

Journal of the National Institute of

# Banking and Finance

P A K I S T A N

Volume 92 | Issue No. 04

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## 10<sup>th</sup> Pakistan Banking Awards

.....  
**From Cash to Digital**  
Growing Role of EMIs in Pakistan



# PAKISTAN'S EXPORTS Stuck in a Low-Value Rut in a High-Value World?

*Enhancing Competitiveness through Sustainable Value Chains*

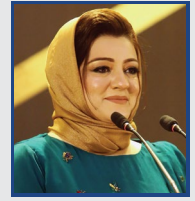


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# editorial.



Shahla Naqvi  
Editor

## Living in Interesting Times: Pakistan's Moment in the Global Mineral Race

"May you live in interesting times." This adage seems particularly prophetic today, as the global race for critical minerals intensifies and Pakistan attempts to reposition itself as a serious mining destination, with its abundant treasure of critical minerals. As the shift toward clean energy accelerates and countries seek reliable access to critical inputs, competition for mineral resources is increasingly shaping global economic and strategic decisions.

Pakistan has been endowed with immense untapped mineral wealth with multi-billion-dollar potential, an estimated \$6 trillion worth of copper, gold, coal, chromite, antimony, and rare earth elements, among other resources. Inferred reserves include over 40 million ounces of gold valued at about \$200 billion; more than 5.9 billion tonnes of copper ore worth roughly \$150 billion; and over 1.8 billion tonnes of iron ore at Chiniot and Kalabagh valued at around \$120 billion. Rare earth element (REE) deposits in Balochistan, Khyber Pakhtunkhwa, and Gilgit-Baltistan remain under-explored, yet even modest development could yield significant returns, particularly for neodymium, praseodymium, and dysprosium. Bauxite reserves exceed 100 million tonnes in Punjab and KP, with an estimated value of \$5–\$7 billion, critical for aluminum supply chains.

Among the flagship projects, Reko Diq, one of the world's largest undeveloped copper-gold deposits in Balochistan, is jointly owned by Barrick Gold Corporation, Canada and Pakistani stakeholders, and is expected to operate for more than 40 years. Large-scale projects of this nature have the potential to generate export earnings, fiscal revenues, employment, and much-needed regional development.

Reflecting this promise, global investor interest in Pakistan's mineral sector is rising. Saudi Arabia's Manara Minerals is pursuing a 10–20 percent stake in Reko Diq, while major firms such as Fluor (USA), Komatsu (Japan), and Metso (Finland) have shown interest in mining and equipment opportunities. US Strategic Metals has signed a \$500 million MoU with Pakistan's FWO for critical minerals development, Portugal's Mota-Engil is exploring prospects, and Nova Minerals is assessing antimony potential.

Despite this growing momentum, the sector's economic contribution remains modest. Pakistan's mining industry accounts for only 2–3 percent of GDP, highlighting a significant gap between resource

potential and actual outcomes. Institutional weaknesses, governance gaps, and infrastructure constraints continue to limit its impact; challenges commonly associated with the 'resource curse', or the 'paradox of plenty'. In such contexts, resource wealth fails to translate into broad-based development, instead contributing to economic volatility, weak institutions, and limited value addition. Without stronger governance, downstream processing, and transparent and inclusive policies, mineral abundance alone will not ensure sustainable growth or shared prosperity.

Unlocking this potential requires stronger institutional capacity through digitalized mineral records, skilled regulation, and transparent frameworks that support public-private partnerships and attract responsible foreign investment. Policy must shift from exporting raw ores toward developing local processing, refining, and smelting to capture greater value. Equally important are fair and consensus-based revenue-sharing mechanisms, particularly for regions such as Balochistan and Khyber Pakhtunkhwa, to address security concerns and regional disparities. Mining agreements should incorporate infrastructure development, including roads, power, and water, while stable contracts, streamlined approvals, and targeted incentives can strengthen investor confidence. At the same time, Pakistan must diversify mineral trade partnerships and enforce robust environmental and waste-management standards to ensure sustainable and inclusive growth.

For countries like Pakistan, these are indeed "interesting times", but not merely because opportunity beckons. While the mineral race offers a pathway to industrial upgrading and export diversification, it also carries risks of resource nationalism, environmental strain, and value capture by stronger players. The question is not whether Pakistan will participate, but whether it will negotiate from strength by building domestic processing capacity, regulatory clarity, and strategic partnerships that convert geology into durable economic leverage, without missing the structural reforms due on the administrative and judicial fronts.

The ore beneath its soil is valuable, but credibility above ground is priceless. Whether Pakistan emerges as a strategic supplier or remains an aspirational prospect and lets this opportunity slip, will depend on consistent policy execution in the years ahead. Just how interesting these times will be remains to be seen.

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### Editorial Note

The January–June 2025 edition represents a combined Issue 1–2. Subsequent issues are designated as Issue 3 (July–September) and Issue 4 (October–December) 2025.

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# A DECADE OF EXCELLENCE MARKED AT THE 10<sup>TH</sup> PAKISTAN BANKING AWARDS 2025





The 10th Pakistan Banking Awards ceremony was held on November 14, 2025 at Pearl Continental Hotel, Karachi. Governor of the State Bank of Pakistan, Mr. Jameel Ahmad, graced the occasion as the Chief Guest.

The ceremony marked a significant milestone in Pakistan's financial sector, commemorating a decade of celebrating institutions that continue to elevate the standards of banking in the country. The ceremony was organized by NIBAF Pakistan (formerly IBP) and DAWN Media, in collaboration with their knowledge partner A.F. Ferguson & Co. (a member firm of PwC), a partnership that has helped establish the Awards as one of the most credible industry recognitions in the country.

There were nine award categories this year. Meezan Bank Ltd. secured the Best Bank Award. Bank of Punjab earned three distinctions as Best Bank for Agriculture Inclusion, Best Bank for Women Inclusion, and Best Bank for Small and Medium Enterprises, respectively. Bank Alfalah Ltd bagged two awards: Best Bank for Digital Excellence and Best Bank for Customer Engagement. Kashf Foundation was named Best Microfinance Institution; Faysal Bank Ltd won the award for Best Mid-sized Bank; and HBL received recognition as the Best Bank for ESG.

At the outset of his keynote address, Governor State Bank of Pakistan, Mr. Jameel Ahmad, extended his sincere appreciation to NIBAF Pakistan, DAWN Media, and A.F. Ferguson for successfully hosting ten continuous years of the prestigious Pakistan Banking Awards. He noted that this milestone represents a decade of excellence, collaboration, and shared progress, and expressed special thanks to the distinguished Jury for their fairness and dedication. Over the years, he remarked, the Awards have become a proud national tradition, celebrating institutions that uplift banking standards and reminding us of the vital role banks play in supporting people, businesses, and the broader economy.

Reflecting on the sector's performance over the past decade, the Governor observed that while Pakistan's banking system has built strength and resilience, the decade ahead must be about transformation. He emphasized that the goal should be a banking system that leads with innovation, inclusion,

and responsibility; one that empowers people and businesses and contributes meaningfully to shared national growth. The banking sector's true potential to stimulate growth and employment is yet to be realized. He pointed out that the government has exceeded its fiscal consolidation targets and recorded primary surpluses for two consecutive years, alongside improved sovereign ratings and better access to external financing. These developments, he said, should be seen as a turning point. As public-sector borrowing requirements decline, more room will emerge for private-sector credit, a shift he encouraged banks to embrace. He cautioned that, "Banks that continue to rely on easy returns from lending to the government will eventually be left behind by institutions that are mobilizing deposits and meeting the growing credit needs of the underserved segments." With greater macroeconomic stability taking hold, he urged banks to "move from passive strength to proactive contribution".

Outlining a blueprint for the future, the Governor highlighted four pillars that will shape the next decade of Pakistan's banking journey. The first was digitalization, which he described as the foundation of future banking. The Governor emphasized that the widespread adoption of digital payments, fintech solutions, and open banking frameworks is reshaping financial services. He highlighted Raast's unprecedented success in providing safe, low-cost, interoperable payments to millions. The future, he noted, will not be defined by branch networks but by the extent to which banks embed financial services into daily digital interactions, from mobile commerce to agricultural supply chains. Digitalization, he said, is also transforming risk measurement, customer relationships, and product design.

The second pillar focused on the expanding role of artificial intelligence and machine learning, which he said can fundamentally reshape credit assessment and risk modelling. He highlighted the transformative potential of AI-driven credit analysis, which allows banks to move beyond traditional documentation and rely on alternative data, such as digital transactions, supply-chain behavior, and utility usage, to assess repayment capacity. AI can help expand credit access to small firms, start-ups, youth, and women while offering banks new ways to mobilize deposits

through personalized product design rather than the long-standing dependence on high-net-worth segments alone.

The third pillar emphasized climate-responsive and sustainable banking. Given Pakistan's exposure to climate risks, the Governor urged banks to integrate climate considerations into their lending decisions, adopt clear sustainability targets, and develop instruments such as green bonds and sustainability-linked loans. He noted that SBP's green banking guidelines and ESG frameworks provide a strong foundation for this transition, but more efforts are needed for long-term resilience.

The fourth pillar highlighted the strategic necessity of supporting Pakistan's shift toward an export-led growth model. He urged banks to realign their priorities by developing export-oriented financial products, strengthening advisory support for exporters, and leveraging their correspondent banking networks to bolster Pakistan's global commercial footprint. Governor Jameel Ahmad congratulated all winners and nominees, appreciating their contributions to strengthening Pakistan's financial architecture.

