zero make the monetary policy ineffective when interest rates fall close to zero. A central bank cannot stimulate economic activity during recession unless there is some inflation so that reducing interest rate could turn the real interest rates negative and thus encourage people to spend more.

## UNDERSTANDING MONETARY POLICY

### Q11. What monetary policy can and cannot achieve?

**ANS:** There is a general agreement among economists that monetary policy can stimulate economic activity only in the short-run and under certain conditions, i.e. economy is operating below its potential level and inflation is low. It is widely experienced that attempts to increase growth beyond what an economy can sustain, with its given resources and technology, through expansionary monetary policy result in high and volatile inflation; which have negative repercussions for long-term economic growth.

Given limited influence of monetary policy on growth in the long-run, what monetary policy actually strives for is to align demand in the economy close to its productive capacity. For instance, when economy is in recession and working below its productive capacity, an expansionary monetary policy would tend to increase aggregate demand in the economy. For instance, the expansionary monetary policy increases incentives for households and businesses to borrow more by reducing their cost of borrowing from commercial banks. Through this way, demand for goods and services increases in the economy, and firms respond to this increased-demand by increasing their production and thus requiring more raw material, labor and machinery. However, if money supply continues to increase, and thus demand for goods and services, the prices start to rise at a faster pace and result into higher inflation.

In short, monetary policy has a lasting effect on inflation but only a transient impact on economic growth.

### Q12. What is the role of monetary policy in promoting economic growth?

**ANS:** Both literature and central bank practices show that the best contribution monetary policy can make to sustainable growth and employment generation over the long run is by keeping inflation low and stable. By maintaining price stability, monetary policy reduces uncertainty about price changes and provides an economic environment that allows the economy to expand in line with its production capacity. The literature also shows that low and stable inflation is a pre-condition for securing growth prospects over the medium and long term.

### Q13. If monetary policy can stimulate economic activity in a recession, why not use it all the time?

**ANS:** There is a certain level of growth an economy can achieve in the long run utilizing all of its available resources, which is referred to as the long run growth potential of the economy. When an economy operates below its long run growth path, it means that the economy is not utilizing its full potential and some resources are idle. Under such a situation, loose monetary policy could boost domestic demand and push growth towards the long run growth path. However, any attempt to expand growth beyond the long run path only results in inflation without any significant increase in output and employment in the economy.

### Q14. Why doesn't SBP simply print enough money to pay off national debt?

**ANS:** Printing money to pay off the national debt will cause inflation and effectively reduce the value of domestic money. This is because it will add to money supply in the economy without a matching increase in



production of goods and services. This could even lead to hyperinflation, which has negative repercussions for economic growth and overall well-being of the people. Furthermore, the increase in money supply of rupee against other currencies would also cause the rupee to depreciate.

Germany is a classic example where large scale printing of money was done to pay off their restitution payments after the First World War. This led to rampant inflation from 1922-24 and left the Deutsche Mark worthless: people literally used notes to light fires. Recently, Zimbabwe is faced with a similar situation.

**Q15. What can monetary policy do in case inflation is caused by supply shocks only?**

**ANS:** Monetary policy can prevent effects of the supply shocks affecting a particular segment of the CPI basket to become widespread and broad-based over time. For instance, a supply shock leading to a sharp increase in food prices, due to increase in international commodity prices, floods, droughts, etc., might make it difficult for factory workers in managing to fulfill bare needs of their families of average size. Therefore, the labor union would press the factory management for increasing their wages and salaries. This results in increased cost of production and as businesses usually pass these on to consumers, prices of the goods they produce rises further. This is known in the literature as the 'second round effect'. Thus, inflation may further go up.

An increase in interest rate (if necessary) can stop potential second round effects of such supply shocks on inflation. Depending on credibility of the central bank, the increase in interest rate in the first place would help in calming the expectations of rise in prices of other commodities of CPI basket. With the expectation of compensation in terms of fall in prices of 'other segment of the CPI basket', there will be lesser pressures on wages and salaries, thereby, contributing to decline in inflation in future.

