

STATE BANK OF PAKISTAN –
COVID-19 MITIGATION POLICY EFFECTIVENESS:
A STAKEHOLDER ANALYSIS



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2021



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Dedicated to humanity's collective battle against COVID-19

ACKNOWLEDGMENTS

A deep sense of gratitude is felt and interminable praises are for Almighty Allah, always and forever.

I am immensely appreciative of my supervisor and the guiding spirit of this research process, Dr. Mahmood Khalid. Under his noble tutelage, patience, and supportive encouragement, I was rendered able to steer this study towards completion. This thesis in its present form can majorly be ascribed to his brilliant and skillful supervision. Further, yet importantly, I am grateful to Dr. Jehangir Khan, the internal reviewer for providing me with newer dimensions around the subject. I would also extend veneration and thankfulness to Dr. Muhammad Jamil, for his insightful contributions and constructive appraisal.

Profoundly recognizing their efforts to remind me of the end goal, I thank my parents for their unconditional care. Lastly, and just as significantly, many thanks to Saadia Khizar for her overwhelming generosity and a comforting virtual presence.

It has been a pleasure.

ABSTRACT

Across the world, central banks' responses to mitigate the effects of COVID-19 have been extraordinary in scope, size, and speed. Government of Pakistan and various institutions implemented unprecedented policy instruments; however, risks to Pakistan's economy and financial system remain large. In comparison to other central banks in South Asia, the objective of this study is to analyze the perspective of three distinct stakeholder groups in Pakistan who are directly associated with relief policies introduced by State Bank of Pakistan. It is found that policymakers and regulators are poised about measures introduced by the State Bank of Pakistan. The institution is expected to play a more stringent role in the years to come under enhanced autonomy. Monetary and fiscal space is limited in the economy, but commercial banks as conduits of SBP and businesses posed confidence in the existing measures. Once the effects of pandemic subside, the economy can possibly resume operations along the path of smoother recovery.

Keywords: *Central banking, policy rate cuts, stakeholder analysis, COVID-19, State Bank of Pakistan, COVID-19 Mitigation policy*

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LIST OF ABBREVIATIONS

COVID-19	Coronavirus Disease 2019
EFF	Extended Fund Facility
GoP	Government of Pakistan
IMF	International Monetary Fund
PBA	Pakistan Banks Association
SBP	State Bank of Pakistan
SMEs	Small and medium enterprises

Chapter 1

Introduction

1.1 Background

COVID-19, the disease caused by coronavirus is wreaking havoc all around the world. As the new pathogen swept through nations and continents, lockdowns were induced in many countries and people quarantined themselves in quest of health safety. The movement of vital supplies and labor has been disrupted profoundly. COVID-19 has aggravated social inequities and amplified the economic consequences (Burström, 2020). Although the human conditions have improved radically as compared to the early period but the spread of this virus in those countries where millions of people do not have adequate living conditions can speak for itself. The great plagues of the history also inflicted mayhem on the regional economies and correspondingly, the vast spread of COVID-19 has made it clear that economies all around the world should be ready for a protracted downturn.

1.1.1 COVID-19 and the global economy

After the novel coronavirus hit the city of Wuhan in a Chinese province, supply chains all around the world felt the repercussions of the outbreak (Ivanov, 2020). With people stopped from traveling in and out of countries and being restricted to consume as they did previously, the demand side correspondingly squeezed. The hold of COVID-19 on global economy tightened as the death toll climbed and the virus evolved into the status of a pandemic. Millions of workers around the globe lost their jobs and their wages were cut. People belonging from the pensioners' groups also watched their life-long savings diminish in the aftermath of the virus. The stock markets in multiple regions all over the world also tanked (Tripathi, 2020). In the midst of this all, central banks strived to intervene by printing more money and cutting the interest rate on regular or quarterly intervals.

To keep businesses and private companies afloat, governments in many developed and developing economies introduced and launched stimulus packages that were large of fiscal nature (Elgin, 2020). Conditional and non-conditional transactions were also done and the target groups were specifically unprivileged segments of the society. Quite a lot of businesses became insolvent due to the increased duration of lockdown.

1.2 Problem statement

Pakistan is facing a health crisis and a financial crisis at the same time and these interact in complicated ways. Many factors behind this crisis can be traced back to the epidemiology of the virus and the potential effectiveness of containment measures implemented by the government (Abdullah, 2014). Although policymakers and the central bank authorities are providing unprecedented support to the financial markets, households, and the public, this time is crucial for a strong recovery (Hepburn, 2020). Assuming that the policy actions taken by the central banks around the world are effective in preventing economic losses, this study strives to assess whether the mitigation policies devised and implemented by the State Bank of Pakistan (SBP) will cope with the convoluted effects of financial and health crises.

The implications of the pandemic translated into a sudden shock. Like all other central banks across the world, the State Bank of Pakistan also highlighted its instrumental role in crisis management. The first COVID-19 case in Pakistan was confirmed positive during the last week of February 2020. In the face of many challenges put up by COVID-19, SBP introduced its measures associated with monetary easing in the second week of March 2020 (Malik, 2020). It can be promulgated that the response time was approximately 15-25 days as several existing measures were also being molded at that time. The method of devising a policy framework was also unprecedented as SBP arrayed emergency interventions in record time. The tools used to mitigate the negative effects of COVID-19 were also specifically designed, keeping in view the

macroeconomic indicators and the conditions of various segments of society. However, there is a need to be on the lookout for any gap between anticipated objectives and the actual outcomes.

1.3 Significance of the study

This study is important for the development of economic and social policies that can permit smooth resumption of economic activity after the spread of COVID-19 is packed down. Through the implications of this study, policymakers will be able to ensure that businesses can pick up after the chronic phases of the pandemic have passed. Policies introduced by the State Bank of Pakistan have proved to be lifelines to many businesses and households (Asghar, 2020). There is a need to confirm the benefits of this support so that policies can be shifted to support demand and repair balance sheets in the public and private sectors. The study also captures the importance of collaboration among various stakeholders for enabling instant access to evidence. Assessment of the knowledge and opinions held by various societal segments can develop as a core element of a broader commitment to navigate through the crisis.

1.4 Research questions

- How are the interest groups¹ benefitting from the relief measures implemented by SBP during COVID-19?
- Does the institutional analysis identify a sound economic policy?
- What is the response of central banks in South Asian economies to address the challenges of COVID-19?
- Is public interest considered as a determinant of the institutional goals and actions?

¹ Interest groups: Ultimate users of the financial products and services in a banking industry. For State Bank of Pakistan's policies, interest groups allude to commercial banks, businesses, and households.

1.5 Objectives

- Examination of central bank's response in Pakistan to mitigate the effects of COVID-19
- Assessment of central banks' policy measures through exploration of their implementation and outcomes
- Consolidation of various stakeholders' perspectives to identify gaps in policy framework

1.6 Organization of the study

This study is divided into five parts. Following this introductory section, chapter 2 is a review of literature, which also identifies the research gap. Chapter 3 is an exploration into the theoretical framework and methodology of the study. Chapter 4 reviews the policy under consideration tailed by a thematic discussion of measures in place. Chapter 5 is a comprehensive account of the stakeholder analysis. In chapter 6, the study is extended to results and discussion of key findings. Chapter 7 concludes this study and outlines some recommendations for the policy environment.

Chapter 2

Literature Review

In development economics, role of states in the banking business is a very controversial issue. Economists tend to ask if the state should directly govern the central and commercial banks or simply intervene when there is a national crisis (Rossi, 2019). Policymakers and economists answer these questions with an affirmative intent to claim that in pursuit of signifying financial development and stimulating economic growth the state ownership of a state's central bank is necessary. On the other hand, some policymakers maintain that financial development is depressed due to the state ownership of the central bank (Mabbett, 2019). In the decade of the 90s, approximately one-quarter of the assets in the largest banks in the industrial countries and half of the assets in the largest banks of developing countries were still under the control of the state (Hawkins, 2011). Whether such a massive presence of government stakeholders in the banking sector is justified or not is an interesting query to probe into.

The promotion of financial development and extension of access to comparative banking services is one rationale for state intervention in the banking sector (Dow, 2017). The mitigation of market failures due to the presence of asymmetric information is a primary objective of the state, which in turn, also tends to maintain the soundness of banking system in a state. Another viewpoint also maintains that banks are fragile institutions inherently, thus this facility can justify government intervention (Ennis, 2010).

In general, financial markets and the banking sector are involved in activities that are information intensive. This may also lead to imperfect competition and rampant information has a proclivity towards destruction, therefore long-standing customer relationships are maintained if the consumer body has established trust over state-verified information. Therefore, state intervention

in this regard can make the monetary policy more efficacious for the economy and the public in general (Miele, 2011).

What does the theory say?

How can the state ownership of the banking sector be justified according to the literature?

It is a dilemma whether state intervention should limit itself to regulation or subsidies in times of economic downturns or straight away extend to direct ownership. Some policymakers argue that public sector banks are tools to address, in a non-transparent way, a whole class of problems that may arise at times of crisis (Andrieş, 2009).

The development view, which has been advocated, by many researchers and economists maintains that financial development is a pre-requisite for economic growth (Hryckiewicz, 2014). On the other hand, the political-economic view necessitates that the government must intervene in the activities of the banking sector to lessen the effects of distortion caused by politicians (Ting, 2017).

2.1 Relation between pandemics and financial crises

The state of an economy affects prevalence of infection and the burden of any contagious disease (Cavallino, 2020). One of the ramifications dominating the headlines throughout history is that how pandemics affect the economies and lead to widespread financial crises. There is a lot that can be learned from the economic outcomes of past disease disasters (Garrett, 2008). The seismic economic shifts that have occurred around epidemics and pandemics in the past are in need of detailed evaluation to tackle the economic issues arising because of COVID-19. The economic tragedies in times of epidemics and pandemics did not occur in a vacuum and therefore, it is somehow difficult to analyze that what economic changes in the overall economy are a result of pandemics and which changes have been resulted due to existing financial factors and policies

(Hur, 2020). Some economic shifts are associated directly to the disease outbreaks and the historical accounts are a witness of this notion.