A deeply moving moment of the evening came when the Governor offered a special tribute to Mr. Irfan Siddiqui, Founding President and CEO of Meezan Bank, acknowledging his pioneering contributions to Islamic banking in Pakistan. He highlighted that Meezan Bank, having participated eight times in the past ten years of the Awards, has won the Best Bank Award five times, an exceptional achievement that underscores both the institution's performance and Mr. Irfan's leadership. The audience honored him with a standing ovation as the Governor praised his career and contribution to Islamic banking and finance.

Earlier, Ms. Lubna Farooq Malik, CEO NIBAF Pakistan, delivered a comprehensive welcome address marking the tenth edition of the Pakistan Banking Awards. She described the Awards as a collaborative initiative of NIBAF Pakistan, DAWN Media, and A.F. Ferguson & Co., established to honor excellence, integrity, and leadership in the banking sector. Reflecting on a decade of progress, she noted that Pakistan's financial landscape has undergone significant transformation: digital banking has reshaped customer experience, deposits have grown consistently, and financial inclusion is increasingly becoming a reality, particularly with the rising participation of women in the formal financial system. She added that the Awards continue to evolve with the industry, with awards for Women Inclusion, Microfinance, Digital Excellence and the introduction of the Best Bank for ESG category this year, reflecting the sector's shift toward sustainability and responsible finance.

Ms. Malik emphasized that the credibility of the Awards rests on a highly distinguished and independent Jury whose expertise ensures rigorous and merit-based evaluation. The 2025 Jury was led by Syed Salim Raza, Former Governor State Bank of Pakistan, and included Ms. Sima Kamil, Former Deputy Governor SBP and Former CEO UBL; Mr. Naved A. Khan, Former President and CEO Faysal Bank Ltd; Mr. Shazad Dada, Founder

and Managing Partner, Dada Partners Pvt. Ltd. and Former President and CEO of United Bank Limited and Standard Chartered Bank (Pakistan); Mr. Shahid Sattar, Former President Samba Bank; and Dr. Zeelaf Munir, MD and CEO of English Biscuit Manufacturers (Pvt.) Ltd. Their collective independence, integrity, and sectoral experience, she noted, underpin the transparency and fairness that have defined the Awards for ten years.

She also highlighted NIBAF Pakistan's role as a national institution committed to strengthening the financial sector through cutting-edge training, professional development, and industry-recognized certifications, fully aligned with SBP's broader vision of a stable, inclusive, and future-ready financial system.

Expressing gratitude to the partner organizations and their teams for a decade of collaboration, she then introduced a special commemorative video, "A Decade of Excellence," which showcased key milestones and the evolution of the Awards since their inception. Concluding her remarks, Ms. Malik congratulated all nominees and winners, reaffirming that their leadership and innovation continue to shape the future of Pakistan's financial sector.

Addressing the audience through a special video message, Ms. Nazafreen Saigol Lakhani CEO Dawn, welcomed the 10th consecutive Pakistan Banking Awards, describing the milestone as a reflection of the initiative's credibility and continuity since its launch by the three organizing partners in 2016. She said the shared objective of all partners has consistently been "to recognize excellence and to promote continuous development in Pakistan's banking sector."

Highlighting the growing stature of the awards, she noted that the platform has gained strength and recognition with each passing year, with a noticeable improvement in the quality of entries in 2025. "Those who have received awards this year have undoubtedly worked hard to deserve them," she remarked, adding that the awards are widely respected for combining professional recognition with "rigorous impartiality and wisdom." Emphasizing the significance of the initiative, Ms. Lakhani expressed the hope that the awards would continue to "honor and elevate the stature of their recipients", while inspiring banks to pursue innovation and adopt best practices in a rapidly evolving financial environment.

Commending the organizers and the Jury, she paid tribute to the panel led by Mr. Saleem Raza, former Governor of the State Bank of Pakistan. "Any award is only as good as the well-informed and impartial Jury that announces it," she said, acknowledging the Jury members for their consistency and the role their decisions have played in shaping banking practices over the years.

She also thanked the Governor of the State Bank of Pakistan, Mr. Jameel Ahmad, and acknowledged the contributions of his predecessors, stating that SBP leadership has "worked tirelessly to lay the institutional foundations for a more dynamic, responsible and ultimately better banking industry."

Sharing her assessment of the economy and the banking sector, Ms. Lakhani observed that despite a phase of declining interest rates, banks have continued to post strong profitability, reflected in improved stock market valuations. She noted that inflation remains under control, reserves have strengthened, and external pressures, particularly energy and commodity prices, have eased.

While drawing attention to ongoing challenges such as subdued private-sector credit growth and limited economic expansion, she struck a measured note of optimism, pointing out that fiscal and monetary management under the IMF program remains disciplined and stable. She indicated that improving macroeconomic indicators, lower inflation, and a narrowing fiscal deficit provide "a more predictable and resilient operating environment for the banking sector," creating space for innovation, efficiency gains and longer-term growth as economic momentum gradually rebuilds.

Concluding her remarks, Ms. Lakhani described the awards as a benchmark for excellence and thanked participating banks for their enthusiasm and the high quality of their submissions, underscoring the collaborative spirit that continues to define the industry.

She extended her congratulations to the three organizing partners, the Chairperson and members of the Jury, on the awards' 10th anniversary. Commending the organizing partners, she acknowledged Ms. Khawlah Usman, Mr. Faraz Anwar, Ms. Sabeen Ghani, and their teams for their tireless work in maintaining and enhancing the high standards set by the awards' founders.

Syed Saleem Raza, Chairperson of the Jury, Former Governor SBP, began his address by highlighting the importance of governance, innovation, and sectoral integrity in shaping a resilient financial future. He noted that banks had achieved an outstanding performance in 2024, generating nearly PKR 600 billion, equivalent to about 37% of total earnings on the Karachi Stock Exchange, and continuing this strong trend into the first half of 2025. Highlighting the resilience of the sector, he remarked that such performance is particularly noteworthy given the constraints of the IMF program and stabilization measures, commending the judicious management by monetary and fiscal authorities. He cited key macroeconomic indicators, including inflation between 5–7%, a stable foreign

exchange rate, and growing State Bank reserves approaching \$20 billion, as evidence of a well-managed system.

Speaking on the challenges and opportunities for banking, Mr. Raza drew attention to low private-sector credit, currently at just 11.4% of GDP, far below emerging-market peers, and emphasized that boosting private-sector lending is critical to achieving meaningful economic growth and higher investment. He noted, "In spite of their profitability, banks have largely conveyed gains to shareholders rather than to economic development," urging banks and the government to work together to redirect resources into productive sectors. He highlighted the importance of measures such as reducing government borrowing from banks, accelerating digitization, expanding corporate access to public markets, and strengthening development finance, particularly for SMEs and agriculture.

Commending the banking sector, Mr. Raza observed that banks are well-capitalized, well-managed, and resilient, with moderate to low NPLs, strong provisioning, and extensive adoption of digital banking, microfinance, and Islamic banking, which now represents 23% of the system, one of the fastest-growing globally. "Our banks are very well prepared to take up the challenge," he said, expressing confidence that, with coordinated government reforms and banking sector initiatives, a sustainable 5% recurring growth rate is achievable within the next few years.

The Chairperson of the Jury thanked the organizers for the opportunity and reaffirmed the importance of the awards in recognizing excellence, before setting the stage for the announcement of the 2025 winners.

Following the Awards distribution ceremony, the Governor SBP was presented with a shield as a token of gratitude on behalf of the three organizing partners of the Pakistan Banking Awards 2025. Shields were also presented by the Governor to the organizing teams. The ceremony was attended by senior executives and eminent professionals from Pakistan's Banking and Finance sector.

As the Pakistan Banking Awards enter their second decade, they do so with renewed momentum, guided by collaboration, transformation, and a shared commitment to building a dynamic and future-ready banking sector.

## PAKISTAN BANKING AWARDS 2025

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# GALLERY











# Rise as One: Beyond the Desk

An Employee's Experience of  
NIBAF Pakistan's Team Building Retreat

By: Dr. Rozina Muzammil, FCMA

In contemporary organizational environments, technical competence alone is insufficient to sustain employee engagement and institutional effectiveness. Human connection, emotional well-being, collaboration, and shared purpose increasingly shape workplace performance. This write-up presents an employee's reflective account of NIBAF Pakistan's Team Building Retreat, 'Rise as One: Beyond the Desk', held at Solace Beach Resort, Hawkesbay, Karachi on January 10, 2026. The retreat aimed to strengthen team cohesion, enhance communication, foster trust, and promote employee well-being through experiential learning. The narrative examines the retreat's objectives, facilitation approach, activities, leadership participation, and its impact on organizational culture. The findings suggest that structured team-building initiatives serve as strategic investments in human capital by improving morale, collaboration, and workplace relationships.

## Introduction

Modern organizations are recognizing that sustainable performance extends beyond technical expertise. Interpersonal relationships, emotional intelligence, and collaborative cultures are essential for employee motivation and institutional success. In alignment with this perspective, NIBAF Pakistan organized a team-building retreat titled 'Rise as One: Beyond the Desk', designed to rejuvenate employees and strengthen workplace relationships in a relaxed, non-formal setting.

## Rationale for the Retreat

Routine professional environments are often dominated by deadlines, operational pressures, and structured workflows. While necessary for efficiency, such settings may limit creativity, interpersonal engagement, and emotional connection. Over time, this can contribute to fatigue, reduced morale, and departmental silos.

The retreat sought to address these challenges by creating a space beyond routine roles and hierarchical structures, encouraging interaction, reflection, and collective learning. The concept of 'beyond the desk' symbolized a shift toward human-centered development and renewed organizational engagement.

