

Annexes

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Annex 1

Annex 1.1: List of Scheduled Banks Operating in Pakistan

As on 30th June 1990

State-owned Banks

- 1 Allied Bank of Pakistan Ltd.
- 2 First Women Bank Ltd.
- 3 Habib Bank Ltd.
- 4 Muslim Commercial Bank Ltd.
- 5 National Bank of Pakistan
- 6 The Bank of Punjab
- 7 United Bank Ltd.

Foreign Banks

- 1 Algemene Bank Nederland N.V.
- 2 American Express Bank Ltd.
- 3 ANZ Grindlays Bank p.l.c.
- 4 Bank of America
- 5 Banque Indosuez
- 6 Bank of Tokyo
- 7 Citibank N.A.
- 8 Deutsche Bank A.G.
- 9 Doha Bank
- 10 Emirates Bank International Ltd.
- 11 Habib Bank A.G. Zurich
- 12 International Finance Investment and Commerce Bank Ltd.
- 13 Mashreq Bank Ltd.
- 14 Massraf Faysal Al-Hisami of Bahrain
- 15 Rupali Bank Ltd.
- 16 Standard Chartered Bank
- 17 The Hong Kong and Shanghai Banking Corporation Ltd.

Private Banks

Nil

As on 30th June 2000

State-owned Banks

- 1 Allied Bank of Pakistan Ltd.
- 2 First Women Bank Ltd.
- 3 Habib Bank Ltd.
- 4 Muslim Commercial Bank Ltd.
- 5 National Bank of Pakistan
- 6 The Bank of Khyber
- 7 The Bank of Punjab
- 8 United Bank Ltd.

Foreign Banks

- 1 ABN AMRO Bank N.V.
- 2 Al-Baraka Islamic Bank B.S.C. (E.C.)
- 3 American Express Bank Ltd.
- 4 Bank of Ceylon
- 5 Citibank N.A.
- 6 Credit Agricole Indosuez
- 7 Deutsche Bank A.G.
- 8 Doha Bank
- 9 Emirates Bank International Ltd. PJSC
- 10 Habib Bank AG Zurich
- 11 International Finance Investment and Commerce Bank Ltd.
- 12 Mashreq Bank PSC
- 13 Oman International Bank S.A.O.G.
- 14 Rupali Bank Ltd.
- 15 Societe Generale, The French and International Bank
- 16 Standard Chartered Bank
- 17 Standard Chartered Grindlays Bank Ltd.
- 18 The Bank of Tokyo-Mitsubishi Ltd.
- 19 The Hong Kong and Shanghai Banking Corporation Ltd.

Private Banks

- 1 Askari Commercial Bank Ltd.
- 2 Bank Al-Falah Ltd.
- 3 Bank Al-Habib Ltd.
- 4 Bolan Bank Ltd.
- 5 Faysal Bank Ltd.
- 6 Gulf Commercial Bank Ltd.
- 7 Metropolitan Bank Ltd.
- 8 Platinum Commercial Bank Ltd.
- 9 Prime Commercial Bank Ltd.
- 10 Prudential Commercial Bank Ltd.
- 11 Soneri Bank Ltd.
- 12 Union Bank Ltd.

Annex 1.2: List of NBFIs Operating in Pakistan

As on 30th June 1990

Development Finance Institutions

- 1 Agricultural Development Bank of Pakistan
- 2 Bankers Equity Ltd.
- 3 Federal Bank for Cooperatives
- 4 Industrial Development Bank of Pakistan
- 5 National Development Finance Corporation
- 6 Pakistan Industrial Credit & Investment Corporation Ltd.
- 7 Pakistan Kuwait Investment Company (Pvt) Ltd.
- 8 Pak-Libya Holding Co. (Pvt) Ltd.
- 9 Punjab Provincial Cooperative Bank
- 10 Regional Development Finance Corporation
- 11 Saudi Pak Industrial & Agricultural Inv. Co. (Pvt) Ltd.
- 12 Small Business Finance Corporation (SBFC)

Investment Banks

- 1 Al-Towfeek Investment Bank Ltd.
- 2 Asset Investment Bank Ltd.
- 3 Crescent Investment Bank Ltd.
- 4 Fidelity Investment Bank Ltd.
- 5 Islamic Investment Bank Ltd.