Generally, pandemics are rare but at the same time, these are highly disparaging whizzes of nature that can destroy multiple livelihoods. Many studies have indicated that pandemics result in long stretches of imposing forced interest rates that assist in the fiscal weariness during the crisis (Sułkowski, 2020). Notoriously known as killer of millions, pandemics are also responsible for darkness of economies (Alabdullah, 2020). Policymakers and researchers have collectively agreed on the effectiveness of lockdown measures but at the same time, authorities in the developing economies suggest seeking out alternative options as lockdown policies may cause further discrepancies in the poor countries.

2.1.1 Role of central banks in crises

As COVID-19 has developed into an unmatched situation and there is uncertainty on global scale, regulators and authorities have stepped up to mitigate the adverse effects on the economies. Responses from central banks are crucial, as these interventions mainly have to support the economy on an enormous scale. To put a sojourn on the consequences of sudden stops in economic activity and financial market functioning, central banks had to respond decisively and boldly. In pursuit of preventing a financial collapse, central banks should play an instrumental role in crisis management and act on the forefront (Sarkar, 2020). There is an insistent stress on the role of central banks because these are the only institutions that can mobilize the financial resources faster than any other regulator or authority. Central banks have an employed role in the global economy, which is of a market stabilizer (Seccareccia, 2017). Central banks also act as an intermediary that smoothen the finances between the financial regulators and the financial markets (Fontana, 2018). To calm down the financial turmoil, central bank measures are necessary.

Subsequent to the havoc posed by COVID-19, heterogeneous and multifarious challenges repositioned central banks and brought them to the forefront. Through analysis of central banks' role in the previous crises, these institutions can muster up and rally financial resources in the economy faster than any other authority (Andrieş, 2009). Much of the world has actively looked towards central banks and expected measures that presented these institutions as the saviors of the economies. The immediate restoration of financial stability in many developed and developing economies is projected from central banks as these set in motion full sets of policies and measures associated with crisis management (Elgin, 2020). In sheer contrast to historic economic crises, central banks enacted many liberal policies to ensure credit flow in businesses and households (Sułkowski, 2020). Monetary authorities, along with their role and functions have undergone several changes. Modern day central banks primarily function to achieve the objective of providing support to the sustainable economic growth through the channels of financial stability and inclusive measures (Hepburn, 2020). From the effects of a lack of incorporation of valuable lessons from global financial crises, it has been realized that quintessential monetary policy responses extended by central banks are not enough to curb the grave effects in financial markets and the economies in general (Maffettone, 2020). The preservation of domestic stability in terms of economy and finance is not possible if traditional policy toolkits are in the usage of central banks. On the lookout for containing systemic risks, a need for unconventional policy measures surfaced to arrest economic slowdown in time (Maffettone, 2020). A significant level of unconventionality can be assessed in terms of monetary policy instruments and various operational targets. In both normal as well as the times of crises, role of central banks is highly important. It should be noted that in both normal and stress periods, the specific mandates for central banks of a respective economy broadly stay the same. However, in times of crises and financial uncertainty, the gravity attached with the policy instruments and their choice becomes highly crucial for the involved stakeholders

(Zulen, 2019). The objectives that are put forward for achievement by various sectors in an economy can often be in a competition for which policy measures need holistic exploration and analysis. The communicative role of central banks has also undergone an evolution as appears different in the times of crisis as compared to normal times (Andrieş, 2009). Literature has recognized that central bank communication in times of crisis must be helpful enough so it can convey the decisions of relevant authorities in a transparent manner. The existing and futuristic policy stance of central banks must also be signaled by the central bank policy communication in the midst of a nation-wide crisis (Hryckiewicz, 2014). Research has also indicated that during crisis period, whenever central banks undertook unconventional measures as offshoots of monetary policy, the implementation was only successful through efficient signaling channels and confidence.

2.2 COVID-19 and its economic effects

COVID-19 has tarnished the implications of all the other previous financial crises. All over the world, including the developing economies, the magnitude of adverse economic effects has been unparalleled.

2.2.1 COVID-19 and Pakistan's FY20

In FY20, Pakistan's economy contracted by 0.38% whereas the expected growth was 3% (Government of Pakistan, 2020). As per the predictions of IMF, the pace of contraction was far lower than 1.5% (Mandviwalla, 2020). The World Bank, on the other hand, predicted a difference of 2.6% (Chohan, 2020). The already friable and brittle economy of Pakistan had just begun to move towards a nominal level of stability when the COVID-19 crisis struck. Since the COVID-19 crisis started, the textile products, which primarily comprise the exports of the country, are down (Asghar, 2020). Financial markets are predicted to take a blow in the long run due to this problem

(Alabdullah, 2020). The fiscal deficit of Pakistan's economy is almost 10% and the GDP growth rate is likely to decline further (Padda, 2020). The revenues have also plummeted in the past 2 years and the total public debt of Pakistan has increased in the first two quarters of the current fiscal year up to a whopping 7.6 % (Government of Pakistan, 2020).

2.3 Policy responses from central banks / Evidence from international practices

Policies to dampen the negative economic effects of COVID-19 crisis are brand new and designed from scratch. They seem promising and have big market confidence effects (Elgin, 2020).

Central banks are battling the effects of COVID-19 and various policy tools are striving to boost the slowing economies. Policy rate cuts is one widely used tool employed by U.S. Federal Reserve, the Bank of Japan, and the European Central Bank (Elgin, 2020). The policies designed and introduced by these three banks have a curt appraisal in this study because they regulate the banking sectors of the world's most systematically important economies. Other responses that include financial policies for borrowers, financial policies for banks, external policies, and monetary policies have remained wide-reaching (Cavallino, 2020). Although critics are alarmed, as some of these policies have come at the cost of increasing levels of debt, but the fact that central banks have acted as the first line of defense cannot be denied.

2.4 Research gap

Multi-faceted implications of the coronavirus crisis have evolved potential conflict between local communities and the government into a question of urgency. In addition to protecting their capital and supporting those clients who have a higher repayment capacity, the central banks also want to contribute to their humanitarian efforts in the midst of this pandemic (Lentner, 2017).

Developed as a set of tools, stakeholder analysis has different purposes in the field of implementing policy. Information guarded against a stakeholder analysis can be employed to

comprehend that have policies are developed (Zulen, 2019). This information can also facilitate the specific design of projects and their potential congruency with institutional and organizational objectives. Stakeholder analysis has a broad scope because there is a varied range of factors and any policy developed for large-scale implementation needs a proper examination especially when the context of policy is highly complex and the policy direction is defined by the financial crisis.

Effective interaction with the stakeholders needs a comprehension of the context and the prevalent culture. In many developing countries, the cultural and ethnic affiliations can put pressure on national policymakers and politicians (Mayne, 2018). In pursuit of minimizing individual biases, policymakers ought to develop a highly comprehensive picture and the stakeholder analysis can help in doing so.

Chapter 3

Theoretical framework and methodology

3.1 Theoretical framework

In pursuit of analyzing the relief measures and the economic development decision making as proposed, implemented, and monitored by the State Bank of Pakistan, this study strives to expound a model of stakeholder analysis for potential use among researchers and policy-making bodies. That the intended objective of these policies is to dampen the effects of COVID-19 so that the economy is strengthened or has a chance of revitalization when it is on the path to recovery. It is important to comprehend the significance of stakeholders in such analyses because stakeholders are better able to compare the current situation with the desired situation. At the same time, stakeholders can propose how they intend to address any gaps, which may be the drivers behind economic ineffectiveness. A stakeholder record will be devised to assess and analyze the constituent financial environment. The elements of urgency, power, level of interest, and the righteousness of response will be the main area of focus. The strategic management of some of the interest groups, for instance, small and medium enterprises (SMEs), commercial banks, microfinance banks, workers and employees of businesses, exporters and importers, households, and the health sector by the SBP will be critically probed into, by virtue of this research. Specifically, the case outcome of SMEs will be explained so that how economic relief policies are determined, can be comprehended. Another perspective of this study is that most of the time, economic policies involve a relatively higher level of political consideration, which goes beyond the mere concerns of those groups who require the relief measures. A business environment that is conducive to growth is only possible when the objectives of the business community and the sitting government are in harmony with each other (Hryckiewicz, 2014). Relief measures from a central

state institution during the pandemic have a direct effect on the public's quality of life, therefore a stakeholder analysis, in this case, is imperative.

Many researchers emphasize that the significance of concerned stakeholders has to be stressed upon in policy response along with its subsequent analysis (Zulen, 2019). Commonly observed, it can be seen that the policymakers or the authorities at central banks, in this case, are agnostic to the role of the client (Vining, 2005). This implies that it does not matter to the policymakers from where the valued choices emerge. For mitigating the effects of a financial crisis, it is important to pay special attention to a stronger client orientation (Jenkins-Smith, 1993). In this regard, a policy analysis might as well be known as policy research or may be treated like one.

3.2 Methodology

Research design of this study hinges on qualitative analysis based on both primary and secondary sources of data. Methodically, for primary data collection, unstructured and open-ended questions were asked from respondents associated with distinct stakeholder bodies through email and social media handles, i.e. LinkedIn. For secondary data, reports and documents from concerned departments and authorized entities were consulted and analyzed.

Data (primary) was collected from three stakeholder bodies, policymakers and regulators, commercial banks, and businesses. Selection criteria for each stage of the study has been properly established and explicated in extensive detail in the later section. Purposive sampling, for inclusion of information in the synthesis, has been done until saturation point was reached.