## Venue and Learning Environment

The retreat was hosted at Solace Beach Resort, Hawkesbay, whose natural surroundings provided a calm and open atmosphere conducive to relaxation and interaction. The coastal setting helped dissolve formal workplace boundaries and encouraged open communication.

The Learning Delivery Department at NIBAF Pakistan ensured smooth coordination and hospitality, contributing to a stress-free and engaging experience. The environment supported both structured activities and informal bonding among participants.

## Objectives of the Program

The retreat was designed around five key objectives:

- Strengthening team cohesion
- Enhancing open communication
- Building trust and mutual respect
- Revitalizing motivation and positivity
- Promoting work-life balance and well-being

Rather than relying on traditional lectures, the program emphasized experiential learning through participation, reflection, and collaboration.

## Facilitation Approach

The retreat was facilitated by Mr. Tanzeel Raza, a corporate trainer specializing in leadership development and team dynamics. His interactive and inclusive facilitation style encouraged active engagement and dialogue.

By linking workplace concepts such as collaboration,

trust, and motivation to practical activities, the facilitator created an environment where learning occurred naturally. Participants felt comfortable, valued, and fully involved regardless of designation or department.

## Experiential Learning Activities

A series of interactive exercises simulated workplace dynamics including problem-solving, leadership, coordination, and communication. Each activity, while light-hearted, carried underlying lessons related to teamwork and collective responsibility.

Participants depended on one another to complete tasks, demonstrating the importance of trust, shared goals, and collaboration. These experiences mirrored everyday organizational interactions in a relaxed and non-threatening setting, enabling learning through reflection and participation.

## Leadership Engagement

A significant strength of the retreat was the active participation of departmental heads and senior officers. Their involvement reinforced a culture of inclusivity and shared learning.

By collaborating alongside employees, leadership demonstrated approachability and mutual respect, strengthening trust and reinforcing NIBAF's Pakistan commitment to teamwork and organizational unity.

## Emotional and Cultural Impact

Initial hesitation among some participants quickly transformed into enthusiasm and engagement as the program progressed. Open communication increased, and interactions developed among colleagues who rarely collaborated during routine work.

The concluding reflection session highlighted widespread appreciation for the initiative, facilitation quality, and program design. Participants reported renewed motivation, stronger interpersonal connections, and improved morale.

## Informal Bonding and Well-being

Beyond structured learning, leisure activities such as beach walks, boat rides, and casual conversations allowed participants to connect on a personal level. These casual interactions strengthened relationships and built a sense of teamwork. Such moments humanized professional relationships and contributed significantly to team cohesion.

## Organizational Outcomes

Following the retreat, noticeable improvements were observed in:

- Workplace communication
- Interdepartmental collaboration
- Employee morale and positivity
- Informal knowledge sharing

The retreat reinforced the understanding that strong organizational performance is rooted in trust, empathy, and shared purpose.

**Strategic Value of the Initiative**

From an institutional perspective, the retreat represented a strategic investment in human capital by enhancing:

- Employee engagement
- Organizational culture
- Emotional well-being
- Team collaboration
- Long-term productivity

Such initiatives contribute to employee retention, reduced burnout, and sustainable organizational effectiveness.

**Personal Learning Reflections**

Key insights gained from the retreat included:

1. Trust and communication are fundamental to team success.
2. Informal interaction strengthens professional collaboration.
3. Leadership involvement fosters unity and morale.
4. Employee well-being directly influences performance.
5. Experiential learning enhances engagement and retention.

These lessons emphasized that professional growth extends beyond technical skills to emotional intelligence and collective responsibility.

**Future Implications**

Building on this success, regular team-building initiatives with structured reflection components can further strengthen organizational culture and employee engagement. Continuous improvement in activity design can enhance learning impact and sustainability.

**Conclusion**

The ‘Rise as One: Beyond the Desk’ Team Building Retreat demonstrated NIBAF Pakistan’s commitment to fostering a people-centered organizational culture. By integrating experiential learning, leadership participation, and opportunities for relaxation, the retreat strengthened professional relationships and emotional connections among employees.

Such initiatives extend beyond momentary engagement, contributing to resilient teams, positive workplace environments, and long-term institutional success. The retreat reaffirmed that when individuals grow together with trust and shared purpose, organizational excellence naturally follows.

# A Team Retreat



# Gallery





## NIBAF Pakistan Conducts Inclusive Banking Training For Bankers With Disabilities

NIBAF Pakistan, in collaboration with ConnectHear, successfully conducted the Banking Overview for Bankers with Disabilities training program, reaffirming its strong commitment to inclusion, empowerment, and human capital development within Pakistan's financial sector.

The six-day program spread across two weeks, starting from January 27, 2026, was carefully structured to strengthen both technical knowledge and professional capabilities of participating bankers. The training modules covered key areas including fundamentals of banking operations, regulatory awareness, AML/CFT compliance, account opening procedures, cheque handling, currency management, Islamic banking, professional communication, and the effective use of workplace technologies and accessibility tools.

The sessions were imparted by experienced trainers who adopted inclusive and interactive teaching methodologies. Feedback received from trainers was highly encouraging, noting the strong engagement, enthusiasm, and professionalism demonstrated by the participants throughout the program.

Interpreters from ConnectHear played an instrumental role in ensuring smooth and effective communication during all sessions. Their professionalism and dedication significantly enhanced the overall learning experience and facilitated meaningful interaction between trainers and participants.

Participants also expressed strong satisfaction with the program's content, delivery, and supportive learning environment. Their active involvement and positive feedback underscored the success and impact of the initiative.

At the closing ceremony, speakers from both NIBAF Pakistan and ConnectHear appreciated the collaborative effort and termed the program an important milestone toward advancing financial inclusion and equal opportunity in the banking sector.

Encouraged by the positive response and successful outcomes, NIBAF Pakistan has expressed its commitment to organizing similar inclusive training programs in the future, further contributing to the development of a skilled, confident, and future-ready banking workforce.



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# PAKISTAN'S EXPORTS: Stuck in a Low-Value Rut in a High-Value World?

*Enhancing Competitiveness through Sustainable Value Chains*

By: Dr. Muhammad Shujaat Mubarik



For a country blessed with a youthful population, an enviable geo-strategic location, and a long history of entrepreneurial talent, Pakistan's export story has remained stubbornly underwhelming. The numbers tell a sobering tale. Exports as a share of GDP have declined over the decades, and the export basket is still dominated by low value-added, resource-based products rather than high value, branded offerings that command premium prices in global markets. This gap becomes evident when examining supermarket aisles and high-street fashion stores across Europe, where shelves are filled with high-quality garments, home textiles, and lifestyle products from Türkiye, Bangladesh, Vietnam and, in some segments, India and the Philippines. These countries were once Pakistan's peers; today, they are supplying the global market with well-designed, well-branded and increasingly sustainable products. Pakistani products, by contrast, are largely confined to basic textiles, unbranded items or anonymous 'made for private label' categories. In value terms, Pakistan is still exporting a lot of yarn, greige fabric and low-processed commodities, while others import similar inputs, add design, technology, compliance and branding, and then pocket the lion's share of the final price. This pattern is not just a missed opportunity; it is a warning light on the dashboard.

**T**he world Pakistan is exporting into is changing fast. On one side, labor, environmental and social standards are tightening. The European Union's Carbon Border Adjustment Mechanism (CBAM), for instance, is an early signal of where trade policy is heading. CBAM requires importers to pay a carbon price on selected goods based on the emissions embedded in their production, aiming to ensure that imports bear a similar carbon cost to producers inside the EU. While CBAM currently covers energy-intensive sectors such as steel, cement, fertilizers, aluminium, electricity and hydrogen, it will, over time, shape expectations across value chains. Buyers will demand accurate emissions data, cleaner processes and auditable sustainability credentials from their suppliers. For exporters operating on thin margins and outdated technology, this is not just another compliance tick-box; it is a potential make-or-break factor in market access.

On the other side, hyper-competitive producers are squeezing prices. China, with its massive scale, integrated industrial ecosystems and aggressive cost structures, is flooding markets with similar products at prices many Pakistani firms simply cannot match. Even when Pakistan is present in the same product categories, unit costs (driven by expensive and volatile energy, high logistics costs, and a complex tax and regulatory regime) erode any competitiveness that might have been built through experience or relationships. Recent analyses by multilateral institutions and local think-tanks converge on similar themes. High tariffs on inputs, costly and unreliable energy, inefficient logistics and cumbersome regulations combine to make Pakistan's exports underperform by tens of billions of dollars relative to their potential. Add to this the domestic headwinds. Exporters face electricity and gas tariffs that remain significantly higher than those in competing countries such as Bangladesh and Vietnam, frequent changes in energy policy, and occasional shortages that disrupt production schedules. Logistics bottlenecks, from congested ports to under-equipped dry ports and patchy warehousing, inflate lead times and

undermine the reliability that modern buyers demand. The tax system often feels like a maze, where refunds are delayed and compliance disproportionately burdens smaller firms, while smuggled and under-invoiced imports nibble away at the domestic industry's already slim margins.

All this is happening against a backdrop of rapidly evolving consumer preferences in Pakistan's key markets: buyers increasingly want traceability, ethical sourcing, low-carbon footprints and digital integration, not just low prices. In short, Pakistan is attempting to run a 2025 export race with a 1995 competitiveness and approach. If exports remain focused on primarily low-value products from energy-inefficient factories, through fragmented and opaque value chains, into markets that are demanding sustainability and sophistication, Pakistan will continue to leave money on the table and may ultimately find itself locked out of the very markets it depends on. The question is no longer whether Pakistan can keep doing 'more of the same'; it is whether sustainable, innovative and ambidextrous value chains can be built fast enough to stay in the game.