**Q16. Why does SBP focus on price stability?**

**ANS:** Research shows that keeping inflation low and stable creates a favorable environment for sustaining high growth and generating employment opportunities in the long run. It also helps in preserving the domestic value of money and fostering confidence in national currency. These reduce uncertainties about future movements in prices of goods and services, and facilitate consumers and businesses to make long-term financial decisions with more confidence. Thus, price stability supports long-term investment, which is critical for employment generation and efficiency and productivity in the economy. Moreover, low and stable inflation help businesses to maintain competitiveness in both the local and international markets. It also protects the purchasing power of low and fixed income segments of society, whose savings are in cash rather than real assets.

Source: [https://www.sbp.org.pk/m\\_policy/mp-learn-2.asp](https://www.sbp.org.pk/m_policy/mp-learn-2.asp)





CELEBRATING  
**20 YEARS**  
OF TURNING **HOPES**  
INTO **REALITIES**



HBL Microfinance Bank, formerly The First MicroFinanceBank Ltd., started its operations in 2002 providing financial services to people with no or limited access to the financial sector. The Bank is celebrating two decades of uplifting communities with a footprint of 215 locations across Pakistan.



# IMPACT

## Reshaping Capitalism to Drive Real Change

By: Sir Ronald Cohen

### Synopsis

Throughout the world, capitalism and democracy are being challenged with great force. The world must change, but we cannot change it by throwing money at old ideas that no longer work. We need a new path to a new world where inequality is shrinking, where natural resources are regenerated, and people can benefit from shared prosperity. This is the world being created by the Impact Revolution.

Preeminent international investor, entrepreneur, philanthropist, and social finance innovator, Sir Ronald Cohen, has dedicated two decades to leading the Impact Revolution to achieve real social and environmental change. As one of the founders of venture capital, which ushered in the Tech Revolution, he builds on his years of personal experience to deliver a compelling account of how impact investing is reshaping capitalism. Whether you are an aspiring young entrepreneur, an established business person, an investor, a philanthropist, or somebody in government – or are interested, as a consumer or employee, in companies doing good and doing well at the same time – this book is a sure fire way to find out how you can play a role in changing the world.

### Reviews

"We face an uncertain economic landscape. One that we can only navigate if all of us—including governments, businesses, civil society and people—truly work together. In *Impact*, Sir Ronald Cohen reaffirms the conviction that we hold our destinies in our own hands, and offers a fascinating blueprint for a hope-filled future underpinned by the social power of impact investing."

—Kristalina Georgieva, Managing Director, International Monetary Fund, Former CEO, World Bank Group

"*Impact* is a new and very important idea to reshape and save our economic system."

—Paul Romer, Nobel Prize in Economics, 2018



### About the Author

**Sir Ronald Cohen** is a pioneering philanthropist, venture capitalist, private equity investor, and social innovator, who is driving forward the global Impact Revolution. He serves as Chairman of the Global Steering Group for Impact Investment and The Portland Trust. He is a co-founder of Social Finance UK and USA, and co-founder Chair of Bridges Fund Management and Big Society Capital. He chaired the G8 Social Impact Investment Taskforce (2013–15), the UK Social Investment Task Force (2000–10) and the UK's Commission on Unclaimed Assets (2005–2007). In 2012, he received the Rockefeller Foundation's Innovation Award for Social Finance. He was the co-founder and Executive Chairman of Apax Partners Worldwide LLP (1972–2005), a global private equity firm, and co-founder and Chairman of the British Venture Capital Association. Oxford and Harvard educated, Sir Ronald was born in Egypt and left as a refugee at the age of 11, when his family came to the UK.





# THE MYSTIC HAND

## How Central Banks Shaped the 21st Century Global Economy

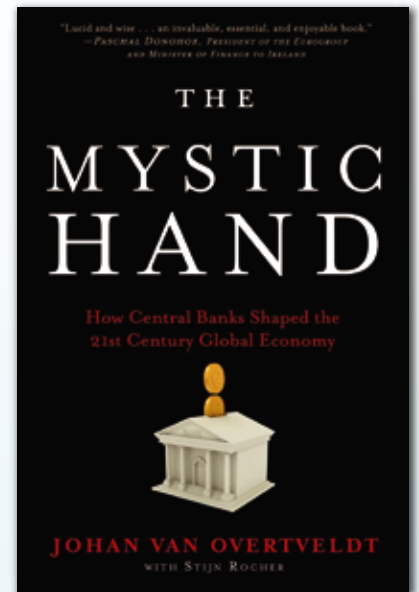
By: Johan Van Overtveldt with Stijn Rocher

### Synopsis

Over the last few decades, central bankers have achieved unprecedented status. Especially in the wake of the global financial crisis of 2008, the world holds its breath whenever they announce new policy interventions. The “mystic hand” of central bankers is felt everywhere, not only in financial markets but also within national economies and public welfare. *The Mystic Hand: How Central Banks Shaped the 21st Century Global Economy* traces the lessons central bankers have learned over time—or haven’t, in some cases.