After an in-depth review of the policies, existing research led this study to identify a newfound significance of stakeholders' groups and their coordinated efforts to avoid economic collapses. Amidst the pandemic, many businesses backfired mainly because of the fact that inadequate thought was paid to the stakeholders in decision-making. There are many measures in place to embrace a stakeholder perspective, which is broader in nature, and this proves to be vital

at a time when people in third world economics lack access to credit and proper healthcare (Sarkar, 2020). The conflicting priorities amongst various groups of stakeholders paves the way for stakeholder analysis that facilitates the policy processes. The needs, interests, or *stake* of all those segments on whom the policy has a direct or indirect effect has been incorporated. Rewriting the rules of governance and policymaking, the pandemic has indirectly identified all those individuals, groups, or entities who have been impacted positively or adversely by its effects (Hitt, 2020). Until date, negotiation and cooperation with the stakeholders has also required the identification of resource people within these groups who have acted as legitimate and appropriate representatives of their respective stakeholder group. Their group members have explicitly entrusted these individuals with the responsibility of advocating the interests of their group members within the policy environment. There are many community representatives who also provide a wealth of helpful insight into the settings of their respective localities thereby acting as primary conduits for the timely and formal dissemination of the information related to policies and their implementation (Cadogan, 2021).

Three groups of stakeholders, namely, policymakers and regulators, commercial banks, and businesses were identified for analyzing the effectiveness of policy instruments in place. The rationale behind this identification has multifarious facets. The taut connection between business and society has also been brought home by the pandemic, which was previously not being reviewed or looked into appropriately. This connection has led all the involved personnel to initiate enquiry into the risks that sprang up from societal problems (Malik, 2020).

The main preoccupation of policymakers and regulators was financial stability and to inject liquidity in the economy. Together, the government and State Bank of Pakistan worked together to provide support for an efficient cash flow and guaranteed loans at low interest rates to support businesses. This group was also involved in the timely assessment of the ground realities and was

obliged to spend huge sums on households or individuals in pursuit of poverty alleviation. The voice of this stakeholder group was also necessary to implore if it has been well informed by the expectations and opinions of masses. The issues that gravely mattered to general public and how best can they be facilitated can only be known after integrating discourse from individuals, firms, and financial markets.

As a stakeholder group, commercial banks are also significant in their operations because the impact of central bank's measures can only be gauged by the response of commercial banks. All those businesses which can be categorized as risk-prone but were the most vulnerable had to be facilitated by the commercial banks through the extension of small and particularly, noncollateralized loans. To flatten the pandemic curve, major portion of the government stimulus packages had fallen to the commercial banks. To demonstrate efficient banking during the crisis and holding off on the severances, commercial banks were obliged to show their value as a facilitator for the businesses and their customers.

The recently emerging stakeholder-focused corporations have created stronger ties with many societal segments. Following suit, businesses and SMEs have also embraced a stakeholder perspective, which is broader in nature. The surge in layoffs was inescapable and all those companies whose financial viability was at stake decided to downsize their workforce. Ahead of compulsory lockdowns and closure of operations for particularly safety reasons, businesses also had to face conflicting stakeholder priorities. Questions presented in front of the stakeholder groups for acquiring information are attached in Annexure A.

3.2.1 Comparison of policy responses from South Asian central banks (Lower middle income group)

This study will trace and compare the process of monetary and fiscal policy implementation in the group of lower middle-income countries based on availability of data. Primarily, the

similarities in social structure, health care availability, and demography that are major factors driving the impact of these measures are considered for the comparison (McKibbin, 2020). Central banks of these countries are well suited for this comparative study because a certain level of homogeneity is found among different factors in these banks. These factors include the economic impact of COVID-19, undertakings of the banks to relieve the public and businesses, and the policy responses, which have announced time to time since the pandemic hit the globe. In this regard, the content analysis will strive to provide a systematic and objective means to make valid inferences from the implemented policies so that specific phenomena can be described. The aim of this content analysis is to compare the policies introduced by the central banks of the lower middle-income countries to alleviate the effects of COVID-19.

The situational analysis derived from various schemes introduced by the State Bank of Pakistan reflects that the central government has been susceptible to the government and the political climate of the country. Like all the other sectors, the banking sector has always been susceptible to political influence. An internal and external analysis can be helpful to evaluate the currently employed system and then introduce the needed modifications.

3.2.2 Stakeholder analysis

After focusing on the system of human activity, which has to be analyzed, all the actors will be identified in the study. Consequently, the initial characterization of all the stakeholders will be done and the specific problem, which has to be discussed, will be formulated. Different issues and goals with respect to all the stakeholders will be the center of focus. The power differences between various stakeholders, the description of the level of interest concerning the problem at hand, and the identification of different material and non-material resources, which are possessed, by the stakeholders to deploy for the solution of the problem are some of the issues which are of primary importance in stakeholder analysis.

Central bankers and small and medium enterprises (SMEs) are two stakeholders that have high stakes in the entire process. The current governmental laws and political implications of an economy can help determine the policies introduced by the central bankers. At the same time, the effect of these policies on consumers, retailers, manufacturers, corporate businesses, and SMEs can also be assessed from the stakeholder analysis.

Chapter 4

Review of the policy

If tried and tested public health outbreak responses are focused on, the governments of lower middle-income countries are able to contain the effects of COVID-19. There was a rapid implementation of social distancing, quarantine, isolation, and community containment measures shortly after the spread of COVID-19. In the case of resource-limited regions, there should be an association of mortality rates with the availability of health-care resources. The strengthening of public health systems is only possible if the goals of governments are aligned with the operations of all the central institutions of an economy. The significant economic consequences that are a result of COVID-19 have instigated questions that strive to assess the depth and persistence of the supply disruption. The effects on the aggregate demand and the appropriateness of monetary policy response are examined. At the same time, fiscal policy and other relief packages are also the center of many heated debates. It is useful to work out the macroeconomic implications of the lower middle income countries and for this purpose, the policies designed and implemented by the central banks of these countries will be reviewed in depth: Pakistan, Bhutan, India, Sri Lanka, and Bangladesh.

4.1 Policy Selection

The responses by the central bank of Pakistan to mitigate the adverse effects of COVID19 have been identified and selected as policy measures in an attempt to examine the epidemiological evolution and extensive socio-economic impacts of the pandemic. During the first five months of the pandemic, multi-faceted responses by South-Asian governments have also highlighted the vulnerability factors and divergent challenges of the region. Low social protection coverage, stark and blatant deficiencies in the health preparedness, and acutely high levels of informality in the region also increased the poverty gap, pushing millions more below the poverty line (Chohan,

2020). Surprisingly, there was also a dramatic increase in the external demand for a wide basket of goods and services, which resulted in a rather more severe impact on South Asian economies. Following course, the government of Pakistan also introduced a spectrum of robust programs that yielded encouraging results (Mangi, 2020). Primarily, monetary and fiscal policies for the potential protection of employment level and businesses were set in motion. To effectively cope with any potential internal and external shocks, opportunities remain irrespective of the robust policies and protection measures launched by the government of Pakistan and central institutions. The adoption of a diverse set of monetary and fiscal policies by the State Bank of Pakistan was intended to curb the crisis's effects on various segments of the economy.

The global economy was purposefully put into an induced coma shortly after the deadly effects of COVID-19 surfaced. Specifically, to avoid a large-scale public health atrocity, explicit policy choices led to an unusual recession. In this scenario, the actions of central banks caught the limelight mainly because of swift interest rate cuts and mobilization of financial resources as fast as they could (Cavallino, 2020). The measures devised and implemented by the central banks surpassed all the central authorities in Pakistan as well and much of the society looked up to central banks as the front line saviors. In many countries, central banks restored financial stability largely given the magnitude of the economic shocks. The selection of policy measures for potential analysis in this research can be accounted to several reasons. Primarily, the administration of largescale measures by the central banks could lead to the creation of an overlap between fiscal and monetary policies. Optimal outcomes as a consequence of this overlap is also dependent on a surfeit of other factors that might be independent of the limits to these policies. However, central bank credibility and the safeguard of fiscal sustainability would remain decidedly uncertain if policy intervention does not incorporate stakeholder analysis at all stages of implementation and evaluation.

4.2 State Bank of Pakistan's response

Maintaining a tight monetary stance, the State Bank of Pakistan has been keenly aware and is tracing the near-halted economic activities in the country. The aggregate demand pressures were expected to be toned-down by the stabilization measures designed under the 39-month Extended Fund Facility (EFF) arrangement (Asghar, 2020). Pakistan had entered in this arrangement with the IMF in July of 2019. The COVID-19 crisis led the country under a partial lockdown that closed businesses and disrupted the domestic supply chains. This had a momentous impact on the wholesale and retail characteristics of trade as well as of transport. The largest sections of the sector were also greatly affected by the lockdown. Due to labor intensity, the main industrial sector of the country, apparel, and textiles were enormously exposed to the negative implications of COVID-19 (Shafi, 2020).

In this midst of this all, the State Bank of Pakistan strived to dampen the expectations of inflationary nature by keeping the interest rate at 13.25% (Sareen, 2020). Since then, the policy rate has been cut at regular intervals. Policies were announced to permit the streamlining and reorganization of the debt obligations. This also increased the pool of loanable funds associated with banks. State Bank of Pakistan announced a wide spectrum of concrete measures. The monetary policy committee announced a reduction of 2.25% in the benchmark interest rate (Mustansir, 2020). The notifications issued in March announced that the State Bank would provide refinancing opportunities so that cheap product is provided to the exporters. The period for the realization of exports was also increased from 180 days to 270 days and the period for imported goods against advance payment was increased from 120 days to 210 days. In collaboration with the Pakistan Banks Association, the State Bank of Pakistan also announced a relief package in the intended assets of this package was targeted towards households and businesses primarily. SBP

and PBA have collectively made funds available to households and businesses with poor financial health.