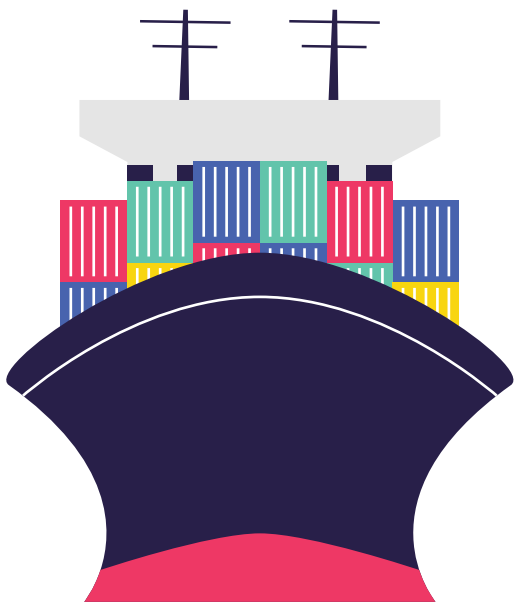
**“The question is no longer whether Pakistan can keep doing ‘more of the same’; it is whether sustainable, innovative and ambidextrous value chains can be built fast enough to stay in the game.”**

## Why Sustainable Value Chains Are No Longer Optional

If Pakistan is to break out of this low-value trap, tinkering at the margins will not do. It needs to rethink its export engine from 'cotton to customer' and, increasingly, from 'farm to fashion-tech' or 'field to functional textile'. That is where the idea of a sustainable and ambidextrous value chain comes in. A sustainable value chain is not just one that meets environmental and social standards to satisfy auditors. It is a chain that uses energy, water and raw materials efficiently, treats people fairly and transparently, and can demonstrate these qualities through reliable data. In a world of CBAM-type regulations, ESG-driven investors and climate-conscious consumers, sustainability is no longer a feel-good slogan; it is part of the cost of doing business and an increasingly important source of competitive advantage.

An ambidextrous value chain, meanwhile, is one that can do two things at once: exploit current strengths (cost efficiency, quality, reliability) and explore new possibilities (innovative products, new markets, digital business models). It combines routines and discipline with curiosity and experimentation. For Pakistan, this means value chains that can still deliver large volumes of core products on dependable timelines, while simultaneously moving up the ladder into higher value-added, branded and niche segments, including technical textiles, sustainable fashion, agro-based processing and digitally enabled services. For the financial sector, particularly banks and development finance institutions, this shift is not peripheral. Sustainable, ambidextrous value chains are better credit risks: they are more resilient to shocks, more likely to comply with emerging regulations and better positioned to secure long-term contracts with reputable buyers. In other words, moving value chains in this direction is not just an industrial policy agenda; it is central to building a resilient financial ecosystem that can support growth, stability and inclusion.

The following section outlines potential approaches for building a sustainable and ambidextrous value chain to enhance Pakistan's export competitiveness.



**Green credit lines, concessional finance for energy efficiency, sustainability-linked loans (where interest rates are tied to achieving agreed environmental targets) and guarantees for climate-related upgrades can unlock private capital at scale.**

### Strategy Levers

If it may be accepted that 'more of the same' is not an option, the natural question is: what should Pakistan actually do? Below are five strategic levers, among many, that, if pursued coherently, can help transform our value chains from low-value, high-risk structures into sustainable and competitive engines of export growth.

#### Lever 1: Move from commodities to branded, sustainable products

The first lever is the most obvious and yet the most difficult. Pakistan must climb the value ladder. For decades, Pakistan's export story in textiles has revolved around cotton, yarn, grey cloth and basic made ups. These are important, but they capture only a fraction of the value in the final product. The bulk of the margin sits in design, branding, retail, and increasingly in sustainability attributes (organic certifications, traceable cotton, low-impact dyes, circularity and waste reduction). To change this, a coordinated push is required from firms, industry associations and the financial sector. Exporters must invest in design capabilities, product development and marketing, moving from being 'anonymous suppliers' to recognizable brands or at least strategic partners to global brands. This could mean Pakistani firms co-creating capsule collections with international retailers, developing specialty home textiles with unique Pakistani aesthetics, or branching into technical textiles for healthcare, automotive and construction. Banks and DFIs can support this shift by structuring patient capital instruments (for example longer-tenure investment loans, revenue-linked finance or blended finance products) that recognize branding and design as real assets, not 'soft' costs to be squeezed. Risk-sharing facilities, possibly supported by multilateral partners, can help de-risk innovation projects for smaller firms. At the policy level, export incentives should privilege higher value-added, branded and certified sustainable products, rather than rewarding volume alone. Continuing to export primarily raw cotton while other countries focus on fashion, results in Pakistan doing the hard work while others reap the rewards.

## Level 2: Go Green and digitize the backbone: Energy, processes and data

The second lever is to tackle the foundations: energy use, process efficiency and data. As international rules like CBAM advance, buyers will increasingly ask not just “What is your price?” but “What is the carbon footprint of this product, and can you prove it?” That requires factories and farms to know their emissions, improve them over time and report them credibly. Pakistan’s exporters need to invest in cleaner, more efficient technologies, from energy-efficient machinery and waste-heat recovery to rooftop solar and modern effluent treatment plants. In many cases, payback periods are attractive, but high upfront costs and policy uncertainty deter investment. Here again, the financial sector can be a game-changer. Green credit lines, concessional finance for energy efficiency, sustainability-linked loans (where interest rates are tied to achieving agreed environmental targets) and guarantees for climate-related upgrades can unlock private capital at scale. Development partners can blend grants or low-cost funds with commercial capital to make these packages viable, especially for SMEs.

Digitization is the other half of this lever. Without digital systems, it is almost impossible to track inputs, processes and outputs in a way that satisfies global buyers. Exporters, especially in textiles, leather and agro-processing, should be encouraged, and supported, to adopt and go beyond the ERP systems. Developments like digital production monitoring, and traceability platforms that track products from farm to factory to port are some examples which can be adopted. For banks, this data is gold: it can reduce information asymmetries, improve credit assessments and enable new products like supply chain finance where invoices, shipments and payments are digitally linked. In a sense, ‘green’ and ‘digital’ are two sides of the same coin: you cannot manage what you do not measure.

## Level 3: Build export-oriented clusters and logistics corridors

Value chains do not operate in a vacuum; they live in places. Successful exporting countries have understood this and built clusters (geographic concentrations of interconnected firms, suppliers, service providers and institutions) that share infrastructure, knowledge and talent. Pakistan has the beginnings of such clusters in Sialkot (sports goods), Faisalabad (textiles) and parts of Karachi, however, their potential remains under-leveraged. An intentional cluster strategy would focus on a few promising locations and sectors and then crowd in investment in shared infrastructure: modern dry ports, efficient warehousing, cold chains for agro-exports, testing and certification labs, design studios, and plug-and-play facilities for SMEs. Logistics corridors that connect these clusters reliably to ports, with streamlined customs procedures and integrated digital platforms, can dramatically reduce lead times and uncertainty, two factors global buyers care about as much as price. Financial institutions can support clusters by designing area-based financing programmes, where multiple firms in a cluster can access coordinated credit lines for upgrading technology, meeting sustainability standards or adopting digital tools. Public-private partnerships can be used to develop common infrastructure, with user charges structured to ensure long-term viability. Importantly, cluster governance matters: industry, local government, banks and training providers should have formal platforms to coordinate strategy, identify bottlenecks and monitor progress. A well-run cluster can turn what is now a patchwork of isolated firms into a genuine ecosystem.

## Level 4: Invest in human and intellectual capital across the chain

Machines, money and markets matter, but they do not run by themselves. Behind every successful exporting country is a critical mass of skilled workers, capable



managers and forward-looking entrepreneurs. Pakistan has no shortage of talent, but too much of it is either under-utilized or not equipped with the specific skills today's value chains demand: sustainable production, digital literacy, supply chain analytics, branding, design and international compliance. We need a decisive pivot towards human capital for sustainable exports. That means industry-driven training programmes in partnership with institutes like NIBAF Pakistan, universities and sector skills councils. It means mid-career executive education for managers on sustainable finance, ESG risk management, digital supply chains and export strategy. It also means investing in the 'softer' but critical capabilities that underpin what scholars call intellectual capital: the knowledge, relationships and organizational routines that allow firms to innovate and adapt over time.

Banks and DFIs can support this in two ways. First, by integrating ESG and digital-readiness assessments into their credit processes and then offering advisory or training support to help clients close identified gaps. Second, by financing training and capability-building as legitimate investment, not treating it as a dispensable expense when times are tough. In the long run, the countries that win the export race will be those whose people can continuously learn, unlearn and relearn as technologies, regulations and markets shift. We cannot afford to send our firms into a Formula One race with drivers who have only practiced on village roads.

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#### **Lever 5: Align trade, industrial and financial policies with a clear export vision**

Finally, even the best firm-level initiatives will hit a ceiling if the wider policy environment pulls in the opposite direction. A serious export transformation agenda requires that trade, industrial and financial policies sing from the same hymn sheet. Trade policy should prioritize openness to quality inputs, streamlined tariffs and deep trade agreements that lock in access to key markets. Industrial policy should incentivize upgrading,

innovation and sustainability, not just capacity expansion in the same low-value segments. Financial policy, including credit allocation, prudential norms and development finance, should reward long-term investments in green technology, digital infrastructure and high value-added exports. For Pakistan, that implies continuing reforms to simplify the tariff structure, reduce anti-export bias, and address the high cost of energy and logistics that currently undercut competitiveness. It also means strengthening institutions that support exporters: trade promotion organizations, quality and standards bodies, port and customs authorities, and dispute-resolution mechanisms. The financial sector, guided by the State Bank and supported by capacity-building institutions like NIBAF Pakistan, can embed sustainable finance principles into mainstream banking so that 'green and competitive' becomes the default, not the exception. Policy coherence is not glamorous work; it involves patient coordination, careful sequencing and a willingness to resist short-term fixes that undermine long-term goals. But without it, firms are left trying to swim upstream against a policy current that is pushing them the other way.

