



President & Chief Executive, Habib Metropolitan Bank Sirajuddin Aziz

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ICMAP: Please tell us briefly about your Bank and its performance in the banking sector in terms of deposits, assets base, advances and profitability?

SA: In 1991, the banking sector’s privatization process was initiated by the Pakistani government, whereby new private commercial banks were licensed to commence operation. HabibMetro was one such bank, even though it did not start its full-fledged operation till October 1992. The Bank went to establish its forte in the niche of foreign trade finance. We have since then emerged as one of the leading trade finance banks in the country and handle a significant quantum of the trade business of Pakistan.

When I joined HabibMetro in 2012, it was a more Karachi-centric bank, with a limited branch outreach in the North. Due to this, the Bank was not able to adequately capture the second leg of transactions in cases where the buyer/seller was based in the Northern part of the country. With this fact in mind, we started expanding our network by penetrating Northern Pakistan. 3 years later, we now have around 276 branches covering 76 cities across Pakistan, from only 168 branches in 2011 that covered just 19 cities.

HabibMetro Bank has grown both in terms of total assets as well as in terms of total deposits and the volume we handle in terms of trade is also significantly high as against the loan book. We enjoy a distinguished advantage in the niche of trade financing – a fact that has also been recognized by the Asian Development Bank (ADB), which nominated HabibMetro as its leading partner in Pakistan for the year 2015, and among the 12 leading banks in Asia Pacific region supporting regional trade. ■

ICMAP: What measures have been taken by your bank to enforce good governance practices?

SA: In addition to the regulatory supervision of State Bank of Pakistan - the governing ambit of which circumscribes all the banks operating within Pakistan - there is a Code of Corporate Governance issued by the Securities and Exchange Commission of Pakistan that must be adhered to. HabibMetro complies with the regulatory directives of both the SBP and SECP, further to which it also maintains and upholds internal policies & controls to the same effect.

Moreover, Habib Bank AG Zurich Bank, Switzerland (which owns 51% shares of HabibMetro Bank) also has a governance structure with effective check and balances and internal control systems that HabibMetro operates in alignment with.

ICMAP: How is your bank dealing with the issue of non-performing loans and what progress has so far been made in Corporate Rehabilitation Law (CRA)?

SA: The CR Law is still a work in progress. The Pakistan Banks Association (PBA) is coordinating with the Government as the banking industry's representative.

The Pakistani economy did not experience any direct effects at the time of the global financial crisis in 2008 due to the fact that Pakistan neither provides any capital products to the international market nor does it purchase from the international capital market. I had been hinting then in all my interviews that the negative implications of the financial crisis would come later in 2010 or 2011. This eventually transpired into reality when the purchasing power of the West started declining and our textile sector was heavily and negatively impacted.

As far as handling non-performing loans is concerned, this is indeed a very complicated issue, given the impediments and delays that we experience due to an unsupportive legal system. With respect to loan recovery from customers, I personally believe that engaging with the customer and negotiating with them is in the best interests of the bank and customer both.

ICMAP: What is your Bank's policy towards SME financing? Would you like to highlight a few aspects?

SA: SME financing is an area of great interest and focus for the Pakistani banking sector at the moment. The State Bank of Pakistan is also promoting SME financing and has issued prudential regulations for SME financing.

There are two models of dealing with SME lending; one of them being the 'credit scoring model' which does not allow

relying heavily on cash flows, and in my personal view, has several inherent risks in our environment. I would say that the 'relationship model' is a better model, as by interacting with the SMEs we can assess their operating cycle for meeting their financing needs. We need to build quality relationship with the SME clients. At HabibMetro, we are following the relationship model where we extend finance to the SME sector.

ICMAP: How do you see the general emerging economic conditions in terms of challenges and opportunities, especially in context of China-Pakistan Economic Corridor (CPEC)?

SA: Boosting trade and reducing fiscal deficit have been recurrent economic areas of focus during the last couple of years, in addition to lingering internal security concerns. On the economic front, the improving indicators paint a positive outlook, which are further complemented by the gradual and systematic eradication of security fears by the law enforcement agencies. Being an optimistic person, I think that things are now moving in the right direction. There is brightness ahead of us Insha Allah.

The future of Pakistan with respect to the CPEC is dependent on how we as a nation endeavor to take maximum advantage of the impending opportunities. China is a pragmatic nation that follows consistent long term policy based on a clear vision; they always think and plan ahead. CPEC is not a new project for them. They have been planning for this for more than two decades and are committed to complete it just like the Karakorum Highway. At the time of constructing the Karakorum, Pakistan built only one third of the roads, whereas two third were built by China. We have to step forward and position ourselves to optimize on the infrastructure-related and economic opportunities that CPEC presents us with; even if we do not meet them half way, China will still do the needful as the CPEC would lead to drastic cuts in their transportation cost and provide them access to the warm waters of Pakistan as well passage to African and European countries.

