

## **No short cuts to sustained economic development: Yaseen Anwar**

The Governor, State Bank of Pakistan, Mr. Yaseen Anwar has said that there are no shortcuts to sustained economic development. 'We need to develop the right strategies and then translate these strategies into action,' he added.

Delivering his keynote address at the 12<sup>th</sup> Management Association of Pakistan (MAP) Convention on 'Leadership Challenges for Business Success' at a local hotel in Karachi this morning, he said that both our economic and political leadership is faced with multiple challenges of trade imbalance, inflation, unemployment, power crises and security situation and added that the challenges for making good decisions on these fronts requires political will and a clear long term vision.

Mr. Anwar said that similarly the challenges for business leaders, though at a micro level, are by no means less critical. These challenges range from the survival of businesses in a stagnant business environment to developing strategies for further growth through developing new business models, new products or restructuring and re-engineering, he said, adding that effective leadership must also include skills to manage people and teams. 'Management of human resources is extremely critical to the success of any business across the globe,' he emphasized.

He underscored the importance of women representation in the work force. 'Women represent almost half of the population of Pakistan and a significant talent pool that is ignored, he said, adding 'how can we as a nation progress if 50% of our work force is in a non-productive capacity.' He also urged the corporate leaders to take into account their corporate social responsibility so that profit seeking is balanced against the objective of social service and well being of the society.

Mr. Anwar said the State Bank desires a more active role of the Board of Directors in setting the strategic direction of a bank as well as to bring it under accountability. He said that in order to be effective, the concern and tone for risk management must start at the top. 'You would agree that while the management may get influenced by business targets and short term profitability, the Board, representing owner's perspective, always targets for long term viability and sustained growth of the bank,' he observed.

The SBP Governor said that by the virtue of this different perspective and its legal powers, the Board is better positioned to enhance the role of risk management in a bank. 'That is why SBP has always emphasized the involvement of the Board and made it accountable for establishing enterprise wide risk management framework,' he added.

Mr. Anwar said that the formulation of policies relating to risk management only would not solve the purpose unless these were clear and effectively communicated down the line. 'The CEO as a leader must ensure that these policies are embedded in the culture of the organization,' he said, adding that for the value of risk management to be realized, integration is essential. 'Therefore, the emphasis should be on integrating risk management into the existing management structure and processes, rather than operating as an appendage,' he observed.

'Today we meet at a challenging time with many headwinds going forward,' SBP Governor said and added that the global economy is on a downhill path and financial turbulence continues to affect the masses across the globe. 'All this started in 2007/2008 as the private debt subprime crises related to the US housing market transformed into a systemic financial crisis that spread from the US to the Euro area,' he observed.

'More recently, this has turned into a sovereign debt crisis. The crisis, now in its fifth year, has morphed into a new phase of a political crisis', he said, adding that in the Euro region, important steps have been taken to address the current problems. However, political differences within economies undergoing adjustment and among economies providing support have impeded achievement of a lasting solution, he said, adding that 'what we have seen is a complete transformation resulting from the worst crisis of modern times.

Mr Anwar pointed out that there are four key areas that have contributed to the crisis and remain relevant for both financial and non-financial firms; *weaknesses in corporate governance arrangements; excessive risk taking for short term gains, inadequate Accounting standards and regulatory requirements in some areas, and mismatch between the remuneration systems and strategy and risk appetite of the company.* 'Most of the multilateral agencies and financial regulators have now increased focus on building a more resilient financial framework including developing new standards for addressing the above challenges,' he added.

He stressed that elevating corporate governance should not be confined to banks, but commercial concerns must also do the same. 'We all know the pace of globalization has accelerated, resulting in increased domestic and global economic integration,' he said, adding that our visionary business and political leaders must be alert to the challenges they face now and are likely to face in the future due to developments in other parts of the globe.

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