#### **Conclusion**

Pakistan stands at a fork in the road. One path is familiar: continue exporting mainly low value-added products from energy-inefficient factories, through fragmented and opaque value chains, hoping that periodic devaluations and ad-hoc incentives will keep us afloat. That path may offer occasional bursts of relief, but it leads, ultimately, to stagnation – and, in a world of tightening environmental and labor standards, possibly to marginalization. The other path is harder but far more promising: deliberately building sustainable, ambidextrous value chains that can compete not only on price, but on quality, reliability, traceability and innovation. That means moving from yarn to fashion, from raw citrus to branded nutraceuticals, from anonymous inputs to recognized products with a story. It means factories that measure and manage their emissions, value chains that are digitally visible from farm to port, and financial institutions that understand sustainability not as a compliance box but as a source of resilience and opportunity. The choice is not just about export numbers. It is about the kind of economy and society we want to build. A Pakistan that remains stuck in low-value, high-risk exports will struggle to create enough decent jobs, to pay for essential imports, or to provide the fiscal space needed for social protection and climate adaptation. A Pakistan that invests in sustainable, innovative value chains, by contrast, can create better jobs, attract patient capital, and build a more shock-resilient financial system. The window to make this shift is narrowing. As CBAM-type measures spread, as consumers become more demanding and competitors continue to climb the value ladder, the cost of delay grows. The good news is that Pakistan is not starting from zero base: it already has pockets of excellence in exports, a dynamic diaspora, and a financial sector increasingly alive to sustainability. The task now is to connect these dots and move from isolated success stories to a national strategy. In a world where standing still is the same as falling behind, the imperative is to move smartly, sustainably and together.



This perspective is succinctly expressed in the following verse by Allama Iqbal:

جو عالم ایجاد میں ہے صاحبِ ایجاد  
ہر دور میں کرتا ہے طوافِ اس کا زمانہ

*Jo Alam-e-Ijad Mein Hai Sahib-e-Ijad  
Har Dour Mein Karta Hai Tawaaf Iss Ka Zamana*

He who creates in this world of Becoming,  
Time revolves around him in all ages. ■

*Note: The views expressed in this article are based on the author's analysis, informed by existing literature, reports, and media sources. Some arguments may differ from the perspectives of individual readers. The intention is not to claim final answers, but to stimulate constructive debate on how best to uplift Pakistan's export competitiveness.*

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# FROM CASH TO DIGITAL

## Growing Role of EMIs in Pakistan

For decades, Pakistan has been known as a heavily cash-driven economy. Informal transactions dominate social activities, and traditional banking networks have struggled to reach the masses. Yet, over the past few years, Pakistan is in a process of historic transition. Digital payments, once a distant possibility, are rapidly becoming part of everyday financial behavior. This shift is largely captured by Electronic Money Institutions (EMIs), a new generation of fintech players that are redefining how people pay, save, and transact in their daily life.

This transformation reflects something deeper than just technological evolution. A shift of trust from stamped bill payments after long queues at the bank, to instant payment through mobile application represents a structural shift in how Pakistan's economy operates, how money flows, and how people access financial services. EMIs are now central to this momentum, acting as agile innovators in a market hungry for convenience, accessibility, and transparency.

## The Accelerating Shift Away from Cash

Cash has long held a powerful grip on Pakistan's economic culture. Limited branch networks, low trust in formal institutions, slow legacy systems, and documentation barriers kept millions outside the financial system. Even today, cash-on-delivery remains a significant part of e-commerce, and many small businesses operate without digital records. The denial phase of small merchants to adopt QRs and POS as a payment mode is also challenging till now.

But the environment is changing rapidly. Smartphone penetration has crossed major milestones since the past decade, mobile internet is expanding, and consumer expectations are shifting to instant results. Gen Z impatience accelerates quicker and faster solutions. Government-led initiatives like RAAST, NADRA's digital identity infrastructure, and SBP's EMI regulatory framework have opened the door for a wave of digital-first services that were previously impractical.

EMIs stepped into this opening with leaner operating models and a willingness to challenge the old way of performing financial transactions. Without the burden of branches, heavy infrastructure, or legacy technology, they could focus all their effort on user experience, digital onboarding, and rapid innovation. As a result, millions of Pakistanis have used an EMI service at least once, whether for bill payments, wallet transfers, merchant payments, savings pockets, or online shopping. The introduction of new style debits cards, innovative Mobile Applications, QR payment modes at fingertips, cash out from ATM at the mere use of biometric verification pushes even big banks to change their old school methods of transactions.

### How EMIs Are Reshaping Pakistan's Payment Landscape

Looking back to 2019, the concept of Electronic Money Institutions (EMIs) in Pakistan was still in its infancy. EMIs existed more as an idea than a functioning reality, introduced mainly to explore how instant digital payments could work in a market dominated by cash. There was little clarity on how these models would take shape locally or whether the ecosystem was even ready for such a shift. At the time, moving away from cash felt ambitious, yet it opened the door to opportunities that were long overdue: faster transactions, reduced dependence on physical branches, and the promise of convenient, hassle-free payments for everyday users.

**“What started as a small wave of innovation in 2019 quickly grew into a nationwide push toward digital banking, reshaping how millions of Pakistanis interact with money.”**

The first entrants into the EMI landscape were either entirely new players in the financial sector or professionals with banking backgrounds who were now navigating a volatile and uncertain market. Despite these challenges, they brought fresh thinking and bold ideas. Many of these concepts, once considered experimental, proved to be transformative. They did not just succeed; they changed expectations across society. Within a few years, the ripple effect reached even the most established financial institutions. Traditional banks, seeing the rapid adoption of fintech solutions, began redesigning their mobile applications, adding modern features, faster payment options, and more intuitive interfaces. What started as a small wave of innovation in 2019 quickly grew into a nationwide push toward digital banking, reshaping how millions of Pakistanis interact with money. Some of the key features of reshaping payment landscape are as follows:

### Low-Cost, High-Convenience Financial Access

EMIs designed their entire operating model with one core principle in mind: accessibility for everyone. Instead of filling out long forms, traveling to city branches, or standing in queues, a new customer only needs his computerized national identity card (CNIC), biometric verification and a mobile phone to open a digital wallet, virtually. With digital KYC, onboarding takes just a few minutes. No paperwork, no signatures, no physical verification. The entire process is as simple as downloading an app and following a few guided steps.

This level of seamless access has been nothing short of transformative, especially for rural and semi-urban communities where traditional banks cannot sustain physical branches or staff. For millions who once saw formal banking as distant or intimidating, EMIs removed the barriers completely. The impact is visible across the country. Wallet accounts have surged, digital payments have multiplied, and people who had never walked into a bank now send and receive money, pay utility bills, top up their phones, settle merchant payments, and safely store funds—right from their mobile devices (e-wallets/ digital wallets).

### New Consumer Expectations

Digital wallets introduced something that most Pakistanis had never experienced in financial services and was lacking: true ease. For decades, people were used to slow transfers, long queues at branches, and systems that felt outdated. When EMIs entered the market, they changed this experience almost overnight. Real-time transactions, simple and improved App layouts, instant QR payments, and low or predictable service charges gave people a level of convenience that traditional banks had never managed to deliver. Users quickly grew accustomed to the idea that money should move instantly, that payments should be only a tap away, and that customer support should be available within the app. These new expectations have placed healthy pressure on the entire financial sector. Even long-established banks have been forced to rethink their digital strategies, redesign their mobile apps, and create more user-friendly services to stay relevant. The standard has shifted, and consumers now expect digital finance that is fast, accessible, and intuitive.

**“ Even long-established banks have been forced to rethink their digital strategies, redesign their mobile apps, and create more user-friendly services to stay relevant. ”**

### Merchant Digitization

The rise of EMIs has had a deep impact on small and medium-sized merchants across Pakistan. Many shopkeepers who previously operated purely in cash now accept QR payments or wallet transfers, allowing them to serve a wider range of customers. This change removes multiple risks associated with physical cash, such as theft, miscounting, and record-keeping challenges. It also helps merchants maintain a clearer picture of their sales, which can play a major role in accessing credit, especially from banks and microfinance institutions that rely on documented business activity.

Merchant digitization has slowly begun to transform local marketplaces, from street stalls and home businesses to larger retail outlets. EMIs play a key role in this shift by helping merchants onboard digitally without complicated paperwork or expensive equipment. For many business owners, this is their first step into the formal financial system, and it opens new doors for growth. The change in onboarding through SBPs Consolidated Onboarding Framework and SBP's Circular on Facilitation of Merchants payments enables the new dimensions to the instant payment landscape.

### Enabling Financial Responsibility and Savings

Many EMIs have introduced features that encourage users to develop stronger financial habits. Digital wallets now offer budgeting tools, spending breakdowns, small saving pockets, automated reminders, and reward systems that make managing money more engaging and less intimidating. These features may appear simple, but they help users gain better control over their daily finances, something that was often difficult in a cash-based environment.