Van Overtveldt shows how disregard of lessons taught by nineteenth century *grands savants* like Henry Thornton and Walter Bagehot led directly to catastrophic financial events like the Great Depression – and how relying on that wisdom after the financial crisis in 2008 saved the world from the same catastrophic fate. While the financial crisis required central bankers to act quickly and decisively, the consequences of expansive monetary policies have become a major issue.

Central bank policies of the last decade and a half have resulted in a relentless build-up of leverage and debt; led to speculative bubbles in different markets; undermined the willingness of political authorities to put their fiscal houses in order; stimulated a “zombification” of the economy and the growth of shadow banking activities; and contributed to growing inequality around the world. *The Mystic Hand* explores central banking’s history in order to understand its present and Van Overtveldt demonstrates the urgency surrounding the choices central bankers are making in terms of the future of the global economy.



### Reviews

“Central Banks wield exceptional powers. Their Governors have been central figures in our economic fortunes, from the Great Financial Crisis to coronavirus. *The Mystic Hand* is both lucid and wise, explaining the influence and policies of these institutions with the greatest of clarity. [Van Overtveldt] combines his skill as a politician, his experience as an economist and the lightness of touch of a journalist to write an invaluable, essential and enjoyable book.”

—Pascal Donohoe, President of the Eurogroup and Minister of Finance (Ireland)

“A fascinating Brussels insider’s view on monetary policy.”

—Axel Weber, Chairman of the Board of Directors, UBS Group, and Former President of the German Bundesbank

“Their response to the coronavirus pandemic has left the world’s central banks supporting the global economy in a way which leaves asset prices intricately linked to their future actions. Johan Van Overtveldt has written a compelling account of the negative implications of this policy and ponders how they can escape the hole they have dug for all of us.”

—James Nixon, Head of Thematic Research, Oxford Economics

### About the Author

**Johan Van Overtveldt**, PhD, was Minister of Finance in Belgium from 2014–2019, and now serves as the Chairman of the Budget Committee of the European Parliament, where he focuses on financial and monetary matters across the European Union. A trained academic economist and former journalist, he has published several books in Dutch and contributed to the *Wall Street Journal Europe* and other publications. He is also the author of *A Giant Reborn*, *The End of the Euro*, *Bernanke’s Test*, and *The Chicago School*.



# PLATFORM REVOLUTION

BLOCKCHAIN TECHNOLOGY as the  
Operating System of the Digital Age

Edited by: Don Tapscott

## Synopsis

The first era of the digital age spanned mainframes, minicomputers, the personal computer, the Internet, the World Wide Web, social media, mobility, the cloud, and big data. We are now entering a second era where digital technologies permeate everything. Such inventions as machine learning, robotics, drones, software robots or "bots," process automation, and additive manufacturing are accelerating new types of platforms on which to build digital engines of the global economy. This second era has weighty implications for enterprise strategy and architecture. New business models will disrupt most industries and provide platforms for innovation for decades to come. This book looks at Blockchain technologies as foundational to the governance and widespread adoption of these innovations—digital identities, data analytics, artificial intelligence, the Internet of Things, autonomous vehicles, distributed energy infrastructure, and quantum computing.

Every organization can finally become a truly digital entity if its leaders are prepared. This book is designed to prepare them for the waves of creative destruction ahead. It is the third volume in the Blockchain Research Institute Enterprise Series of books.

## Reviews

"Don and crew deliver another fascinating and authoritative collection of the different ways blockchain and distributed ledger technology could—no, make that will—remake the systems of the world. Look beyond the hype and rags-to-riches-to-rags stories: this is about evolving the concept of Internet services away from the Amazons and Ubers and toward cooperative networks owned and run by their users and stakeholders. This book will make you optimistic about the future all over again."

