**IT sector`s input**

BY WAQAS YOUNAS 2021-07-12

A FEW days ago, a colleague, who works in a bank, told me of the following three questions that the State Bank of Pakistan had sent to his bank (and supposedly to other local banks).

What are the challenges faced by the IT sector in availing bank finance? What are the major reasons for the low uptake of financing to the IT sector? What recommendations do you have for increasing financing to the IT sector? A quick word about the questions first. I think gathering feedback is a good step. The fact that the State Bank is listening is a positive sign. But surprisingly, it sent the questions to banks and not to IT professionals.

The most frank and fair feedback would come from IT professionals.

I would also like to respond to the questions raised by the State Bank. But before I do that, I want to highlight some banking problems, other than financing, that those inIT routinely face.

The first problem is that it is not easy to open a bank account because one has to fulfil many arcane requirements. Also, sometimes bank employees are unfamiliar with job titles and contract types in the IT sector. And all this is hard to resolve in time-sensitive situations.

Let me share my interaction, as an IT professional, with a bank a while ago. To receive money from a company in the United States keep in mind, this was a little before the pandemic I wanted to open a local bank account. For that, the bank asked for an office address. I kept telling them I worked from home, and only after great struggle, did the bank employees reluctantly come to terms with the fact that I did, indeed, work from home. Banks should train employees about the dynamics of the IT sector for smoother initial interaction.

After receiving my first payment in US dollars, the bank said they would give me an interbank currency conversion rate (henceforth called conversion rate). In my case, this conversion rate was basically how many rupees I would get against a dollar.

The bank gave me a conversion rate which to my surprise was far lower than the one on the State Bank`s website. I asked them if they could let me withdraw dollars to get a better return from the local currency market. The bank said it was not possible.

I had to surrender to the banl(`s conversion rate. In the absence of strong consumer protection, to this day, the bank forces me to use their conversion rate. According to banl< employees, the reason for the low conversion rate is that the banks earn money on currency conversions using a concept called `spread`.

`Spread`, as I understand, is the bank`s cut for converting dollars to rupees.So, the higher the `spread` earned by profithungry banks, the lower the amount thousands of earnest entrepreneurs earn every month and the greater their disappointment. It leads to disappointment because the `spread` is never an exact amount, nor did the bank tell me how it calculates the `spread`. Imagine a routine uncertain deduction from your salary going into someone else`s pocket. This business of `spread` is not transparent. This is not fair.

And that is not all. I also later learned that going to Mars is probably easier than sending money from my account to someone abroad.

Tales of inefficient banking apps I will tell in the future. But how can you build a thriving IT industry if you make it extremely difficult for ordinary IT people to deal with money? Now let`s take a look at the questions the State Bank is asking. Based on personal experience my hypothesis for the low uptake is that many in the IT sector are unaware of available financing options. Bank employees often sell me mutual funds and credit cards, but in my 17 years of dealing with banks notonce have they briefed me about financing options I can avail.

Perhaps employee incentives are misaligned? So to increase the financing to the IT sector, first, IT entrepreneurs should not be in the dark about the financing options.

Opening a bank accountshould be made far easier. Moreover, banks should only earn money through `spread` if the process is fair. Further, the banks should align the incentives of their employees to treat IT professionals favourably.

The State Bank should also carefully consider one more thing. Why would an IT entrepreneur take a loan from a bank when he or she can get more favourable loans from venture capital these days? I say favourable because as an entrepreneur, I know if I take money from a good VC not only will I get money and sound guidance (since many are former entrepreneurs), but I may also become part of their valuable vast network. As an entrepreneur, I would prefer difficult money from an efficient VC over easy money from a slow-moving bank.

Just as the captain of a ship, for a safe journey, relies on feedback from many people relevant to the endeavour, so should the State Bank consult ordinary IT folks (not just those closer to power circles) to craft better policy. The writer is an author and entrepreneur www.wyounas.com Twitter: @wyounas