Many young Pakistanis have grown up without access to banks, financial guidance, or even a basic understanding of how to manage money. For these individuals, the small digital ease built into EMI wallets plays a surprisingly powerful role. Features like alerts, spending summaries, and nonconventional quick-save options act as gentle reminders that help people stay aware of their financial habits. These tools make responsible spending easier, showing users where their money goes and helping them decide where to cut back.

Even saving becomes less intimidating. When an app encourages a user to set aside just a small

amount every few days, it gradually forms a habit. Over months, these tiny contributions add up, teaching people the value of consistent saving without requiring large sacrifices. Over time, this steady shift in behavior strengthens financial discipline at the household level. When multiplied across millions of users, it builds resilience on a national scale, contributing to a population that is better prepared for emergencies, opportunities, and long-term planning.

### Driving Financial Inclusion at Scale

Pakistan has struggled with financial inclusion for decades, and the gap remains wide. A large portion of the adult population still has no access to bank accounts, savings products, or formal credit. The barriers are even higher for women and rural communities, where distance, social constraints, and limited financial literacy keep people locked out of the formal system. EMIs offer a way to break through these long-standing challenges because their operating model does not depend on branches or traditional banking infrastructure. Instead of waiting for customers to come to them, EMIs reach people where they already are on their mobile phones. This shift from physical access to digital access allows financial services to extend far beyond cities and into remote areas, opening the door to millions who were previously excluded.

**“ Digital onboarding brings dignity and convenience to the process, placing financial access within reach of individuals who were excluded not because of their ability, but because the system was never designed with them in mind. ”**

### Digital Onboarding for the Underbanked

One of the most meaningful breakthroughs for inclusion has been digital onboarding. What once required multiple visits to a bank branch, long forms, photocopies, and minimum balances can now be completed in minutes through a smartphone. Using biometric verification, NADRA backed identity checks, and digital document uploads, EMIs verify customers using their national identity credentials with remarkable ease. For people who live far from a branch or cannot afford the time and cost of travel, this change is transformational. It removes the fear and frustration typically associated

with opening an account. Digital onboarding brings dignity and convenience to the process, placing financial access within reach of individuals who were excluded not because of their ability, but because the system was never designed with them in mind. Another ease EMI or Digital banks provide is the 24/7 sign-up enablement where any prospective customer can apply for wallet/ digital account at their ease of time.

**Alternative Credit and Microfinance Links**

As people begin to transact through digital wallets, a new world of opportunity opens. Every mobile top-up, bill payment, transfer, and purchase creates useful data. These small pieces of information, when combined, paint a picture of a person’s financial behavior. EMIs use this data to build alternative credit scoring models that do not rely on collateral, bank history, or traditional paperwork. This allows them to identify responsible users who might never qualify for a bank loan but clearly demonstrate financial friendly habits, consistently.

With these insights, EMIs can extend micro-loans, offer Buy Now Pay Later solutions, or provide flexible financing options to individuals and small businesses that banks have ignored for years. A shopkeeper who pays utility bills on time, a student who manages small savings, or a home-based worker who receives regular payments can now be considered creditworthy. This unlocks new pathways for income generation, small business expansion, and financial security. Over time, these credit opportunities strengthen the economic fabric of entire communities, supporting entrepreneurship and offering a fair chance to millions who were previously invisible to the formal financial system.

**EMIs and Economic Growth: A New Development Path**

The rise of Electronic Money Institutions marks a turning point in Pakistan’s economic direction. As more financial transactions shift from cash to digital channels, the entire ecosystem becomes more transparent, traceable, and manageable with another opportunity of Cryptocurrency enabled around the corners for Pakistanis. Every digital payment leaves an electronic footprint, helping policymakers and regulators understand how money moves through the economy. This clarity strengthens documentation, supports more reliable tax collection, curbs leakages, and reduces space for corruption. It also helps the government design targeted welfare programs by enabling direct, accurate, and efficient disbursements.

Digital payments also bring operational efficiency. Businesses spend less time handling physical cash, face fewer theft risks, and benefit from faster settlement cycles. Consumers enjoy seamless transfers and instant bill payments. These efficiencies ripple across the economy, accelerating the velocity of money and boosting productivity. As EMIs continue to expand, their presence becomes closely tied to Pakistan’s broader economic ambitions, supporting goals related to financial inclusion, transparency, and sustainable development.



**Reducing Cash Printing and Handling Costs**

As Pakistan’s economy grows, the burden of managing physical cash has become increasingly heavy for both the central bank and commercial banks. The shift to digital payments via EMIs and fintech can significantly alleviate these costs, offering potential savings on multiple fronts, from print-to-distribution to cash-handling overheads.

**“The shift to digital payments via EMIs and fintech can significantly alleviate costs, offering potential savings on multiple fronts, from print-to-distribution to cash-handling overheads”**

**The Hidden Costs of a Cash-Based System**

Each year, SBP spends large sums to maintain the supply of physical currency. In FY 2024, for example, SBP’s currency-printing cost reached Rs 31.3 billion. That covers printing banknotes in all denominations from small change to high-value notes and includes the cost of special security paper, inks, and other security features.

But printing is just the start. Once notes are issued, there are additional costs, transporting cash securely to banks, distributing to branches, replenishing ATMs, managing storage vaults, and replacing worn or damaged notes. An estimate published in 2025 places the total direct cost of maintaining the cash economy printing, handling, logistics at around Rs 76 billion annually.

On the banks’ side, statements from leading commercial banks suggest that cash-handling and transportation alone amount to roughly Rs 23 billion

annually when extrapolated across the banking sector. In addition, ATM operations including replenishment, maintenance, security add significantly to the overhead. One report estimates that with over 18,700 ATMs nationwide, ATM-related cash disbursement and maintenance equate to an annual expense of about Rs 22 billion.

Taken together, these numbers highlight a substantial recurring burden: billions of rupees every year are devoted to printing, distributing, storing, and managing physical currency.

**How Digital Payments and EMIs Can Lower these Costs**

When people shift transactional activity from cash to digital wallets, each of these cost centers is impacted often drastically reduced or eliminated entirely:

- **Printing costs vanish for digital transactions.** As e-wallets and digital transfers replace cash withdrawals and physical notes, SBP’s need to print new notes shrinks. Fewer notes printed means lower expenditure on security paper, inks, printing labor, and logistics. Over time, this could reduce SBP’s currency-printing bill by tens of billions of rupees every year.
- **Distribution and transportation overheads decline.** Digital transfers bypass the need to move physical cash around the country. There’s no need for secure transport vans, armored convoys, or branch-level cash logistics. The operational costs on commercial banks for transportation, cash vaults, and armored security drop sharply.
- **ATM maintenance and management burden eases.** In a more digital-first environment, demand on ATMs decreases fewer withdrawals, fewer cash replenishments. This reduces the need for frequent remittances of cash to ATMs, cutting down costs related to refilling machines, security, maintenance, and disposal of worn notes.
- **Cash-handling risk and inefficiency are reduced.** Physical cash brings risk of theft, loss, miscounting, damage, and forgery. Handling cash also involves manual counting, verification, and reconciliation tasks that incur labor and time costs. Digital payments reduce these risks and costs, streamlining transaction flows and reducing error or fraud potential.

- **Faster transaction processing and reduced idle cash.** Digital transactions move instantly. Money doesn’t sit idle in vaults or change hands multiple times before reaching the beneficiary. This improves cash flow efficiency, reduces working-capital needs, and eliminates the hidden economic drag of circulating physical cash.

**Digital Payments Lead to a Documented, Transparent Economy**

When cash usage declines and digital payments rise, broader societal benefits follow. Digital transaction trails create documentation essential for transparency, auditing, and regulatory oversight. This makes it easier for authorities to monitor money flows, reduce illicit cash usage, track economic activity, and widen the tax base.

For SBP and government agencies, a documented economy means less wastage, fewer leakages, and better-targeted financial programs. Subsidies, welfare disbursements, and social transfers can be routed digitally; making them faster, safer, and with minimal overhead. Over time, public expenditure becomes more efficient and yields higher social return.

**Strategic Advantage for EMIs and the Financial System**

For EMIs and Fintechs, the cost-savings generated by reducing reliance on cash are not just societal benefits they are business advantages. Lower systemic costs lead to cheaper transaction fees, better margins, and more room for product innovation. As consumers and merchants see the value, adoption increases, accelerating a virtuous cycle: more users lead to fewer notes to lower costs, which leads more digital adoption.

In a country like Pakistan, with over 240 million people and high mobile penetration, this shift represents a structural opportunity, not just to modernize payments, but to reshape the entire financial infrastructure. The savings generated from printing and handling cash could be redirected to technology, financial inclusion programs, and fintech-based innovations that accelerate growth in a more transparent, efficient, and inclusive economy.



**“ In a country like Pakistan, with over 240 million people and high mobile penetration, this shift represents a structural opportunity, not just to modernize payments, but to reshape the entire financial infrastructure.”**

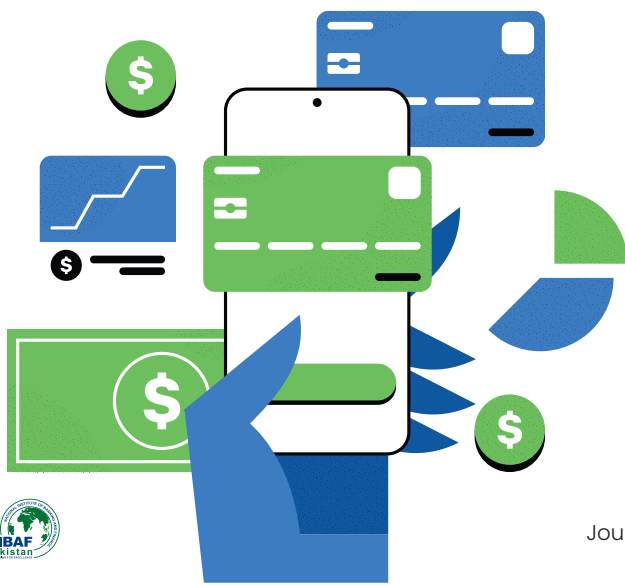
### Lean Investment and Rapid Scaling

Conventional banking models depend heavily on physical infrastructure—branches, ATMs, cash centers, large staffing needs, and expensive technology frameworks. This makes expansion slow, costly, and often unfeasible in sparsely populated or underserved regions. EMIs, however, operate with a digital-first mindset. Their foundations lie in mobile platforms, cloud solutions, and agile software systems. This allows them to reach customers without setting foot in any particular location. With high mobile penetration and growing internet access across Pakistan, EMIs can scale with remarkable speed.