—Brian Behlendorf, General Manager, Blockchain, Healthcare, and Identity, The Linux Foundation

"Decentralization and democratization of our global platforms is a perennial battle worth fighting for. We lost much of that battle with the Web, but we have another chance with blockchain-based platforms. In this new book, Don Tapscott provides the vision and the leadership and expert contributors provide realistic roadmaps on how to get there."

—Mary C. Lacity, PhD, Director of the Blockchain Center of Excellence, University of Arkansas



"Blockchain Revolution was a trailblazer, introducing the key concepts and principles behind the technology. *Platform Revolution* is an amazing next chapter. It sets the scene for a paradigm shift in which blockchain serves as an open and neutral ledger for everything, enabling transparency, trust, and mass collaboration. Very good insights to position your enterprise for this next phase in the revolution."

—Ian I. Putter, Head, Distributed Ledger Technology/-Blockchain, Standard Bank Group

## About the Author

Don Tapscott is one of the world's leading authorities on the impact of technology on business and society. He has authored 16 books, including *Wikinomics: How Mass Collaboration Changes Everything*, which has been translated into over 25 languages. He is the co-founder and executive chairman of the Blockchain Research Institute, conducting the definitive investigation into enterprise applications of distributed ledger technologies and the trivergence of Blockchain, artificial intelligence, and the Internet of Things. Tapscott is a member of the Order of Canada, an adjunct professor at INSEAD, and former two-term chancellor of Trent University in Ontario. He was ranked the second most influential Management Thinker and the top Digital Thinker in the world by Thinkers50 before his induction into the Thinkers50 Hall of Fame.

# DITCH THE ACT

## Reveal the Surprising Power of the Real You for Greater Success

By: Leonard Kim & Ryan Foland

### Synopsis

Build a powerful personal brand by flaunting your flaws and connecting with people in honest, authentic ways.

The world of business is filled with so-called gurus and thought leaders, millions of them touting their "expertise" on all sorts of topics and issues. Never mind the fact that many of them are frauds. At this point, competing in their game is next to impossible. The good news is you do not have to. In fact, not pitching yourself as the world's greatest expert is exactly what will separate you from the pack.

*Ditch the Act* explains how to use your best asset—your true self—to build a powerful and authentic personal brand, build a deeper sense of trust and camaraderie within teams, advance your career or business, and achieve lifelong success. You will start by creating your Exposure Resume, where you lay out past failures, setbacks, or perceived weaknesses. *Ditch the Act* then guides you through a proven process for building your brand based on your new resume.

You will learn how to:

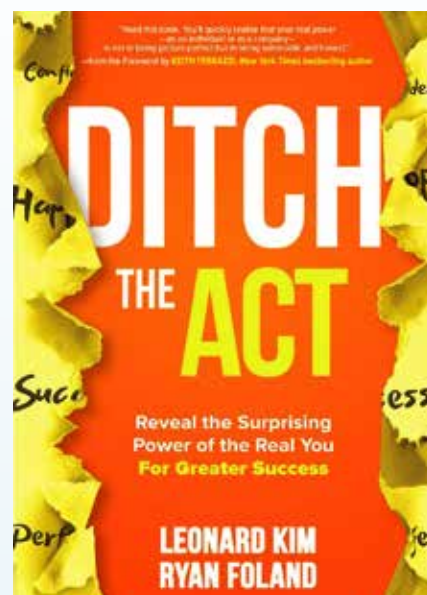
- Extract key lessons and takeaways from your past experiences
- Communicate your faults in clear ways that anyone can understand
- Create and deliver compelling content that places you in the best light
- Build new relationships that will get you where you want to go

By being genuine and real in a world dominated by hyperbole and ego, you will see your personal brand go viral. You will be talked about in circles by people who actually make decisions. You will be seen as a trusted partner by those who matter. And you will experience that rare satisfaction of success driven by fearlessness, and self-worth. It is time to be real. It is time to be vulnerable. It is time to trust others to appreciate the real you. In other words, it is time to *Ditch the Act* – and enjoy the success you richly deserve.

### Reviews

"*Ditch the Act* will change your perspective on why telling your story can open doors to unimaginable opportunities—that have always been right in front of you, you just weren't letting them in."

—Tiffani Bova, Keynote Speaker, Growth and Innovation Evangelist at Salesforce, and bestselling author of *Growth IQ*



"We think people only want to hear about our successes. We think that's where our credibility will come from. And in that false assumption we leave one of our greatest powers untapped. Ryan and Leonard have it just right in this book. You'll never think of your attempts to influence the same way again."

