

Foreword

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It is quite rare that the story of an institution neatly and elegantly fits in with the story of its leader. As can be discerned from this volume this rare case is that of Meezan bank (MB) and its CEO Irfan Siddiqui---conterminous both in time dimension as well as in the progress and achievements. In writing this foreword I found it difficult to separate the two as these are strongly entwined.

Meezan bank narrative also highlights that in this country characterized by negativity, doom and gloom there are individuals who through their commitment, hard work and ethical behavior can bring about significant positive changes in this country. From almost nil 23 years ago the Islamic banking industry (IBI) now accounts for almost 1/4th of a much larger banking sector. It would not be unfair if I assert that this substantial progress would not have been possible without Meezan bank, the leadership of Irfan Siddiqui and the devoted team work of his staff. What distinguishes them from others is that they have a deep abiding commitment to a purpose and do not consider this as a 9 to 5 job. It is also equally commendable that in a country rife with people pulling each other's legs and constantly intriguing, Irfan and Arif Islam

have worked together in harmony with out any rancor or personal agenda but for the common goal. Succession Planning is given a lip service in many organizations but MB has demonstrated that it can actually be put in practice successfully. This required a sense of humility along with a feeling of security among the top leader that he doesn't feel threatened by an empowered designated successor. In many organizations the fall out between the incumbent and the designated successor has led to internal strife and divisiveness so inimical to the cordial working environment. Although an unusual situation outside the control of MB arose that did not allow Arif to take over but the journey traversed was exemplary. Irfan's successor Syed Amir Ali has established a track record that augurs well for the future of the Bank. It would be futile to repeat or summarize the rich narrative in this volume but let me offer my own perspective.

During the last two decades, there has been a consistently upward moving curve in market capitalization, financing, deposits and earnings of MB. The ascendancy to become one the top five banks in the country outclassing other banks who have been in business much longer is an ample testament to its outstanding performance. At the same same time it has been the feeder of trained Human Resources for the other banks in the IBI.

There are in my view at least five broad lessons can we draw from the MB experience?

(a) Steadfast continuity in top leadership along with a supportive Board (b) adherence to a long term vision with strategies fine tuned to adapt to the changing circumstances (c) Attracting and motivating capable staff of high integrity , competence and willing to take risk (d) inculcating and practicing ethical values and nurturing an idiosyncratic culture that promotes teamwork and collaboration (e) A sincere commitment for overall Islamic financial industry's growth rather than safeguarding and maximizing the bank's own interest. Attracting and motivating capable staff of high integrity , competence and willing to take risk (d) inculcating and practicing ethical values and nurturing an idiosyncratic culture that promotes teamwork and collaboration

On the top of these , Irfan's personal characteristics of humility, modestly ,courage and manic energy have added to the sterling reputation of the bank.

A number of CEOs are very good at strategic thinking, but weak in execution Capability . Others have strong execution capability but have no sense of direction in which they are leading the organization or about the terminal point they want to reach. Irfan's successful tenure owes much to this rare combination of clear strategic thinking, , effective execution capability and trust between him and his team. ." Professionalism, merit and Integrity are the key

parameters of enabling and restoring trust and nepotism and favoritism eat at the core of the great ethos. “ I believe Irfan followed this precept faithfully. The journey towards the goal of establishing Islamic banking in Pakistan as narrated in this volume is a fascinating reading . It begins with Irfan and his wife deciding to give up their comfortable life in Kuwait and migrating to Pakistan to be close to their parents although he did not have a job lined up. He took the plunge against the advice of his family, friends and employer because of his self confidence that he would be able to resurrect himself. One of the innovative ideas he got his boss in KIA to accept was to appoint him as Pak Kuwait Investment Company (PKIC) General Manager --- a position so far held exclusively by a Kuwaiti. In three years time he turned around PKIC into a profitable organization gaining a triple A rating. To me , this was an inflection point in his career that subsequently but unknowingly led him to pursue vigorously his aspiration to pioneer IBI in Pakistan.