The government of Pakistan introduced a 1.3 trillion package through new financial schemes. The scope of existing refinancing facilities was expanded by the central bank. To sustain economic activity and to sternly maintain the soundness of banking system, the capital conservation was reduced. Furthermore, the debt burden ratio was relaxed for the consumption body and for small and medium enterprises; the regulatory limit on the extension of credit was also increased. All those borrowers who requested relief, which crossed the boundaries of principal payment, were facilitated and the regulatory criterion for restructured loans was relaxed. For the commercial banks, the State Bank of Pakistan introduced mandatory targets for the commercial banks so that loans could be ensured for the construction activities.

4.3 Susceptibility of SBP to government

The collective behavior of individuals within an organization is described by the conditions of governance and this behavior significantly influences the stakeholders. It is established by research that governance has an instrumental role to play in the structuring of central banks. The strategy of a central bank to meet its short and long-term objectives is overseen by the government and the lower middle-income countries are no exception to this (Goodhart, 2018). Any adherence to legislation, the compliance with the pre-determined rules and the resulting operational effectiveness is reflective of the role of a country's political climate on the central banking of a country.

Theoretically, it is ascertained that when an economy uses public money the resulting product, which is in the form of services, should be of value (Hur, 2020). The goals that are harmonious with value services can be supervised and described by the level and quality of governance. The three key factors that essentially comprise public value include trust, services,

and outcomes. Firstly, in the times of economic downturn, the public requires from a central bank specific abilities and operational efficiencies. A central bank's ability to sustain its operations over time and the public's trust in the stability of the national currency in times of crisis is an obligation. There is a close linkage among trust and disclosure, transparency, and accountability. Secondly, the appropriateness of service delivery that can meet the objectives of all kinds of policy decisions can also contribute to public value. Thirdly, in the case of a central bank, the outcomes are along the lines of financial and monetary stability. Besides this, an efficiency in various payment systems is an expected and intended outcome as well. In the wake of the pandemic, these three key factors need to be dealt with utmost care, considering that the economy is already lacking effective management and oversight.

In a lot of developing countries, IMF programs are introduced and these programs set the annual targets for the economies. Across the globe, a considerable level of structural variation can be found in the functioning schematics of central banks. It has been suggested that in case of lower middle-income countries or small economies, better outcomes are materialized when central banks are associated with, or are monitored by some checks and balances in the political realm. Thus, the efficacious independence of a central bank can only surface through an economic and policy analysis that exudes good quality. The mandate to preserve price stability has been extended to central banks in many countries. Price stability is regarded as the primary or single objective and to achieve this, it is apparently considered that short or medium term political deliberations do not interfere with the central bank operations. Literature on central banking policymaking and operations reveals that autonomy is granted to the institution from the government, which in turn translates to accountability to the public at large. Efficiency of monetary policy and the shaping of inflationary expectations is conceivable if there is a distinct division of accountabilities between the government, Ministry of Finance, and the central bank in most world economies. Even so, in

times of economic and social crises, importance is attached to appropriate coordination and cooperation between the governmental departments and the central bank.

4.3.1 Developmental role of the central bank

Provision of a stable monetary environment is one of the most important contributions that a central bank can make. In developing and industrialized economies, central banks are most often at the focal point of resources and make conscious efforts to concentrate their activities on the intricate margins of this principle. The development of capabilities in the financial sector has also been brought upon by the central banks (Epstein, 2013). COVID-19 has depicted that such an institution, if shoulders too many tasks at a single instance, economic agents and other stakeholders may lose clarity of the main incentives in the process.

4.3.2 Clarity between objectives and framework

In economies where central banks, fiscal authorities, and other financial or non-financial institutions along with development sectors work in coordination, there must be a distinction between different objectives and frameworks of operations (Nicolay, 2019). This can lead to a conducive environment for a more fruitful dialogue.

4.3.3 Macroeconomic challenges

Because of unprecedented shocks, the dependence on import commodities can be greatly affected in low-income countries (Rashid, 2020). Stabilization of output may pose as a huge challenge because of rapidly changing demand, output, and levels of governmental revenues (McKibbin, 2020). Central banks may also be subjected to political pressures if the newly implemented monetary policy has nearly permanent or permanent effects on real variables. This is driven by market imperfections of related nature, which have been observed in the current crisis. Highly well considered and executed governance arrangements regarding macroeconomic policy may also be tested in a similar landscape.

4.3.4 Coordination between monetary and fiscal policy aspects

Central bank's susceptibility to the government or any negative impacts on its autonomy can be avoided if the fiscal authorities know the policy actions of central banks. The formal analytical model might prove helpful to anticipate the monetary policy responses and devise an appropriate fiscal policy action plan. Thus, central bank can maintain its objective of price stability and take the advantage of acting as the first mover with the warranty of coordination between the monetary and fiscal policy measures. Through assisting each other, central bank and the government can institute a cordial culture to tackle a myriad of challenges and allow sustainable economic growth.

4.4 Key features of the economies under consideration

In the developing countries, the economic consequences of the COVID-19 have been severe. Households had limited access to credit and they could not hold higher level of savings or stock. Workers in those occupations and industries had to oblige with the policies of social distancing therefore mobility and economic activity were severely restricted. In the case of this global crisis, the support from numerous social networks was also limited as everyone experienced a simultaneous shock and as a direct consequence of this, the compliance with the public health guidelines encouraged from the pockets of the general population. This cost was a significant portion of their available income. On a larger scale, firms faced liquidity constraints in their ability to keep paying their employees during the pandemic. In the lower middle-income countries, the need for government intervention through a projection of central banking grew with time (Rashid, 2020). A review of the policies in the lower middle-income countries have established that these programs ought to be less effective. A very large share of workers is located in those employment categories that are highly difficult to insured against the risks posed by the pandemic. Numerous employees work for unregistered businesses that are not able to provide appropriate contribution

to the social insurance programs (Shabbir, 2020). In spite of the notion that lower middle-income countries can build on a large existing social assistant network, the mechanism to provide emergency relief to households, businesses, and firms is not properly monitored.

4.5 Central banks' policies of the economies under consideration

In South Asian economies, progressive informality, a sheer absence of comprehensive social protection and an inadequate public health infrastructure severely affected the livelihood for millions of people (Upadhaya, 2020). During the last decade, the development gains that were made in the region were again exposed to many aspects of vulnerability. In South Asia, the lack of investments in human development and an acute level of economic inequality extruded many people from the growth process affected the resilience of the region to nationwide crises. All the South Asian governments undertook immediate response measures to contain the pandemic whereby fiscal policy acted as the main apparatus to bolster recovery (Islam, 2020). As per the thematic analysis of the policy measures implemented by South Asian governments, the instruments of fiscal policy included stimulus packages, tax breaks, income support, and concessional lending to many societal segments that were affected including businesses. For needy people, the governments set up social security funds, which was a step towards comprehensive social protection system, but an overview of the outcomes established that these did not align with the basic goals of social protection coverage in essence.

To address the challenges of the pandemic, South Asian economies did not have unlimited monetary and fiscal space due to the already existing elevated levels and high deficits. The low level of preparedness also exposed many development gaps, which resulted in widespread job losses in the wake of lockdowns and other restrictive measures. All the countries framed a robust case for debt relief at the regional level and the lack of an all-inclusive growth product trajectory

created the risk of nationalist and protectionist policies, which can also render economies heavily reliant on international aid (Sharma, 2020).

Harmonious with the fiscal policies, central banks adopted forceful and swift actions that were customized to the explicit nature of the challenges. It was observed that the role of central banks saw a significant evolution. Previously, only being regarded as the lenders of last resort, the pandemic led the central banks to provide funds and assistance to the private sector. Interventionist strategies in the financial markets were introduced from exacerbating the damage. In-depth review of the policy documents from the central banks in South Asia elucidated that these institutions restored confidence in the public to the greatest extent possible and made fruitful attempts to stabilize the financial system. Collectively, the firms and households were the major bearers of the brunt of the shock that directs this research to scrutinize the evolving landscape of the central banks. With the rapid deterioration of financial conditions, there was a formation of a perilous line of defense by the central banks to prevent market dysfunction. Keeping the smooth flow of credit to households and firms along with maintenance of financial stability, the central banks cut down interest rate forcefully while implementing an extensive range of

	Policy measures to enhance liquidity			
	Flexibility in loans	Increase in liquidity	Credit Provision to SMEs	Lower Reserve Requirements
Bangladesh Bank	✓	✓	✓	✓
Royal Monetary Authority of Bhutan	✓	✓	✓	✓
Reserve Bank of India	✓	✓	✓	✓
State Bank of Pakistan	✓	✓	✓	✓
Central Bank of Sri Lanka	✓	✓	✓	✓

Table 1 Policy measures for liquidity enhancement

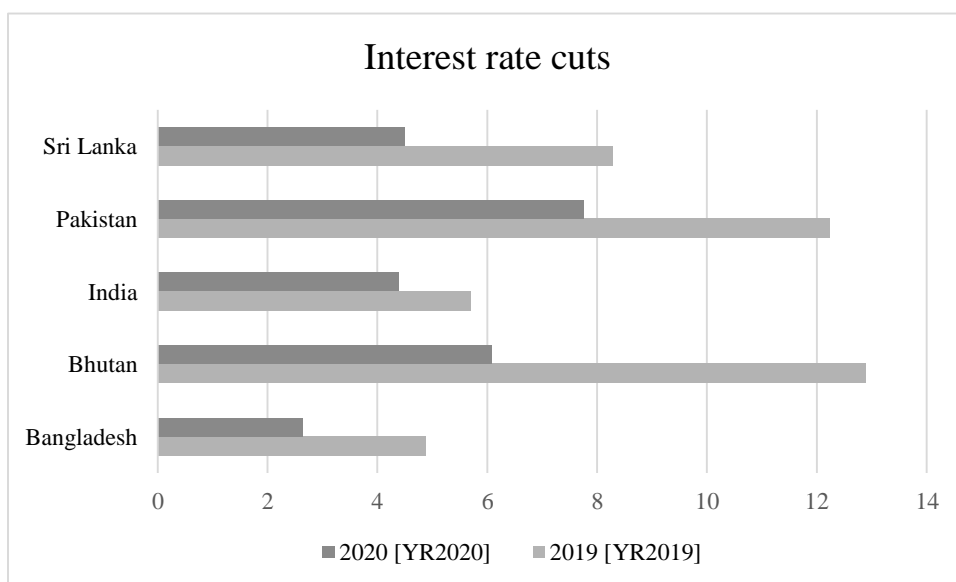
measures that targeted a lot of market segments. The goals of central banks, strategies in the midst of crisis management, and most particularly, the proximate objectives need a close examination to ensure complete responsibility of the central bank for monetary policies.