—Greg McKeown, *New York Times* bestselling author of *Essentialism*

"Whether you're building a new business, reinventing yourself, or trying to stand out at work . . . when you tap into the power of your authentic self, you become unstoppable at achieving your life's true potential."

—Dorie Clark, Duke University Fuqua School of Business adjunct professor, *Harvard Business Review* contributor and author of *Stand Out, Reinventing You* and *Entrepreneurial You*

### About the Authors

**Leonard Kim** is a personal branding expert, marketing consultant, and writer whose content has been read over 14 million times. **Ryan Foland** is a communication strategist, speaker, and personal branding expert. Together, they operate InfluenceTree, a personal branding accelerator that teaches people how to build their brand, get featured in publications, and grow their social media following. Their clients include *New York Times* bestselling authors, venture capitalists, and Fortune 500 executives. Their details are available on [leonardkim.com](http://leonardkim.com) and [ryanfoland.com](http://ryanfoland.com)





# IBP BANKER'S DIARY 2023



The IBP Banker's Diary is a valuable source of information and networking for Banking Professionals.

## IBP BANKER'S DIARY

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IBP Banker's Diary 2023	COST
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\*\*First come, first served basis

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OCTOBER-DECEMBER

TRAINING CALENDAR

IBP

20  
22



**VIRTUAL  
TRAININGS**

**CLASSROOM  
TRAININGS**

## OCTOBER

	Workshop	Facilitator	Fee	Timings	
06   Thursday Faisalabad	Branch Internal Control Procedures for Cheque Payment – SBP Guidelines	Zeeshan Haider	PKR 15,000 <i>(Excluding Sales Tax)</i>	9:30 AM – 5:30 PM	CLASSROOM TRAINING
08 Saturday	Raast Person-to-Person (P2P)	Syed M. Taha	PKR 9,500 <i>(Excluding Sales Tax)</i>	10:00 AM – 2:00 PM	VIRTUAL TRAINING
12 Wednesday	Credit Administration: Mode of Encumbrances & Legal Aspects of the Documentation	M.A. Hijazi	PKR 9,500 <i>(Excluding Sales Tax)</i>	2:00 PM – 6:00 PM	VIRTUAL TRAINING
13 Thursday	SBP Guidelines for Foreign Currency Accounts & Foreign Remittances Operations	Ejaz Ahmed Qadri	PKR 9,500 <i>(Excluding Sales Tax)</i>	9:30 AM – 1:30 PM	VIRTUAL TRAINING
13 Thursday	Liquidity Risk Management for Financial Institutions	Faisal Sarwar	PKR 9,500 <i>(Excluding Sales Tax)</i>	2:00 PM – 6:00 PM	VIRTUAL TRAINING
14 Friday	Trade Risk Profiling	Salim Thobani	PKR 9,500 <i>(Excluding Sales Tax)</i>	2:00 PM – 6:00 PM	VIRTUAL TRAINING
15 Saturday	Modern Digital Banking: Digital Transformation in Pakistan	Syed Hassan Talal	PKR 9,500 <i>(Excluding Sales Tax)</i>	10:00 AM – 2:00 PM	VIRTUAL TRAINING

For Details, visit: <https://ibp.org.pk/wp-content/uploads/2022/10/IBP-TC-Q4-2022.pdf>