When his wife drew his attention to Quranic injunction against Riba and he got convinced he decided to play a pivotal role in creating an interest free banking system in Pakistan. In 1994 he took the initiative by approaching 8 to 10 prospective investors and was successful in raising Rs 900 million to set up Al-Meezan investment bank (AMIB) as a joint venture between PKIC and IOCG Bahrain. What was impressive that the bank was not founded on a financial or

business feasibility plan but on faith and belief. His commitment and power of persuasion were so formidable that he was able to convince Prince Amr bin Muhammad bin Faisal Al Saud of Dar ul Maal Al Islamic in 15-20 minutes to invest in AMIB. Not only that he had now three major financial groups behind him he also persuaded Sheikh Ebrahim Bin Khalifa Al Khalifa to become founding chairman of the board.(Sheikh Ebrahim remained associated with MB until 2021 and provided rock solid support and guidance) . There was a big setback as AMIB did not receive an investment banking license but this did not dissuade Irfan from moving ahead on the path he had chosen. He did not give up and did not get into a whining, blaming mode but pursued an alternate route in form of establishing an Islamic asset company Al Meezan Investment Management (AMIM) with PKIC, NIT and Jardine Fleming as major shareholders.

A God given opportunity arose when a team of Pakistani officials came to visit Bahrain to arrange Prime Minister Benazir Bhutto's visit to Bahrain in April 1997. Sheikh Ebrahim , Deputy Finance Minister, was assigned the task from the Bahraini side . This series of meetings proved critical when Sheikh Ebrahim in his own subtle and charming manner raised the issue of the pending application of AMIB for an operating license .The advance Pakistani team got the impression that the success of PM visit very much depended upon the

approval of the licence for AMIB. Before the PM arrived in Bahrain the license was sanctioned.

Having achieved the first milestone, Irfan soon realized after the AMIB became fully functional and operational that an investment bank could not compete with commercial banks either on the liability or asset side. Others in his place would have been quite complacent that the AMIB was doing reasonably well but Irfan, a realist with a singular goal in mind wasn't. He set out to realize his vision of establishing a full fledged Islamic commercial bank. As luck would have it the Societe General (SG) -a leading French bank- decided to exit Pakistan in 2001. AMIB decided to bid for their assets but was not optimistic that an investment bank would be allowed to acquire a commercial bank.

In December 1999 the Supreme Court had ruled that interest would cease to exist in the banking system by June 30 2001. This created a state of panic among the country's financial managers as an abrupt switch over in such a short span of time would destabilize the entire financial nervous system and rupture our international financial relations at a time when the new team was making its utmost efforts to revive the economy which was hit hard after the Nuclear testing of May 1998. A Commission for transformation of financial system (CTFS) was constituted in January 2000 under the chairmanship of I.A Hanfi ---a

former governor of SBP. The Commission recommended that Islamic banking should be initiated but kept parallel to conventional banking allowing customers the choice. These recommendations were discussed and endorsed by the Cabinet and the President of Pakistan and the SBP was given the task of laying down the parallel Islamic banking system in the country. We worked out the necessary regulatory framework, established a high powered Shariah Board with the assistance of Mufti Taqi Usmani and made organizational changes within the SBP to implement the Supreme court and the Government decision.