This lean operational model reduces overheads and allows EMIs to innovate more quickly. They can introduce new features, update platforms, and address user needs in real time without the limitations of physical infrastructure. This flexibility is crucial in a country as diverse as Pakistan, where financial behaviors differ widely across cities, towns, and rural communities. By relying on digital distribution rather than geography, EMIs can reach millions at a fraction of traditional banking costs.

### A Market of Over 240 million People: Pakistan’s Digital Advantage

In traditional economic planning, Pakistan’s large population has often been framed as a challenge. In the digital payments arena, however, it becomes a strategic advantage. A population of over 240 million means high transaction density, more user interactions, richer datasets, and greater potential for rapid adoption, and most importantly, a high rate of competition. Digital ecosystems thrive when more people participate, and Pakistan’s size allows EMIs to scale both quickly and sustainably.



This demographic advantage is strengthened by a regulatory environment that supports controlled innovation. The State Bank of Pakistan’s EMI framework gives new fintech players room to test ideas through sandbox, experiment with models, and introduce consumer-friendly products under a structured licensing regime. While compliance expectations remain strong, the regulatory openness encourages creativity and competition. Together, these conditions create fertile ground for Pakistan’s digital finance sector to flourish and evolve into a global example of fintech-driven transformation.

### Digital Payments and ESG: Building a Responsible Financial Future

Digital payments have also become a catalyst for Environmental, Social, and Governance (ESG) progress. By reducing reliance on paper forms, physical receipts, branch visits, and cash logistics, EMIs indirectly lower resource consumption. Cash handling requires fuel for transportation, secure vans, paper for receipts, and physical infrastructure to manage storage and distribution. Eliminating or reducing these needs aligns with environmental sustainability goals.

On the social front, EMIs promote financial inclusion a core component of ESG. By extending services to women, rural populations, low-income households, and informal workers, digital payments help bridge long-standing inequalities. Financial inclusion enables people to save securely, participate in formal commerce, and access credit that can improve their livelihoods.

From a governance perspective, digital trails strengthen accountability. Transparent payment records reduce opportunities for fraud, tax evasion, and misuse of funds. For ESG-focused investors, these improvements make Pakistan’s fintech ecosystem a more appealing destination, as digital payments directly support integrity, transparency, and social upliftment.

### Technological Evolution: ISO 2022 and Faster Cross-Border Payments

A major global breakthrough in payments occurred with the shift from SWIFT’s traditional MT format to the ISO 2022 MX format on November 22, 2025. For Pakistan’s EMIs, this transition is transformative. The new MX format carries structured and detailed payment data, allowing for better transaction tracking, smoother reconciliation, and more effective AML/CFT screening.

With richer data and modern messaging standards, international transfers become faster, more reliable, and more compliant. This is particularly significant for Pakistan, where remittances form a vital part of household income and foreign exchange reserves. As EMIs integrate ISO 2022 into their systems, they will be able to offer smoother cross-border payment experiences, quicker settlement times, and more innovative remittance products that appeal to overseas Pakistanis and local businesses alike.

These advancements position EMIs to compete more effectively in global payment corridors, opening

the door to new products such as cross-border merchant payments, international payroll solutions, and streamlined B2B transactions.

### Islamic Fintech: A New Frontier

Pakistan's deep-rooted preference for Shariah-compliant finance has created strong demand for digital solutions that align with Islamic principles. This has led to the emergence of Islamic fintech a blend of ethical financing and digital innovation. Islamic EMIs are developing interest-free digital wallets, Shariah-based saving pockets, halal micro-lending products, and donation platforms that support zakat, sadaqah, and waqf contributions.

“ Islamic EMIs are developing interest-free digital wallets, Shariah-based saving pockets, halal micro-lending products, and donation platforms that support zakat, sadaqah, and waqf contributions. ”

These offerings appeal to millions of individuals who avoid conventional financial services because they involve interest. By providing solutions that honor religious beliefs while delivering modern digital convenience, Islamic fintechs are filling a major gap in the market. This sector is still growing, but its potential is immense. It gives EMIs a chance to differentiate themselves while serving a large, loyal, and underserved population segment.

### Opportunities and Risks in a Growing Market

Pakistan's EMI sector is dynamic and full of potential. Merchant digitization, SME payroll tools, embedded credit services, and ISO 20022-powered cross-border payments offer large opportunities. EMIs that innovate strategically can deepen financial inclusion and expand their impact across the economy.

However, growth comes with risks. Cyber-attacks, fraud schemes, data breaches, and operational vulnerabilities pose real threats. Overreliance on third-party technology providers can create systemic weaknesses. Regulatory tightening is possible as the market matures. With more players entering the ecosystem, competition may intensify, making differentiation difficult.

To meet these challenges, EMIs must invest in robust governance, strong AML frameworks, resilient cybersecurity systems, and consumer education. Innovation must be balanced with responsibility to maintain trust in the system.

### Way forward for EMIs: Practical Strategies for Pakistan's Market

EMIs can expand meaningfully by prioritizing simple onboarding, intuitive interfaces, and multilingual

support to bring more people into the digital ecosystem. Merchant digitization remains central. Small businesses, service providers, and shopkeepers form the backbone of Pakistan's commerce, and helping them move to digital payments will accelerate overall adoption.

Strategic partnerships with telcos, e-commerce giants, logistics networks, microfinance banks, and government programs can unlock rapid growth. EMIs can also diversify their products by offering digital invoicing, salary disbursement solutions, micro-insurance, youth-focused financial tools, and travel or remittance wallets.

As transaction data increases, EMIs that use analytics responsibly will gain a strong competitive edge. Data-driven insights can improve credit scoring, strengthen risk management, and support the development of tailored financial products.

### Speedy Transition through Providing Enabling Environment

A faster transition toward digital payments is possible if the environment is shaped to reward digital transactions. One practical approach could be to reduce the reliance on cash by limiting the issuance of fresh banknotes and encouraging that all major disbursements, whether salaries, government payments, subsidies, or commercial payouts, move directly into bank or EMI wallets. This shift becomes even more effective when paired with smart incentives. The State Bank has already demonstrated this model in its recent circular on dollar deposits EPD Circular Letter No. 10 of 2025, where account-based handling is imposed. Similar incentives for domestic digital transactions such as temporary tax rebates, lower MDRs, or reduced transfer fees can nudge individuals and businesses to choose digital channels over cash. Over time, as people realize the savings, convenience, and safety of digital flows, the moving away from physical currency becomes self-sustaining. This type of environment does not force change, it guides behavior with practical benefits, enabling a smoother national shift toward a cashless economy.

### Conclusion: The Future Is Digital, and EMIs Are Leading the Charge

Pakistan is in the midst of a major financial transformation. The move from cash to digital is reshaping daily life, economic activity, and the country's long-term growth trajectory. EMIs sit at the center of this change, driving inclusion, enhancing transparency, and delivering modern financial solutions to a population ready for progress.

The journey will require trust, strong regulation, and ongoing innovation, but the direction is undeniable. Pakistan is stepping into a future where digital payments form the backbone of the economy, where transparency replaces opacity, and where every citizen has the opportunity to participate in the financial system. EMIs are leading this remarkable shift, and the next decade will belong to those fintechs that grow responsibly, innovate boldly, and stay committed to serving people across all segments of society. ■

# Add-ons to **SBP POLICY REGIME** October–December 2025

*The primary objective of this feature is to highlight 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 NIBAF Pakistan website: <https://nibaf.sbp.org.pk>*



01

**National Subsistence Farmers Support Initiative (NSFSI)  
Under Risk Coverage Scheme for Small Farmers and Underserved Areas**  
ACFID Circular Letter No. 01 of 2025/ October 14, 2025  
<https://www.sbp.org.pk/acd/2025/CL1.htm>

02

**Revision in Prudential Regulation G-2: Remuneration to Directors**  
ACFID Circular Letter No. 02 of 2025/ December 24, 2025  
<https://www.sbp.org.pk/acd/2025/CL2.htm>

03

**Business Conduct and Fair Treatment of Consumers  
Regulatory Framework (BC&FRF)**  
BPRD Circular No. 04 of 2025/ October 17, 2025  
<https://www.sbp.org.pk/bprd/2025/C4.htm>

04

**Amendment in Reg. G-4 of Corporate Governance Regulatory Framework**  
BPRD Circular Letter No. 21 of 2025/ November 07, 2025  
<https://www.sbp.org.pk/bprd/2025/CL21.htm>

05

**Upgradation of Firm on Panel of Auditors Maintained Under Section 35(1)  
of Banking Companies Ordinance, 1962**  
BPRD Circular Letter No. 23 of 2025/ December 04, 2025  
<https://www.sbp.org.pk/bprd/2025/CL23.htm>