OPERATIONS  
AND GENERAL  
MANAGEMENT

COMPLIANCE AND  
REGULATIONS

TRADE FINANCE

CREDIT AND RISK

ISLAMIC FINANCE

# OCTOBER

	Workshop	Facilitator	Fee	Timings	
17 Monday	Employees Workplace Discipline – Conducting Enquiries and Disciplinary Action Procedure	Naveed Elahi Malik	PKR 9,500 (Excluding Sales Tax)	2:00 PM – 6:00 PM	VIRTUAL TRAINING
19   Wednesday Karachi	Data Crunching and Analysis Using MS Excel	Rahim Zulfiqar Ali	PKR 15,000 (Excluding Sales Tax)	9 AM to 5 PM	CLASSROOM TRAINING
19 Wednesday	Combating AML & Banking Frauds Investigation	Kamran Hyder	PKR 9,500 (Excluding Sales Tax)	9:30 AM – 1:30 PM	VIRTUAL TRAINING
20 Thursday	Mitigation of Cyber Security Risks	Kashif Siddiqui	PKR 9,500 (Excluding Sales Tax)	9:30 AM – 1:30 PM	VIRTUAL TRAINING
21 Friday	Financial Analysis and Importance of Key Ratios	Imran Soomro	PKR 9,500 (Excluding Sales Tax)	9:30 AM – 1:30 PM	VIRTUAL TRAINING
26 Wednesday	Green Business Facilitation – Need of the Hour	Dr S. Asim Ali Bukhari	PKR 9,500 (Excluding Sales Tax)	9:30 AM – 1:30 PM	VIRTUAL TRAINING

For Details, visit: <https://ibp.org.pk/wp-content/uploads/2022/10/IBP-TC-Q4-2022.pdf>

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# NOVEMBER

	Workshop	Facilitator	Fee	Timings	
TBD	Developing a Branch Business Plan	Sehba Ehsan	PKR 9,500 <i>(Excluding Sales Tax)</i>	TBD	VIRTUAL TRAINING
TBD	Recent Developments in Payment Market Infrastructure	Syed M. Taha	PKR 9,500 <i>(Excluding Sales Tax)</i>	TBD	VIRTUAL TRAINING
TBD	Compliance Goals Vs Money Laundering Schemes	Waheed Zaman	PKR 9,500 <i>(Excluding Sales Tax)</i>	TBD	VIRTUAL TRAINING
TBD	SME Certification for Relationship Managers	M. Mazhar Shahzad	PKR 20,000 <i>(Excluding Sales Tax)</i>	TBD	VIRTUAL TRAINING
TBD	SECP AML/CFT Regulations	Muhammad Usman	PKR 9,500 <i>(Excluding Sales Tax)</i>	TBD	VIRTUAL TRAINING
TBD	Certified Sanction Specialist Professional (CSSP)	Salim Thobani	PKR 20,000 <i>(Excluding Sales Tax)</i>	TBD	VIRTUAL TRAINING
TBD	Impactful Communication/Email Writing Skills	Syed Usman Hashmi	PKR 9,500 <i>(Excluding Sales Tax)</i>	TBD	VIRTUAL TRAINING

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REGULATIONS






TRADE FINANCE

CREDIT AND RISK

ISLAMIC FINANCE



# NOVEMBER

Workshop		Facilitator	Fee	Timings	
TBD	E-Commerce: Recent Developments, Opportunities and Challenges	Amir Saifi	PKR 9,500 <i>(Excluding Sales Tax)</i>	TBD	
TBD	Industrial Relations and Labor Laws – Certificate of Practitioner	M. Shafiq Ghouri	PKR 45,000 <i>(Excluding Sales Tax)</i>	TBD	
TBD	Fintechs Evolution and Their Role in Financial Inclusion	Fahad Shahab	PKR 9,500 <i>(Excluding Sales Tax)</i>	TBD	
TBD Rawalpindi	Tools & Techniques of Investigation & Reporting E-Banking Frauds	Zeeshan Nadeem	PKR 15,000 <i>(Excluding Sales Tax)</i>	9 AM to 5 PM	
TBD Karachi	MS Excel and Financial Modeling	Saad Zubair Vohra	PKR 15,000 <i>(Excluding Sales Tax)</i>	9 AM to 5 PM	

For Details, visit: <https://ibp.org.pk/wp-content/uploads/2022/10/IBP-TC-Q4-2022.pdf>