	Policies adopted by central banks			
	Reduction in interest rate	Debt Relief Schemes	Ease of Working Capital	Refinance Facilities
Bangladesh Bank	✓	✓		✓
Royal Monetary Authority of Bhutan	✓	✓	✓	✓
Reserve Bank of India	✓		✓	✓
State Bank of Pakistan	✓	✓	✓	✓
Central Bank of Sri Lanka	✓	✓	✓	✓

Table 2 Policies adopted by central banks

4.5.1 Interest rate

Quintessentially, the first line of defense in this scenario is short-term interest rate. Policy rates exhibit a tendency to have a wide reach as these can influence the cost of funds for the entirety of financial system in an economy. In times of financial uncertainty, changes in the short-term interest rate can also send poignant signals and boost up confidence of the investor community. Taking into account the fact that there is a huge variation in shocks and institutions of different economies, cut in interest rates are strategies that may be interpreted as far from universal. However, the expectations of future interest rates are already being steered as an increasingly significant agenda item of the central banks. Reduction of interest rates on a wide spectrum of financial products and instruments was helpful in the provision of immediate cash flow to businesses and households. There was an increase in the incentive for consumption and investment, possible by the lowering of interest rates to support economic activity.



Source: World Bank

Figure Interest rate cuts in selected economies of South Asia

The magnitude of change of decline in the interest rates of central banks under consideration have mostly proved successful in terms of injecting sufficient liquidity in the South Asian economies while ensuring stability.

4.5.2 Lending to financial institutions

The reduction in policy rates ensued in lower interest rates on the lending facilities that were offered by the central banks. Particularly, this important channel was pragmatic during the peak of the crisis when central banks were in the process of providing big amounts of funding to various financial systems. To support funding in certain market segments, customization of targeted lending operations was done. This set of tool was also inclusive of repurchase operations and the term at which various financial institutions could borrow through these operations was lengthened. The expansion of lending procedures included the launch of new term schemes. The significance of newly launched schemes was chiefly witnessed during the pandemic, as literature suggests a comparatively low responsiveness of bank lending rates to a decline in a case where interest rates are already low. Long-term and low-cost funding to commercial banks and many

other financial intermediaries was involved as a crucial part of these operations. Specifically, to mitigate financial risks, security against collateral was proactively ensured by the authorized entities. From a policy lens, many associated features that intrinsically encouraged credit supply through banks in the economy are guaranteed to bring ease for businesses and small and medium sized enterprises, but the effectiveness of these features is primarily connected with ground realities.

4.5.3 Asset purchase and sale

In the form of another unconventional policy, many central banks in several emerging markets adopted asset purchase programs. These resulted in the prevention of domestic currency depreciation and the immediate effects substantially appeared positive. In long term, asset purchase programs can prove to be an additional tool in the potential achievement of goals of a central bank. Fulfillment of policy objectives and the timely diffusion of stress in financial markets along with the promotion of stability have found credible links with asset purchase programs. Thus, a continual evaluation of these policy measures is needed due to inherent risks that may lead to the weakening of institutional credibility and any unfortunate distortion of market dynamics. Whether an asset purchase program should be a part of a central bank's toolkit in times of crises or not, this calls for an in-depth analytical exploration in times to come.

4.5.4 Adjustment of regulations in long term

The latent design and wide-ranging implementation of regulatory policies by central banks is foreseeable in times of global crises and uncertainty. Central banks in the South Asian region have carefully directed policy measures towards achievement of legitimate goals, while simultaneously avoiding conflict of interest at various levels. The political landscape of key South Asian countries and susceptibility of central banks to their respective governments led regulators, legislators, and practitioners to a failure in meeting these objectives in an adequate manner. The

political backdrop, for instance, could tempt politicians and central office holders to use the country's banking system to acquire their stake and achieve all those social objectives that may be not possible through the budgetary channels. Through this alternate stream, the politicians' actions could also prejudice the soundness of banking system. Regulations and their adjustments from central banks also have prudent effects on the macro-economic policy. Analysis of central bank policies in the region has demonstrated that if regulations are escalated in regular intervals their impact can be moderated. Thus, commercial banks and other financial institutions can also be extended time to adjust to the new environment. Following the same line of approach, exploratory research is needed to certify if these short-term prudential regulations can be used as instruments of macroeconomic policy in the long term.

Amidst the pandemic, the behavior of banking sector has been dictated by regulations which were implemented by the central bank and other authorized entities. Rather than prudential, these measures can be categorized as quasi-fiscal as specific designated sectors were prioritized for assistance. The intent of achieving some social objectives created a particular type of policy making by the central banks. The prime example of controlling interest rates was driven by the goals of resource allocation. The fact that better handling of such developmental and social welfare policies is only possible through transparency also surfaced which paves the way for a careful review of supervisory and regulatory policies by the central banks.

In South Asian countries, the most common monetary policy tool has been the reduction of interest rates. Increased liquidity has also been observed as an intervention to provide financial relief to firms and households. To reduce levels of risk, central banks also guaranteed debt relief schemes and refinancing facilities to make sure monetary policies are efficient in reaching the economy. Additionally, governments in coordinated support from the central banks also induced

credit through alternative channels. Loans are flexible and the volume of lending is higher in the economies.

Chapter 5

Stakeholder analysis

The second wave of COVID-19 has highlighted the importance of stakeholders (Zulen, 2019). Amidst the pandemic, many businesses backfired mainly because of the fact that inadequate thought was paid to the stakeholders in decision-making (Asghar, 2020). There are expectations in place that stakeholder engagement and management will become an important factor in the foreseeable future (Hur, 2020). Through review of associated research, it has been established that those governmental entities, corporations and businesses that have embedded better considerations in terms of stake, turned out to be more resilient and relevant decision-making strategies have limited the unfavorable consequences in short term.

Globally, governments and by an extension – the taxpayers have been the sources of provision of relief in pursuit of avoiding economic collapses (Ennis, 2010). This has brought a rise in the expectations prevailing around business and corporate atmosphere. The pandemic has set in motion a time when the economy and various segments of the society have to confront a shock of unprecedented level. Following the afore-mentioned approach, the governmental entities are expected to consider each and every stakeholder as they strive to respond to the challenges. In the wake of the pandemic, effective stakeholder management will become extremely necessary for the businesses and corporations to operate in weakened policies of public finance, reduction in share buybacks, and a reduction in the compensation of workforce. Although there are many measures in place to embrace a stakeholder perspective which is broader in nature and this proves to be vital at a time when people in third world economics lack access to credit and proper healthcare (Sarkar, 2020). The expansion of social and financial benefits by governmental and private entities are proving to do wonders when there is a surge in layoffs and the financial viability is not materializing at large.

The conflicting priorities amongst various groups of stakeholders paves the way for stakeholder analysis which is used to facilitate the policy processes. This is done by incorporating the needs, interests, or *stake* of all those segments on whom the policy has a direct or indirect effect.

5.1 Purpose of stakeholder analysis

Rewriting the rules of governance and policymaking, the pandemic has indirectly identified all those individuals, groups, or entities who have been impacted positively or adversely by its effects (Hitt, 2020). All those individuals and groups who have been affected by the resulting policies and who have the innate potential to influence the policies are also identified as relevant stakeholders. Until date, negotiation and cooperation with the stakeholders has also required the identification of resource people within these groups who have acted as legitimate and appropriate representatives of their respective stakeholder group. Their group members have explicitly entrusted these individuals with the responsibility of advocating the interests of their group members within the policy environment. There are many community representatives who also provide a wealth of helpful insight into the settings of their respective localities thereby acting as primary conduits for the timely and formal dissemination of the information related to policies and their implementation (Cadogan, 2021). The pandemic has also displayed the significance of various stakeholders for the implemented policies to function in an appropriate manner, so that the affected communities can thrive and succeed over the long term. Many businesses and companies struggled in the face of COVID-19, because of the disappearance of their customers (Shafi, 2020). Many also saw their workforce being reduced to a minimal crew of essential employees. Many small and medium enterprises also had to grapple with unsustainable debt, supply chain disruptions and insufficient working capital to fund their operations efficaciously. The taut connection between business and society has also been brought home by the pandemic that was previously not being

reviewed or looked into appropriately. This connection has led all the involved personnel to initiate enquiry into the risks that sprang up from societal problems, which can be associated with large scale (Malik, 2020). The proponents of distinct shareholder models viewed these risks outside the purview of businesses and linked operations. However, now it has become essentially clear that business segment cannot disconnect itself from the society.

