**Understanding the Social Footprint of Central Banking & Monetary Policy in Pakistan**

Contributing to the scholarship of central banking in Pakistan, this panel will generate a debate around the social footprint of central banking and monetary policy in Pakistan. Central banking and monetary policy, in a changing world, require rethinking at a more fundamental level. Globally, central banks, while meeting their formal mandate of price stability, are paying increasing attention to poverty, inequality, climate change, and other issues.

It is, therefore, time for the State Bank of Pakistan (SBP) to consider that its decisions, policies, and actions affect poverty, inequality, and other social outcomes. Alternative types of monetary policy interventions that have the same aggregate effect – for example, higher and increasing inflation – and policies used to achieve price stability impact different population groups differently. The need for a monetary policy which is considerate of its social imprint, such as inequality, is, therefore, increasing. An International Monetary Fund (IMF) working paper recommends that ‘tackling inequality should be an explicit target of monetary policy’ (Hansen, Lin and Mano 2020).

With some exceptions, most of the existing research in Pakistan has largely ignored the possible social implications of monetary policy interventions. To some extent, the available literature explores the aggregate impact of inflation on aggregate wages and employment. But questions such as, how day-to-day monetary policy actions affect the poor, poverty, and inequality, remain largely neglected. This panel aims to fill this void. It brings the discussion on the social footprint of monetary policy in Pakistan for the first time.

It is high time for SBP to focus on social outcomes at the very onset of a transition towards a more independent SBP which is planning to adopt inflation targeting. To begin with, the SBP must expand its research agenda to explore how its decisions and actions can affect social outcomes. It must then, work towards minimising these adverse impacts. It must convey the impact of its actions to the public at large through non-technical communication which touches upon issues of public policy. At a later stage, the SBP must work towards calibrating decision-making processes and refine monetary policy actions and instruments accordingly.

It is important to note that incorporating social consideration into SBP’s policies, particularly monetary policy, is not an end goal, rather it is being proposed as a tool to improve welfare of the public at large. Central banking and monetary policy, which is considerate of social implications, can improve Pakistan’s progress towards social and economic development, the ultimate objective of any public policy.

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