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TRADE FINANCE

CREDIT AND RISK

ISLAMIC FINANCE

## DECEMBER

	Workshop	Facilitator	Fee	Timings	
TBD	Compliance Risk Management SBP Regulatory Framework Violations	Beenish Mustafa	PKR 9,500 (Excluding Sales Tax)	TBD	VIRTUAL TRAINING
TBD	International Trade Import Export Documentation & Procedures and Working with Letters of Credit	Aqeel Muslim	PKR 9,500 (Excluding Sales Tax)	TBD	VIRTUAL TRAINING
TBD	Implementation of IFRS 9 – Financial Instruments	Hassan Marfani	PKR 9,500 (Excluding Sales Tax)	TBD	VIRTUAL TRAINING
TBD	Transaction Monitoring and STR	Shahzad Hussain	PKR 9,500 (Excluding Sales Tax)	TBD	VIRTUAL TRAINING
TBD	Insight on Financial Crimes: Challenges Faced by Financial Institutions	Usman Ali Khan	PKR 9,500 (Excluding Sales Tax)	TBD	VIRTUAL TRAINING
TBD	Collection/Recovery: Techniques and Skills	M.A. Hijazi	PKR 9,500 (Excluding Sales Tax)	TBD	VIRTUAL TRAINING
TBD Peshawar	ATM Operations – How to Deal with Settlement & ATM Fraud?	M.A. Hijazi	PKR 15,000 (Excluding Sales Tax)	TBD	CLASSROOM TRAINING

For Details, visit: <https://ibp.org.pk/wp-content/uploads/2022/10/IBP-TC-Q4-2022.pdf>

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# Paracha Exchange

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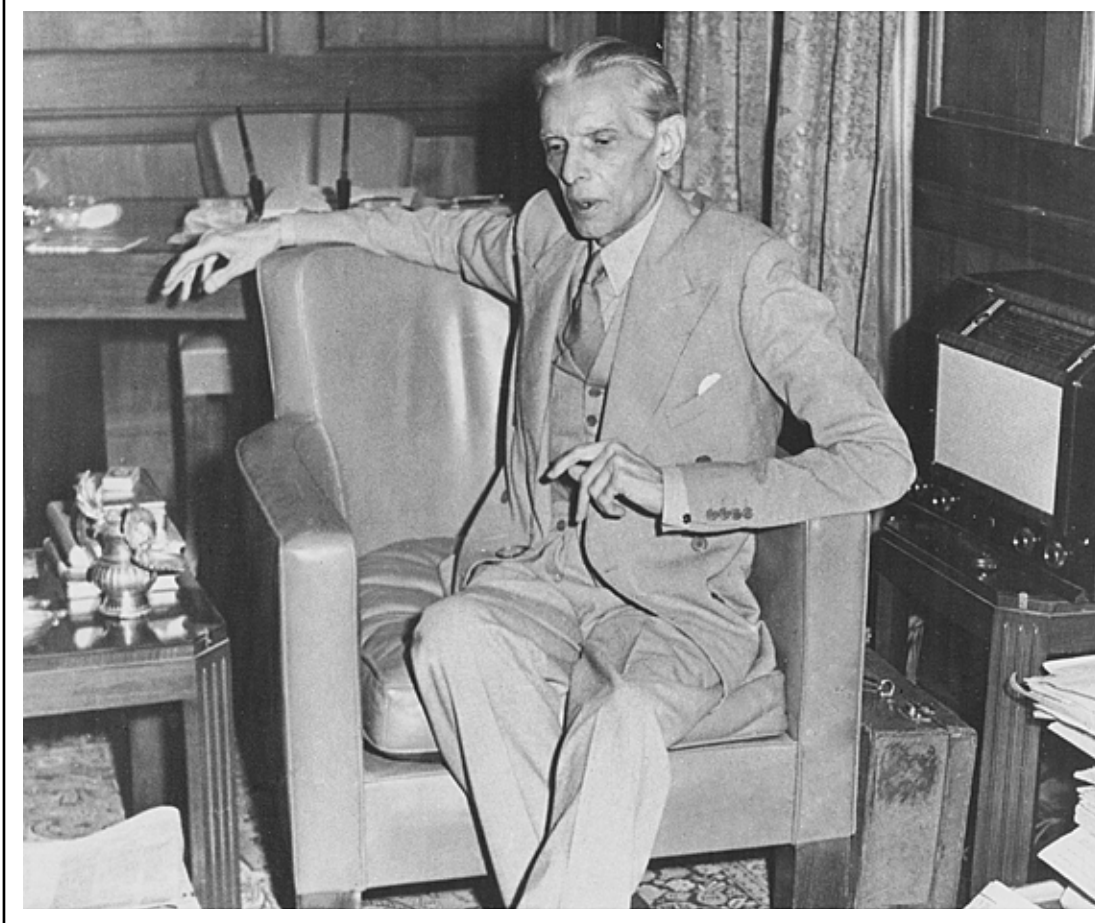
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# *Save for Pakistan Invest in Pakistan*



*“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**

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