5.2 Identification of the stakeholders

5.2.1 Policymakers and regulators

This group of stakeholders was selected as the pandemic crisis transformed the prominence of their roles over a course of few months. The main preoccupation of this group was financial stability and to inject liquidity in the economy including maintenance of price stability, ensuring the stability of financial system, and financing governmental debt. Together, the government and State Bank of Pakistan worked together to provide support for an efficient cash flow and guaranteed loans at low interest rates to support businesses. This group was also involved in the timely assessment of the ground realities and was obliged to spend huge sums on households or individuals in pursuit of poverty alleviation. The economic shocks led policymakers to devise measures driven by structural forces that were beyond the control of monetary policy. Around the world, central banks have responded to the pandemic through deployment of a variety of monetary policy measures reflective of their own mandates, circumstances of the economy, and the conditions of their legal structures. State Bank of Pakistan, as a regulator and policymaker is identified as a crucial stakeholder due to its evolving role in the face of crises. The acceleration of digitization and its implications on growth, productivity, and labor market, measurement of price shocks and their impacts felt by consumers, and the anticipated loss of robustness in supply chains have been some of the concerns that could be explicated by the central bank. Whatever direction or measures policymakers devised and implemented had a direct effect on risk preferences,

consumer behavior, and structure of the economy in long term. The voice of this stakeholder group was also necessary to implore if it has been well informed by the expectations and opinions of masses. The issues that gravely mattered to public can only be identified and traced after integrating discourse from individuals, firms, and financial markets.

5.2.2 Commercial banks

In **post COVID-19**² revival of business and economic recovery, the role of commercial banks is very critical, as the financial soundness of economy is dependent on it. The ability of the commercial banks to respond to financial pressures in the midst of COVID-19 called for assessment and exploration as this group of stakeholders can offer all those responsive financial products and multi-faceted services that are direly needed in the midst of supply chain collapse and enterprise breakdown. It was observed by the existing studies that the disadvantaged were left much more vulnerable and even though the central bank implemented robust measures, the coordination of commercial banks with multiple segments of society was inevitable. As a stakeholder group, commercial banks are also significant in their operations because the impact of central bank's measures can only be gauged by the response of commercial banks. All those businesses which can be categorized as risk-prone but were the most vulnerable had to be facilitated by the commercial banks through the extension of small and particularly, non-collateralized loans. To flatten the pandemic curve, major portion of the government stimulus packages had fallen to the commercial banks. To demonstrate efficient banking during the crisis and holding off on the severances, commercial banks were obliged to show their value as a facilitator for the businesses and their customers. It should be ensured, however, that the approach of using a pre-assumed financial soundness should be free of systematic and operational errors.

² Post COVID-19: An umbrella term suggesting extraordinary challenges and transformed global dynamics after the breakthrough of novel coronavirus.

Under the patronage of central bank, commercial banks are anticipated to adopt the role of financial facilitators aggressively. This stakeholder group was identified as a major resource for the analysis given the history of commercial banks rescuing the economy in testing times.

5.2.3 Businesses

The recently emerging stakeholder-focused corporations have created stronger ties with many societal segments. Following suit, businesses and SMEs have also embraced a stakeholder perspective that is broader in nature. The surge in layoffs was inescapable and all those companies whose financial viability was at stake decided to downsize their workforce. Ahead of compulsory lockdowns and closure of operations for particularly safety reasons, businesses also had to face conflicting stakeholder priorities. In many cases, even the providers of indispensable goods and services also had trouble while coping with the economic shock. A separate package worth PKR 100 billion was announced just for SMEs, which constitute 90% of all enterprises in Pakistan.

Chapter 6

Results and discussion

6.1 Policymakers and regulators

6.1.1 Monetary policy objectives during COVID-19

In post COVID-19 period, the phase of swift monetary easing by the central bank was an inescapable consequence after the outbreak of covid-19 that led to knockdowns resulting in dramatic changes of the economic landscape. Both the demand and supply sides were affected by consumption behaviors, transportation restrictions, and border closures. An unprecedented policy response by the monetary authority was necessitated and being mindful of the COVID-19 impact on Pakistan's economy extra ordinary policy measures were implemented by State Bank in an attempt to protect households and businesses.

6.1.1.1 Coordination among different policymaking entities

A very important component of monetary policy processes after the outbreak of covid-19 was the coordination among policymaking entities. During FY20, State Bank of Pakistan continued to maintain close association with international financial institutions and the resulting policy interventions were targeted at sustainable macroeconomic stability. According to a respondent, “Policy response during the crisis has remained prudent as we had well-informed input from various entities.” During the last quarter of FY20, policy coordination among stakeholders remained a priority of the overall monetary policy strategy. The stakeholders were also cognizant about the alignment, discussion, and debate of policy initiatives among many significant internal stakeholders through the timely assistance of monetary and fiscal policies coordination board.

6.1.1.2 Effective policy communication

A well-articulated communication strategy was maintained throughout the crisis. This also matches with the existing literature on central banks' communication strategies and their potential success. Firstly, the monetary policy statement was restructured. One of the respondents comprehensively mentioned the welcomed changes in the monetary policy statement. It was remarked, "Previously, it was just a comprehensive declaration of all the facts and policy measures that were debated and discussed in the monetary policy meetings, but the latter documents were structured in a distinct manner." The respondent continued to comment on the enrichment of the monetary policy statement, "Since July 2019, monetary policy statements are inclusive of the expectations from different markets and also exhibit a tendency to educate concerned stakeholders about the policies anticipated outcomes. This assisted in the generation of constructive debate on key economic issues." After each monetary policy meeting, the relevant personnel initiated lengthened sessions with practitioners and market researchers so a discussion about the background of policy and its anticipated or un-anticipated implications could be ensued. Stakeholders who were associated with the broadcast and transmission of the policy measures including electronic and print media, academia, and other business representatives also held frequent interactions with policymakers. As a direct consequence, forward guidance linked with the stance of monetary policy secured market expectations.

6.1.1.3 Strengthened formulation of monetary policy

Features relevant to the economy of Pakistan, already existing models of forecasting ability were enhanced so that the committees associated with monetary policies and operations could be provided with the necessary and regular input. The enhancement of these models enables the institution to forecast the forward paths of macroeconomic variables in quest of an efficacious analysis of policy scenario.

6.1.2 Institutional role of State Bank of Pakistan

With an improvement brought about from the above-mentioned measures, State Bank of Pakistan's ability to manage inflation and anchor expectations about inflation is enhanced. This can also be denoted from the historic borrowing of Government of Pakistan from the central bank. Soon after, implementation of monetary policy was diluted in nature and therefore, expectations relevant to inflation were not easily managed. After the crisis, there has been an End to Debt Monetization strategy that has potential to mend practices revolving around debt management. Simultaneously, the all-time necessary fiscal reforms can also be undertaken as an offshoot of this strategy. It is awaited that the stride of fiscal reforms in Pakistan will also gradually improve in the coming quarters. Quoting a respondent, it can be reinstated that monetary policy is being treated as vital tool for dealing with economic issues. "By virtue of formulation and implementation of the monetary policy, central banks are particularly authorized to control inflation in the economy. In the last few quarters, authorities in the central bank have strengthened this provide for this mandate."

Thus, it can be specified that the autonomy of State Bank of Pakistan has room for further strengthening. This paves the way for a particular mannerism for latent institutionalization of monetary policy.

6.1.3 Cooperation with key stakeholders

Verification of stakeholder eligibility and the identification of wrong exclusions was continued throughout the pandemic, specifically, during the extended lockdown arrangements. There was a timely and fruitful communication and engagement with key stakeholders. The main themes of communication shed light on roles of all the concerned departments, rights and responsibilities of the societal segments, mechanisms of complaints, evaluation and eligibility

criteria. The incorporation of many crucial demographics and dimensions was obligatory which resulted in inclusive communication, thus easing the access to information. A respondent combed through the details of dialogues that are being conducted among various stakeholders on a regular basis, “Embarking upon the root causes and consequences of the novel coronavirus, an all-inclusive social dialogue was steered. This dialogue assisted the extraction of operative and efficient feedback from vital constituents.” When asked about the objectives of this dialogue, the respondent mentioned, “The objective in short term was health crisis mitigation while addressing obstacles of regulatory and procedural nature, while in long term the goals were along the lines to diminish the grave economic impacts through policy instruments.” These objectives are harmonious with the current scenario of emergency alleviation of the pandemic and formation of a path of economic recovery in the medium to long term. All key stakeholders were extended awareness through a number of measures introduced by central bank to work in cohesion to bring limitations in effects of crisis.

6.1.4 Policy rate cuts

State Bank of Pakistan cut its policy rate by 625 cumulative basis points in a short span of time and according to a news article, emerged as the most aggressive central bank globally (Mangi, 2020). Creating unique challenges for the monetary policy due to temporary yet striking disruption of economic activity, the pandemic has non-economic origins which weakened various sectors of the economy and society. Interviews from policymaking personnel and secondary analysis revealed laid bare the budding reasons behind policy rate cuts. Due to lockdowns, the near to medium term falls in the economic activity was unavoidable and at the same time, quantitative easing of monetary policy was unable to impact transmission of the virus. Yet, it was aimed that households and businesses would be provided support through liquidity. The underlying aim was to help these entities to navigate through a stringent phase of disrupted economic activity.

Analyzing the interviews, it was found that financial expert opinion argues for further room where policy rate cuts are concerned. It was commented by one of the respondents, “This kind of unprecedented interest rate cuts has the potential to bring about a considerable reduction in Pakistan’s debt burden as well.” Due to assorted lockdown effects, expected inflation in the future may decline further, therefore bringing down interest rate could improve economic outlook. According to another respondent, “As you can anticipate from the monetary policy statements, there is an indication of improvement in business confidence and growth outlook.” The respondent continued to highlight the improved outlook of inflation and stated, “This decision was taken ahead of an improved outlook of inflation at the intersection of a risk management point of view. The timely and opportune benefits of reductions in the interest rate were also passed on to households and businesses.” Reactions from many interviewees delineated that in light of pandemic and falling rates of inflation, State Bank of Pakistan can reduce the policy rate even more. When asked about the public sector sentiment about this policy instrument, a respondent said, “It has been taken as a surprising yet a welcome move. Most particularly, the impact was to be passed on borrowers of loan and this step is expected to bid well for the growth prospects of Pakistan’s economy.” For the next half of the fiscal year, the trajectory of inflation outspreads a cushion for further cuts in the interest rate. The view was supported harmoniously by the resource persons and regarded interest rate cuts as a necessary response for the endowment of speedy liquidity to businesses and households while being mindful of containing unemployment.