I was therefore very keen that we should give practical shape to introducing Islamic banking in Pakistan. And then Irfan came up with the proposal to acquire the operations of SG and transform AMIB into an Islamic commercial bank. I didn't know Irfan personally but I listened to his proposal very carefully and found it in sync with what we had in mind -- setting up three tiers of IBI--- full fledged, stand alone banks, subsidiaries of conventional banks and Islamic windows in the conventional bank branches without comingling. I did my homework, reviewed Irfan's credentials and background, made inquiries about him and concluded that he was the right person to take the lead. What was the rationale for this conclusion: he was not only a professional par excellence and a man of impeccable integrity but a person passionate about

Islamic banking . His record at PKIC and AMIB was a living testament to the efforts he had made in this regard and despite set backs did not deviate from his mission. Soon after I found out there was some back and forth and hesitation whether Al Meezan should apply for the licence or other entity such as PKIC should . When the alternate proposals were put before me I firmly ruled them out and categorically said that the license was contingent on Irfan joining as CEO of the new bank otherwise there was no license. This warning did the trick and alternate plans were abandoned, AMIB signed an MOU with SocGen. Some new issues cropped up during the process of transition which had to be resolved expeditiously but diligently. My colleagues and I at the SBP were quite clear that we should help in laying a solid foundation upon which Islamic banking industry could thrive and flourish in the country . After consulting our legal team it was decided that these issues can be resolved if we first give a commercial banking license to AMIB which would be renamed Meezan Bank . Once this license is issued it would pave the way for the amalgamation of SocGen operations with MBL. This decision was unconventional ,unusual and without any precedent but my mind was clear that the regulator should switch its role when it is promoting and nurturing a new venture or innovation . It should adopt an attitude that of an enabler, facilitator ,problem solver and risk taker. Once the venture attains maturity

the regulator should resume its conventional stringent role. In the formative phase of an institution you cannot afford to follow a rigid and inflexible approach that would upset the apple cart.

It is also my firm belief which I have practiced throughout my career internationally as well as nationally that a person in leadership position should have the knack of choosing the right person for the right job and willing to take risk upon that person .With the blessing of Almighty Allah Swt that I have always come out successful most if not 100 percent cases.

My bet on Irfan who is the longest serving but most successful CEO of any corporate entity in Pakistan has vindicated the firm position I took on his leading Meezan Bank 23 years ago. (Incidentally, I am also glad that Nadeem Hussain came up to my expectations as a pioneer in Microfinance banking).

I was committed to Islamic banking not because I'm a good and pious practicing Muslim but due to the fact that our religion is the only one that ensures both efficiency as well as equity in allocation of resources .The fact that riba is indeed exploitative and the entire burden falls on the borrower under conventional banking Islamic banking has inbuilt risk sharing feature that safeguards both the lender and the borrower. Islamic banking along with social finance can play a pivotal role in eradicating poverty, in improving income distribution , augmenting incomes of small farmers ,entrepreneurs,

providing affordable housing and investing in human capital formation . All these elements contribute both to Inclusive sustained growth and a wide sharing of benefits of growth among the majority of the population .Capitalist model does contribute to accelerated economic growth but the poor and marginalized population is left out and income is concentrated in top deciles. Socialism guarantees benefits to all citizens from cradle to grave at the expense of the state but the inner economic core eventually collapses. I have been advocating the merit of Islamic financial model not only as faith based but as a strong anchor for global financial stability and overcoming income inequalities . However, this vision encumbrances all of us in Pakistan to prove that Islamic banking is indeed capable of fulfilling this goal. As we lacked Islamic banking professionals the SBP established three Centers for Excellence in Islamic Finance (CEIFs) at IBA, LUMS and IMS. I had the opportunity to work with Irfan, Amir and Ahmed ali Siddiqui(deputed by MB as Director CEIF IBA) and was impressed by their consistent efforts to work for the whole industry and not preempt the Centre for their own bank. Their support for CEIF was unconditional and unfettered. The absence of such a broad minded approach is missing even among some of the top corporate houses in Pakistan .

We have a long way to go but the history of Meezan bank and its leader Irfan Siddiqui does provide useful guidelines for the future of the Islamic banking industry. The real test is in the years to come whether this spectacular progress can be sustained in the coming decades and the whole banking system can be converted into an Islamic banking system despite so many known and unforeseen challenges. I wish the incoming leadership team all the best for their future success .