Leasing Companies

- 1 Asian Leasing Corporation Ltd.
- 2 Atlas BOT Lease
- 3 Orient Leasing
- 4 Orix Leasing Pakistan Ltd.
- 5 Pakistan Industrial Leasing Corporation Ltd.

As on 30th June 2000

Development Finance Institutions

- 1 Agricultural Development Bank of Pakistan
- 2 Bankers Equity Ltd.
- 3 Federal Cooperative Bank
- 4 Industrial Development Bank of Pakistan
- 5 National Development Finance Corporation
- 6 Pakistan Industrial Credit & Investment Corporation Ltd
- 7 Pakistan Kuwait Investment Company (Pvt) Ltd.
- 8 Pak-Libya Holding Co. (Pvt) Ltd.
- 9 Punjab Provincial Cooperative Bank
- 10 Regional Development Finance Corporation
- 11 Saudi Pak Industrial & Agricultural Inv. Co. (Pvt) Ltd.
- 12 Small Business Finance Corporation (SBFC)

Investment Banks

- 1 Al - Meezan Investment Bank Ltd.
- 2 Al-Faysal Investment Bank Ltd.
- 3 Al-Towfeek Investment Bank Ltd.
- 4 Asset Investment Bank Ltd.
- 5 Atlas BOT Investment Bank Ltd.
- 6 Crescent Investment Bank Ltd.
- 7 Escorts Investment Bank Ltd.
- 8 Fidelity Investment Bank Ltd.
- 9 First international Investment Bank Ltd.
- 10 Franklin Investment Bank Ltd.
- 11 Islamic Investment Bank Ltd.
- 12 Jahangir Siddiqui Investment bank Ltd.
- 13 Orix Investment Bank Ltd.
- 14 Prudential Investment Bank Ltd.
- 15 Security Investment Bank Ltd.
- 16 Trust Investment Bank Ltd.

Leasing Companies

- 1 Asian Leasing Corporation Ltd.
- 2 Askari Leasing Company Ltd.
- 3 Atlas Lease Ltd.
- 4 Capital Assets Leasing Corporation Ltd.
- 5 Crescent Leasing Company Ltd.
- 6 Dadabhoy Leasing Company Ltd.
- 7 Dawood Leasing Company Ltd.
- 8 English Leasing Ltd.
- 9 First Leasing Corporation
- 10 Ghandhara Leasing Company Ltd.
- 11 Grays Leasing Ltd.
- 12 Ibrahim Leasing Ltd.
- 13 Inter Asia Leasing Company Ltd.
- 14 International Multi Leasing Corporation Ltd.
- 15 Lease Pak Ltd.
- 16 Mercantile Leasing Company Ltd.
- 17 National Assets Leasing Corporation Ltd.
- 18 National Development Leasing Corporation Ltd.
- 19 Natover Lease & Refinance Ltd.

Annex 1.2: List of NBFIs Operating in Pakistan (Cont.)

As on 30th June 1990

Modaraba Companies

- 1 B.F. Modaraba
- 2 B.R.R. Capital Modaraba
- 3 B.R.R. Second Modaraba
- 4 First Grindlays Modaraba
- 5 First Habib Modaraba
- 6 First National Modaraba
- 7 First Sanaulah Modaraba
- 8 First Prudential Modaraba
- 9 LTV Capital Modaraba
- 10 Modaraba Al-Mali

As on 30th June 2000

- 20 Network Leasing Corporation Ltd.
- 21 Orix Leasing Pakistan Ltd.
- 22 Pacific Leasing Corporation Ltd.
- 23 Pak-Apex Leasing Company Ltd.
- 24 Pak-Gulf Leasing Ltd.
- 25 Pakistan Industrial & Commercial Leasing Ltd.
- 26 Pakistan Industrial Leasing Corporation Ltd.
- 27 Paramount Leasing Ltd.
- 28 Saudi Pak Leasing Company Ltd.
- 29 Security Leasing Company Ltd.
- 30 Sigma Leasing Corporation Ltd.
- 31 Trust Leasing Corporation Ltd.
- 32 Union Leasing Ltd.
- 33 Universal Leasing Corporation Ltd.

