

MARKETS



Financial Markets

Webinar on Financial Markets in the 21st Century

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Takeaways

- *Why are financial markets so thin in Pakistan?*
- *What is the real reason behind thin financial market for Pakistan - low saving nation and relatively higher return from real estate/National Saving Certificates or something more?*
- *What role regulatory authority has in restricting our financial markets?*

During a webinar on financial markets of Pakistan in the 21st century, it was highlighted by the panelists that not only are listings of companies in our stock exchange very low, but the number of investors is falling as well. Moreover, there is a very narrow base for mutual funds with only a few individuals dominating these shares.

In contrast to Pakistan, Sri Lanka has a much broader financial market with not only small shareholders as a group dominating shares in big companies, but also a much larger size of the market along with a lot more activity.

These dynamics primarily revealed the constraints put by regulatory authorities as a key factor affecting Pakistan's financial market, with a low saving rate, a highly attractive rate of return in real estate market and National Saving Certificates scheme as the other major factors weakening our stock market.

Not only does the mandate of Securities and Exchange Commission of Pakistan (SCEP) appears to be questionable, but it has expanded beyond its initial role to include regulation of the capital market, corporate registry, insurance, and private pensions, then later the non-banking microfinance institutions and secured transaction registry. This is something unheard of in the financial world.

Dr. Nadeem ul Haque has challenged the notion that Pakistan is a consumption-oriented society. Not only that, putting the blame on higher returns and risk-free return from National Saving Certificates or much more profitable investment avenues in real estate is not the right explanation. This assertion is built in the light of US markets where despite the presence of high return on savings and a lucrative real estate market, one finds a booming stock market. Clearly, the defining factor that can explain the dismal condition of Pakistan's stock markets is over-regulation and on a lesser note a confusing tax policy that put together have killed the incentives to invest in this market.