6.1.5 Provision of opportunities to the private sector

Credit provision to the private sector has remained boosted as a monetary policy measure. One of the respondents commented, “A slow comeback is being observed from the private sector and although lending to firms and businesses seem flattened, industrial activity has improved through slashing of interest rates.” Another banking sector official remarked, “As a result of

lockdowns induced by COVID-19, business activity in the private sector appears muted in the first quarter of FY21 but a long term financing facility by the State Bank of Pakistan can make arrangements for a respite to businesses.”

Respondents were confident about the policy initiatives launched by this institution and specifically mentioned the pickup in demand of financing under Temporary Economic Refinancing Facility (TERF).

6.1.6 Translation of SBP’s policy instruments into commercial banks’ activities

It has been noted that personnel from the central bank are assured about the policy instruments’ effectiveness through the activities of commercial banks. As stated by one of the respondents, “There is a hope the government firmly adheres to its commitment and does not resume borrowing from the central bank. Only then funds can be mobilized through the commercial banks in an efficient manner.”

6.2 Commercial banks

COVID-19 posed a vast range of diverse challenges in Pakistan. Under the canopy of State Bank of Pakistan, commercial banks were projected to play a pivotal role so that urgently needed financial products and services could be offered in the midst of the pandemic. In Pakistan, the disadvantaged were left vulnerable due to business breakdown and a rather unfortunate failure of supply chains. Although State Bank of Pakistan devised and implemented efficient measures for the maintenance of liquidity in the economy, but without due cooperation of commercial banks, sufficiency could not be achieved. Commercial banks’ response to the call for lending to various businesses drive the measures implemented by State Bank of Pakistan. All those businesses that faced higher level of vulnerability in the face of pandemic and were risk-prone are included in this category. In the times of crisis, disadvantaged segments in the economy and society can be supported by the banking industry through the extension of soft loans. These loans may have small

and frequent installments that can assist those businesses that struggle with issues of access to finance and liquidity. Interviews from commercial banks agents revealed a downside of this policy measure. This downside was the inability of commercial banks to cater the request of non-creditworthy and risky clients in a time where uncertainty is already at its peak.

6.2.1 Prime activities of commercial banks

Commercial banks, in any economy play a crucial role through the conduction of prime activities such as offering financial services, taking deposits, or lending money. According to the branch manager of a commercial bank, “Our performance greatly depends on our exhibition of stability to fulfil the vital function of liquidity provision. If we continue to facilitate customers, the general outlook will improve and the measures from central bank will be smoothly translated through our activities.” Points of concern are raised in the event of fluctuation of commercial banks. Many economies prioritize sustainability in terms of finance rather than expansion and this is majorly because sustainable growth faces hindrances due to instability in developing economies.

6.2.2 Commercial banks as financial intermediaries

To investigate the financial soundness of commercial banks and for assessing efficient translation of Central Bank measures into the economy, personnel from commercial banks were identified as stakeholders and interviewed. It was asserted by one of the respondents, “Commercial banks are regarded as the financial intermediaries which operate from a dominant position.” Collectively the responses also demonstrated that the ability of commercial banks is an integral factor for the entire system. The facilitation of economy amidst the pandemic can be assessed by the soundness of commercial banks and the general narrative indicated that the current policy stance and response measures appear adequate in the event of dealing with liquidity stress.

6.2.3 Provision of concessional loans

A credit officer from a renowned commercial bank reported, “Under the State Bank of

Pakistan Refinance Scheme, many businesses and firms were facilitated with concessional loans. These businesses are under that category who proactively refrained their business models from downsizing of their employees and workers for 3 months.” Interest rate for these concessional loans was also nominal, fixed at 3%. This level of financial soundness and necessary instruments assured that commercial banks could play a central role in the potential uplifting of the economy.

In addition to debt and deposit repayments, fresh borrowing from businesses and customers through channels of commercial banking has also boosted liquidity in the economy.

6.2.4 Loan extension to businesses through commercial banks

Analysis of the interviews also denoted that under the Loan Extension and Restructuring Package of State Bank of Pakistan there has been an improvement in the businesses of their customers who have used the loans. In linear terms, it was reported that the improvement has been perceived largely. As opined by a respondent, “We fully facilitate our customers when they request financing for their businesses. In the event of request failure, underlying reasons are fully explored and most of the times, the requests do not fulfil the necessitated pre-requisites.” Following this approach, another respondent claimed, “During the pandemic, some exceptional cases have been identified and several business owners have been facilitated under the loan extension schemes.”

6.2.5 Commercial banks as conduits of central bank

Often acting as the conduits of central bank, commercial banks also have to implement their own measures in order to support customers and the economy. In agreement with the broader narrative, a respondent quoted it, “The schemes that have been developed in a narrow consultation with the government and other financial and non-financial institutions tend to have an enhanced success rate.” Commercial banks demonstrated a keenness and proactivity towards responsible

banking in the midst of this crisis. Support has been showed for the customers and efforts may be continued to warrant profitability in the long term.

6.2.6 Barriers to smooth activities of commercial banks

However, it was divulged in the interviews that businesses and customers face challenges while applying for loans and the challenges are inclusive of but not limited to financial illiteracy, short period of loan repayment, small loans, and other social problems. For this purpose, it may be noted that the approaches to use the schemes introduced by the central bank must be user friendly and void of any operational flaws when extended by the commercial banks. Due to a particular design of interest bearing borrowing and distinct demands of commercial banks for collateral impeded access to finance for many businesses and enterprises. Although, the State Bank of Pakistan has directed commercial banking sector to ease up the processes of loans and only collect interest payments for a few months, still this group reported that the enterprise sector did not take benefit of these measures at their fullest. The businesses and enterprises are still grappling with issues of liquidity, thus effective cost management and the curtailment of operating expenditures is a much-needed feature for the management of commercial banks.

6.3 Businesses

COVID-19 had a negative impact on many businesses in Pakistan. Initially, it was estimated that a slow-moving growth would be witnessed by the economy, specifically in the sectors of agriculture, manufacturing, and services. An increase in unemployment along with supply chain disruptions and a considerable decrease in governmental revenue was also foreseen. An irregular supply of raw materials, loss of revenue, and liquidity shortage to continue the business operations could be accounted for the distortions in supply chain.

6.3.1 Classification of businesses

The respondents classified their businesses to the sectors of construction, education, wholesale and retail, travel, and commerce. Majority of the respondents operated small sized businesses and their annual sales turnover fell within the range of 25-30 million. The average workforce also ranged from 20-25.

6.3.2 Impact on businesses

Due to the novel coronavirus outbreak, 97% of respondents reported that a reduction in their work activity and production was experienced. “During the last months, I have experienced a gross decline in the sales and profitability of my business, I fear going out of business”, quoted a business-owner. On an average basis, within the next year, some respondents expected that the number of employees working in their business would increase but the increase would not be considerable. The financing facility under the State Bank of Pakistan Refinance Scheme for the Payment of Wages and Salaries to Workers and Employees was availed by the businesses of few respondents. It was reported by them that they were able to claim the reimbursement after the financing was approved. The businesses who succeeded to avail this facility ensured the due availability of funds for their disposal when they certified prevention of layoffs of their workers or employees. The development of majority of these businesses declined to some extent in the wake of COVID-19. According to an interviewee, “The facility from the central bank was not offered to me by the commercial banks because of a poor track record.” The respondents were also asked about collateral requirements to which they explicated that in case of low quality collateral, the commercial banks posed reluctance towards loan facilitation. The elements, which posed as the biggest hurdles in the business environment according to the respondents, included issues associated with access to finance, business permits, electricity, water and gas shortages, inventory issues, transportation, tax rates, imports and exports, and an inadequately educated workforce.

Some businesses informed that financial issues along with marketing hurdles also caused issues in smooth operations. Businesses were also asked to enlist reasons of not applying for the State Bank of Pakistan's Refinance Facility, to which a myriad of motives and causes appeared.

6.3.3 Requirement of governmental support from the businesses

Some of the major areas in which respondents required support from the authorized stakeholders, particularly the central bank included financing of business, laxation in taxes, support in rental cost of businesses and utility bills, support in wages, facilitation in export, infrastructural support, and simplification of procedures. As mentioned by a respondent, "There should be a continuity of loan extension on even lower interest rates. Access to finance maybe improved but due to a lack of effective policy practices from the commercial banks, potential of a lot of businesses is not optimally exploited." Secondly, the respondents also required and hinted towards relaxation of already existing loan payments and provision of timely grants. Currently implemented regulations also seemed testing to some of the respondents and they identified a necessity of amendments in these regulations.

6.3.4 Identification of key governmental interventions necessitated by businesses

The respondents also identified some key interventions where they wanted pro-active government assistance. The respondents presented the provision of interest free loans and special grants as a necessary step. It was suggested that the authorities should undertake this step. Respondents who identified difficulties understanding and interpreting regulatory measures stated that there must be helpdesks for SME facilitation in banks. On a linear scale, this was given vital importance, as businesses needed guidance regarding the intricacies of documentation and other associated procedures that are critical in obtaining loans. For running finance, respondents sought interest payment relaxation for nearly a quarter. Some respondents who were declared defaulters or debtors wanted extensive facilitation from the financial institutions and coveted opportunities

so they could continue to avail debt relief facilities. Loans to wholesale and retail stores were also demanded as this is a dynamic business sector and without credit supply, relevant personnel have no choice other than to cut down their business and lay off employees. Upgradation of existing fleet was also called for in the domain of transport sector. The vehicles that are already in use of these businesses from the travel and tourism sector do not comply international standards. In an attempt to support investment in the home finance, government is also expected to launch special packages for small and medium businesses.