06

**Amendments in Corporate Governance Regulatory Framework**  
BPRD Circular Letter No. 24 of 2025/ December 12, 2025  
<https://www.sbp.org.pk/bprd/2025/CL24.htm>

07

**Statistics on Corporate Governance of Banks/ DFIs/ MFBs**  
No. D-S&DSD/337866/ November 04, 2025  
<https://www.sbp.org.pk/stats/2025/C1.htm>

08

**Launch of Web Portal (InvestPak) for Investment in Government Securities**  
DMMD Circular No. 08 of 2025/ November 05, 2025  
<https://www.sbp.org.pk/dmmd/2025/C8.htm>

09

**SBP's Policy Rate and Overnight Repo / Reverse-Repo Facilities**

DMMD Circular No. 09 of 2025/ December 15, 2025

<https://www.sbp.org.pk/dmmd/2025/C9.htm>

10

**Rate of Remuneration on Special Cash Reserve Account Maintained with SBP Against Deposits Raised Under Fe-Circular 25 of 1998**

DMMD Circular Letter No. 12 of 2025/ October 31, 2025

<https://www.sbp.org.pk/dmmd/2025/CL12.htm>

11

**Rate of Remuneration on Special Cash Reserve Account Maintained with SBP Against Deposits Raised Under Fe-Circular 25 of 1998**

DMMD Circular Letter No. 13 of 2025/ November 28, 2025

<https://www.sbp.org.pk/dmmd/2025/CL13.htm>

12

**Rate of Remuneration on Special Cash Reserve Account Maintained with SBP Against Deposits Raised Under Fe-Circular 25 of 1998**

DMMD Circular Letter No. 14 of 2025/ December 31, 2025

<https://www.sbp.org.pk/dmmd/2025/CL14.htm>

13

**Amendment in Instructions Related to Sale of Foreign Currencies to Individuals**

EPD Circular Letter No. 10 of 2025/ November 14, 2025

<https://www.sbp.org.pk/epd/2025/FECL10.htm>

14

**Collection of Export Development Surcharge through Banks**

EPD Circular Letter No. 11 of 2025/ December 2, 2025

<https://www.sbp.org.pk/epd/2025/FECL11.htm>

15

**Revision in Instructions for Remittance of Royalty, Franchise and Technical Service (RFT) Fees for the Entities Operating in Agriculture, Social, Infrastructure and Service Sector projects, including International Food Chains**

EPD Circular Letter No. 12 of 2025/ December 19, 2025

<https://www.sbp.org.pk/epd/2025/FECL12.htm>

16

**Guidelines on Climate Stress Testing**

FSD Circular No. 01 of 2025/ December 26, 2025

<https://www.sbp.org.pk/fsd/2025/C1.htm>

**17****Revised Prudential Regulations for Small and Medium Enterprise Financing**

SH&amp;SFD Circular No. 05 of 2025/ November 06, 2025

<https://www.sbp.org.pk/smeffd/circulars/2025/C5.htm>**18****Pakistan Green Taxonomy**

SH&amp;SFD Circular No. 06 of 2025/ December 10, 2025

<https://www.sbp.org.pk/smeffd/circulars/2025/C6.htm>**19****Regulatory Framework for Effective Management of Climate-related Financial Risks**

SH&amp;SFD Circular No. 07 of 2025/ December 26, 2025

<https://www.sbp.org.pk/smeffd/circulars/2025/C7.htm>**20****Technology Risk Management Framework for Payment Institutions**

PSP&amp;OD Circular No. 04 of 2025/ October 03, 2025

<https://www.sbp.org.pk/psd/2025/C4.htm>**21****Submission of FCY Cross Border Payments / Transfers Cases via Regulatory Approval System (RAS)**

TOD Circular Letter No. 01 of 2025/ November 25, 2025

<https://www.sbp.org.pk/tod/2025/CL1.htm>

# Fintech and the Remaking of Financial Institutions

By: John Hill

## Synopsis

*FinTech and the Remaking of Financial Institutions* explores the transformative potential of new entrants and innovations on business models. In its survey and analysis of FinTech, the book addresses current and future states of money and banking. It provides broad contexts for understanding financial services, products, technology, regulations and social considerations. The book shows how FinTech has evolved and will drive the future of financial services, while other FinTech books concentrate on particular solutions and adopt perspectives of individual users, companies and investors. It sheds new light on disruption, innovation and opportunity by placing the financial technology revolution in larger contexts.

- Presents case studies that depict the problems, solutions and opportunities associated with FinTech
- Provides global coverage of FinTech ventures and regulatory guidelines
- Analyzes FinTech's social aspects and its potential for spreading to new areas in banking
- Sheds new light on disruption, innovation and opportunity by placing the financial technology revolution in larger contexts

## Reviews

"*Fintech and the Remaking of Financial Institutions* is a quality piece of work full of important information for those of us who want to explore Fintech and its future. This is a must-read primer for anyone considering Fintech."

— **Donghee Shin, Chung-Ang University, South Korea**

"There is no doubt that FinTech is one the key issues in the modern financial industry and *FinTech and the Remaking of Financial Institutions* by John Hill is an excellent book for anyone interested in the most recent technology developments in both banking sector and financial markets. This book covers not only the presentation of FinTech adoption in various types of financial services or institutions but also provides the analysis of its impact on the financial system and entire economy."

— **Adam Marszk, Politechnika Gdanska, Poland**

## About the Author

**John Hill** is a consultant, investor, author, and educator who teaches economics and finance at the Dolan School of Business, Fairfield University. He earned his degrees from Cornell University and the University of Pennsylvania, where he pursued a PhD in econometrics under Nobel Laureate Lawrence Klein. John has authored notable books, including *Environmental, Social, and Governance (ESG) Investing and Fintech* and *the Remaking of Financial Institutions*, both published by Academic Press. His career spans senior executive roles at leading financial institutions such as Merrill Lynch, ABN AMRO, Intercontinental Exchange, and ICAP.



# The Measures of Economies

## Measuring Productivity in an Age of Technological Change

By: Marshall B. Reinsdorf & Louise Sheiner

### Synopsis

Innovative new approaches for improving GDP measurement to better gauge economic productivity.

Official measures of gross domestic product (GDP) indicate that productivity growth has declined in the United States over the last two decades. This has led to calls for policy changes from pro-business tax reform to stronger antitrust measures. But are our twentieth-century economic methods actually measuring our twenty-first-century productivity?

*The Measure of Economies* offers a synthesis of the state of knowledge in productivity measurement at a time when many question the accuracy and scope of GDP. With chapters authored by leading economic experts on topics such as the digital economy, health care, and the environment, it highlights the inadequacies of current practices and discusses cutting-edge alternatives.

Pragmatic and forward-facing, *The Measure of Economies* is an essential resource not only for social scientists but also for policymakers and business leaders seeking to understand the complexities of economic growth in a time of rapidly evolving technology.

### Reviews

"Productivity growth is central to improvements in the well-being of a society. In recent years, there have been significant questions about the accuracy of our productivity measures. Sheiner, Reinsdorf, and their collaborators tackle those

questions, laying out how the statistical agencies measure productivity, identifying where the problems with the measures lie and—importantly suggesting possible steps towards improving them."

— **Katharine G. Abraham, University of Maryland**

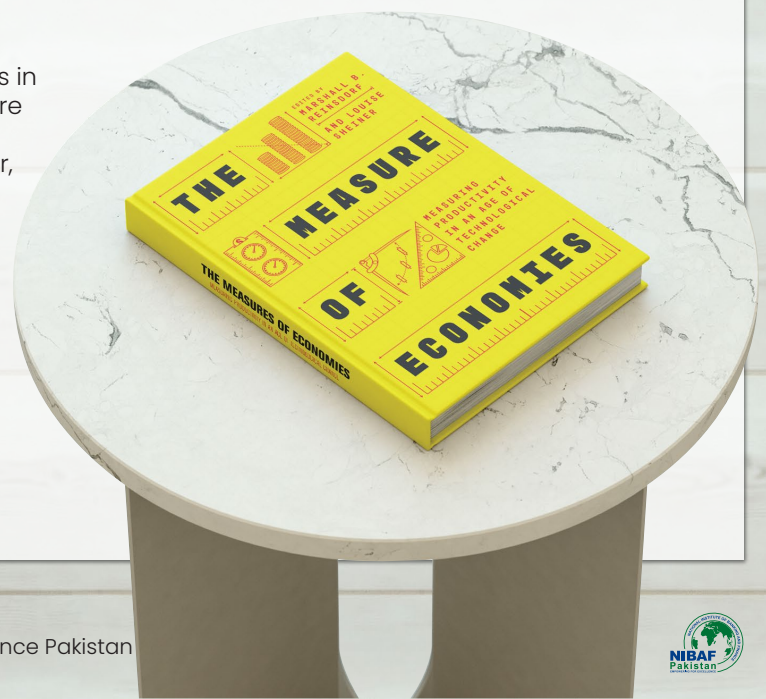
"Measuring productivity does not catch the eye of headline writers, which is lamentable since productivity is a vital issue. Reinsdorf, Sheiner, and the all-star team they've assembled are to be congratulated on a book that lays out not only the shortcomings in the statistical system, but also its strengths and the obstacles that make improvements so difficult to achieve. This book will, I hope, inspire actions to fix some of the potholes in our current measurement methods."

— **Martin Neil Baily, Brookings Institution**

### About the Authors

**Marshall B. Reinsdorf** is a former senior economist with the International Monetary Fund.

**Louise Sheiner** is a senior fellow at the Hutchins Center on Fiscal and Monetary Policy at the Brookings Institution.



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