Gawadar is one of the deepest seaports and not many countries are blessed with such a valuable geographical asset; it is only 3500 km from the city of Kashgharin China. The geographical boundaries of China boasts coastal cities like Dalian, Qinhuangdao, Shanghai, Ningbo etc that do have routes towards Europe via the Indian Ocean and the Mediterranean Sea, but these are not efficient distance-wise. By linking with Gawadar, China will be able to get the shortest route to Europe and Africa. Why is Africa so important? Again, China thinks ahead. They have been working with Africa since '80s when it arranged the first China-Africa summit. ■

China is operating with a long-term plan by investing in, and making inroads towards, emerging economies by building economic corridors. We saw that Taiwan did it and Japan did it, and now China is doing the same. Today, China is funding dams, irrigation and electricity projects in Mongolia, Zimbabwe and other part of Africa to position itself in the emerging continent.

Pakistan has a good opportunity to take advantage of China's plan to gain access to Central Asian Republics, which is a natural market for Pakistani products. If we really want to stay in step with them, we must be proactive. While economic corridor is being built, there would be need for immense facilities like warehousing, hospitals, houses, schools etc. If we cannot provide these facilities to them, they will bring their own labor to build these facilities and we will lose out on enormous economic gains. To prevent this from happening, Pakistan should prepare itself adequately in term of regulatory framework, infrastructure and making facilities available for the Corridor in order for it to become a success.

ICMAP: The private sector lending by banks has fallen recently. Does this indicate any reluctance on the part of industry to make investment in the country or there are other reasons for that?

SA: We have already discussed the eradication of security issues; security concerns should no longer cloud the minds of investors. Availability of energy to the industry, however, remains a valid concern. During my recent visit to Punjab, I observed a remarkable difference in the approach of businessmen in Faisalabad and Sialkot. Business in Faisalabad is subdued due to energy shortage; however, when I went to Sialkot I was amazed by the booming business there mainly due to the initiatives taken by the Sialkot industry to cater to their requirement of energy by installing their own captive power plants. This spirit and their endeavors have positioned the Sialkot industry much ahead of Faisalabad.

As far as bank lending to the private sector is concerned, there has been some improvement with the lower interest regime and with the coming commodity financing season, it is expected to improve further. Moreover, Pakistan's fiscal deficit is also reducing and this is expected to lead to reduced government borrowing from the banking sector – a development that will subsequently create space for private sector lending. As a banker, I believe that if the entrepreneur/businessman is not willing to invest some of his own capital too, then they should not expect me as a banker to invest the depositors' money either. Banks are accountable to their depositors so I prefer to wait for the

creditor to come forward and contribute some capital first.

Secondly, the private sector activity is subdued in the absence of enabling environment. A prime example is the textile spinning sector, which is undergoing difficult times. In Sialkot, investment in R&D has resulted in greater exports to the western market. The football industry of Sialkot is a good example of how the fruits of R&D pay off.

Our textile industry, unfortunately, is not investing in R&D. We are importing cotton from China and India. We did not even maximize the benefit of GSP with the European Union; we failed to use the benefit as a growth stimulant for the textile industry.

We, as a country, cannot attain sustainable long term economic growth with a short term vision. We need to change our approach. Nations progress and develop at the back of long term vision encompassing over 20-30 years. There is also a need to change the mindset of people in terms of patriotic value and willingness to work dedicatedly towards the betterment of Pakistan.

ICMAP: How do you see the role of Management Accountants in bringing operational efficiency in banks?

SA: I personally think there is no fine dividing line in the minds of bankers about Chartered Accountants or Management Accountants, and they often use the two terms interchangeably. I presume that CMAs would be more relevant for the manufacturing side while the financial industry needs to explore how we can utilize their professional expertise. Your question provokes me to now consider how I can optimally utilize the specialized skillset of CMAs to enhance the operational efficiency of Habib Metro. The Institute should work on increasing awareness of the potential of CMAs in banking sector, particularly at the CEO level.

ICMAP: How do you see the contribution of Management Accountants under CPEC regime, especially in the context of infrastructure?

SA: The CPEC will result in a greater demand of talented and skilled human resource to transpire infrastructure-related, energy, healthcare etc. projects that are bound to spur when the CPEC becomes a brick and mortar reality. There is no doubt that CMAs will be a critical part of the entire CPEC and the projects that it will fuel. Economic and political realities are built on finance and numbers. And in that particular game, accountants are indispensable. ■