Chapter 7

Conclusion

7.1 Conclusion

Across the globe, the outbreak of novel coronavirus resulted in unparalleled levels of economic suffering and uncertainty. In Pakistan, the distortions caused by an urgently needed lockdown were prospective towards a slowdown of growth in the near-term. Pre-COVID-19, the macroeconomic fundamentals in Pakistan were responding proactively and prudently. International financial institutions were continually supporting the economy and financial system maintained a sound position. After COVID-19 outbreak, economic activity came to a near-halt. Most of the country, as a measure of safety and health concerns, was under a partial lockdown. Disruptions in domestic supply chain and the untimely closure of non-essential businesses had a significant impact on some of the largest sub-sectors of economy. The main industrial sector of the country – apparel and textiles was exposed to the disruption brought about by COVID-19 due to issues associated with labor and workforce. The capacities in Pakistan's health sector were already strained which added to the problems.

From an economic perspective, the crisis added a high amount of strain on the country as the monetary and fiscal positions were already strained. The working population of Pakistan, in an untoward manner, features very high and alarming rates of informality. In late March, when the country went under a nearly full lockdown, endangerment of millions of livelihoods was anticipated and experienced. Thus, the government along with key institutions carried out actions at large scale so that ramifications of the crisis could be contained. Since then, numerous initiatives have been launched to target both the demand and supply side. The purpose of this research was to assess the response of central bank, State Bank of Pakistan and to analyze the engagement of stakeholders. Thus, after mapping monetary policy responses and reviewing the policies of central

banks in South Asian lower middle-income countries, stakeholders' groups were identified and interviewed to take note of the initiatives and outcomes. It has been found that the adoption of stringent tools by the central banks was inevitable by the economies in the region. Just like other countries, the economy of Pakistan was also intervened by the central bank through different monetary policy instruments, of which interest rate cuts was the most glaring. Central banks, having acquired an improved level of autonomy, can play a more pivotal role in the economy through different channels.

Through an insightful stakeholder analysis, it was detected that all the involved stakeholders' groups were engaged in a regular and fruitful communication that was well informed by the ground realities. The translation of measures devised and implemented by State Bank of Pakistan were smoothly translated into the activities of commercial banks. Businesses and SMEs, on a broader note, posed confidence in the government policies and comprehensively outlined problem areas.

The space – both monetary and fiscal –, which can ensure the success of policy instruments, introduced by the Government of Pakistan in general and the State Bank of Pakistan, is limited and is chiefly associated with the ground realities of various interest groups. Adaptation of these measures in the context of existing modalities and conditions also requires necessary infrastructure and the capabilities for gradual transformation of the economy. However, once the effects of pandemic subside, the economy can possibly resume operations along the path of smoother recovery.

7.2 Policy recommendations

1. Effectiveness of the central bank policy responses can only surface if operational responses are tailored for specific demographics and are equipped with a wide array of conventional and unconventional tools.
2. There is room for greater institutional analysis and improvement in political economy. Strategic and frequent usage of banking sector measures, thematic and subsector studies that are particularly diagnostic in nature, and deployment of other programmatic approaches can greatly assist the economy on path to recovery.
3. Institutional reform objectives specific to the central bank must be set out thus certifying room for potential corrections during implementing the measures. For instance, monetary policy can be availed as a broader and appropriate tool for correction at the macroeconomic level.
4. A central and accurate data repository can be beneficial for sound policy development, linking health system infrastructure and the banking sector for timely relief.
5. A multi-stakeholder response is preferable for spearheading the nation-wide response which includes immediate flow of information among masses.
6. Stakeholder attention should focus on the substantial design of assistance programs in the social sectors, after a thorough contemplation of the economy's fragmentary experiences in the management of COVID-19 pandemic.
7. A multi-level governance approach should be sought which strengthens all the involved stakeholders and sectors, and reaches out to the civil society for a timely mitigation of COVID-19 and its recurrence.

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Annexure A

Questionnaire – SBP COVID-19 Mitigation Policy Effectiveness (Policy and regulation)

The goal of this questionnaire is to gather information and opinions about State Bank of Pakistan COVID19 relief packages. The information gathered here will help the policy environment to acquire understanding about the effectiveness of the programs in place.

The respondent and the information obtained here will be held in the strictest confidentiality.

* Required

1. What has remained the actual objective function for monetary policy amidst the pandemic? *

2. Has the central bank been used by the government to conduct an anti-crisis economic policy? *

3. How effectively coordination and cooperation with key stakeholders was ensured? *

4. Do stakeholders view policy rate cuts as a key financial stability tool? *

Mark only one oval.

Yes

No

Other:

5. Were limitations on cash distribution to heavily infected areas considered? How? *

6. Is a low interest rate and the ongoing monetary policy stance appropriate to support potential recovery in the economy? *

7. Does interest rate easing effectively provide opportunities to the private sector through low-priced borrowing? *

8. How successfully are credit flows in financial markets being maintained through these rapid policy rate cuts? *

9. Can further lowering of interest rate bring about lucrative changes in the business climate for foreign investment? *

10. On a scale of 1-10, how would you rate speedy activation of commercial bank loans through lower interest rates?

Mark only one oval.

1	2	3	4	5	6	7	8	9	10
<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Questionnaire – SBP COVID-19 Mitigation Policy Effectiveness (Commercial Banks)

The goal of this questionnaire is to gather information and opinions about State Bank of Pakistan COVID-19 relief packages. The information gathered here will help the policy environment to acquire understanding about the effectiveness of the programs in place.

The respondent and the information obtained here will be held in the strictest confidentiality.

*** Required**

1. Under the Loan Extension and Restructuring Package of State Bank of Pakistan (Debt Relief Scheme), do you think there has been an improvement in businesses of your customers who use your loans? ** Mark only one oval.*

1	2	3	4	5		
Strongly	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	Strongly

2. If there has been an improvement, to what extent have the loans helped your customers improve their businesses? ** Mark only one oval.*

1	2	3	4	5		
Great extent	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	Very less extent

3. Do you think businesses or customers face any challenges while applying or using your loans? ***

Mark only one oval.

- Yes
 No

4. If yes, what are the challenges? ***

Mark only one oval.

- High interest rate
 - Small loans
 - Short period of repayment
 - Social problems
 - Financial illiteracy
 - Other:
-

5. In your opinion, is the interest rate charged high? *Mark only one oval.*

	1	2	3	4	5	
Strongly agree	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	Strongly disagree

6. Is loan repayment a smooth process? *

Mark only one oval.

- Yes
- No

Questionnaire – SBP COVID-19 Mitigation Policy Effectiveness (Businesses, SMEs)

The goal of this questionnaire is to gather information and opinions about State Bank of Pakistan COVID-19 relief packages. The information gathered here will help the policy environment to acquire understanding about the effectiveness of the programs in place.

The respondent and the information obtained here will be held in the strictest confidentiality *

Required

1. What industry sector does your business operate in?

2. How many people are currently employed in your business?

3. In the next 12 months, do you expect the number of employees working in your business to increase, decrease, or stay the same? * *Mark only one oval.*

Increase

Decrease

Same

Other:

4. Have you applied for the financing facility under the SBP refinance Scheme for Payment of Wages and Salaries to the Workers and Employees? * *Mark only one oval.*

No

Yes

5. Have you been able to claim your sources or reimbursement of the same after the financing was approved? * *Mark only one oval.*

Yes

No

6. Were funds duly available for your disposal for the payment of wages/salaries and to prevent layoffs? *

Mark only one oval.

Yes

No

Other:

7. Have you laid off any workers/employees during three months after the date of first disbursement? *

Mark only one oval.

Yes

No

Other:

8. In case of low quality collateral or an absence of proven track record, are you being offered this facility by the commercial banks? *

Mark only one oval.

Yes

No

9. Evaluate the development of your business since the onset of COVID-19. *

Mark only one oval.

Improved significantly

Improved to some extent

Remained the same

Declined to some extent

Declined significantly Other:

10. Which of the following elements have posed as the biggest hurdles in the business environment? *

Mark only one oval.

Access to finance

Business permits

Corruption

Electricity

Inadequately educated workforce Tax

rates Other:

11. If you want a loan from a financial institution, which of the following are vital for a smooth process? *

Check all that apply.

- Convenient location of financial institution
- Service quality of financial institution
- Convenient repayment period
- Low interest rate
- Absence of requirement for collateral
- Quick processing of the application

Other: _____

12. Enlist reasons if you did not apply for SBP refinance Scheme for Payment of Wages and Salaries to the Workers and Employees? *

13. To what degree is Access to Finance an obstacle to the operations of this business? *

Mark only one oval.

	1	2	3	4	5	
Minor obstacle	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	Severely major obstacle

14. Rank the sources of external finances that you would seek (Order of preference) *

Mark only one oval per row.

	1	2	3	4	5
Commercial Banks	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Non-bank credit institution	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Family/friends	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Other non-bank financial institutions	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Other sources	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

15. Are you aware of the existence of government support programs for your business? *

Mark only one oval.

Yes

No

Other:

16. What kind of government action would help you the most during times of crisis? *

Mark only one oval.

Lowering of taxes

Simplification of regulations

Subsidies to keep employees on payroll

Other:

Annexure B

List of Stakeholders

Policymakers and Regulators

- Chief Manager, State Bank of Pakistan (Banking Operations, RWP)
- Assistant Director, Economic Policy Review Department, SBP
- Senior Analyst, Research Department, SBP
- Senior Analyst, Monetary Policy Department, SBP

Commercial Bankers

- Relationship Manager, Soneri Bank Limited
- Relationship Manager, United Bank Limited
- Deputy Branch and Operation Manager, The Bank of Punjab
- Credit officer, Askari Bank Ltd.
- Credit officer, HBL
- Relationship Manager, MCB Bank

Businesses

25 small and medium business owners were reached out through a variety of social media platforms. Businesses are classified amongst the sectors of construction, education, wholesale and retail, travel, and commerce.