Modaraba Companies ¹

- 1 Al-Noor Modaraba
- 2 Allied bank Modaraba 1st
- 3 Al-Zamin Modaraba
- 4 B.F. Modaraba
- 5 B.R.R. International Modaraba
- 6 Confidence Modaraba 1st
- 7 Constellation Modaraba 1st
- 8 Crescent Modaraba 1st
- 9 Custodian Modaraba 1st
- 10 Dadabhoy Modaraba 1st
- 11 Elite Capital Modaraba 1st
- 12 Equity Modaraba 1st
- 13 Fidelity Leasing Modaraba 1st
- 14 Financial Link Modaraba
- 15 General leasing Modaraba 1st
- 16 Grindlays Modaraba 1st
- 17 Guardian Leasing Modaraba
- 18 Habib Bank Modaraba 1st
- 19 Habib Modaraba 1st
- 20 Hajveri Modaraba 1st
- 21 IBL Modaraba 1st
- 22 Ibrahim Modaraba 1st
- 23 Imrooz Modaraba 1st
- 24 Industrial Capital Modaraba 1st
- 25 Interfund Modaraba 1st
- 26 Islamic Modaraba 1st
- 27 LTV Capital Modaraba
- 28 Mehran Modaraba 1st
- 29 Modaraba Al Tijarah
- 30 Modaraba Al-Mali
- 31 National Modaraba 1st
- 32 Pak Modaraba 1st
- 33 Paramount Modaraba 1st
- 34 Professional Modaraba 1st
- 35 Providence Modaraba 1st
- 36 Prudential Modaraba 1st
- 37 Prudential Modaraba 2nd
- 38 Prudential Modaraba 3rd

Annex 1.2: List of NBFIs Operating in Pakistan (Cont.)

As on 30th June 1990

Housing Finance Companies

- 1 House Building Finance Corporation

Mutual Funds

- 1 Investment Corporation Of Pakistan
- 2 National Investment Trust Ltd.

As on 30th June 2000

- 39 Punjab Modaraba 1st
- 40 Tri-Star Modaraba 1st
- 41 Tri-Star Modaraba 2nd
- 42 Trust Modaraba
- 43 UDL Modaraba 1st
- 44 Unicap Modaraba
- 45 Unity Modaraba

Housing Finance Companies

- 1 Citibank Housing Finance Co. Ltd.
- 2 House Building Finance Corporation
- 3 International Housing Finance Ltd.
- 4 LTV Housing Finance Ltd.

Mutual Funds

- 1 Golden Arrow Selected Stock Fund
- 2 1st ICP Mutual Fund
- 3 2nd ICP Mutual Fund
- 4 3rd ICP Mutual Fund
- 5 4th ICP Mutual Fund
- 6 5th ICP Mutual Fund
- 7 6th ICP Mutual Fund
- 8 7th ICP Mutual Fund
- 9 8th ICP Mutual Fund
- 10 9th ICP Mutual Fund
- 11 10th ICP Mutual Fund
- 12 11th ICP Mutual Fund
- 13 12th ICP Mutual Fund
- 14 13th ICP Mutual Fund
- 15 14th ICP Mutual Fund
- 16 15th ICP Mutual Fund
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- 19 18th ICP Mutual Fund
- 20 19th ICP Mutual Fund
- 21 20th ICP Mutual Fund
- 22 21st ICP Mutual Fund
- 23 22nd ICP Mutual Fund
- 24 23rd ICP Mutual Fund
- 25 24th ICP Mutual Fund
- 26 25th ICP Mutual Fund
- 27 ICP SEMF
- 28 Tri-Star Mutual Fund
- 29 Growth Mutual Fund
- 30 Security Stock Fund
- 31 Asian Stock Fund
- 32 Prudential Stock Fund
- 33 KASB Premier Fund
- 34 Safeway Mutual Fund
- 35 First Capital Mutual Fund
- 36 Confidence Mutual Fund
- 37 Dominion Stock Fund
- 38 Al-Meezan Mutual Fund

Annex 1.2: List of NBFIs Operating in Pakistan (Cont.)

As on 30th June 1990	As on 30th June 2000
	39 BSJS Balance Fund
	40 NIT
	41 UTP
<i>Discount Houses</i>	<i>Discount Houses</i>
1 First Credit & Discount Corporation (Pvt) Ltd.	1 First Credit and Discount Corporation (Pvt) Ltd.
	2 National Discounting Services Ltd.
	3 Prudential Discount & Guarantee House Ltd.
<i>Venture Capital Companies</i>	<i>Venture Capital Companies</i>
Nil	1 Pakistan Emerging Ventures Ltd.
	2 Pakistan Venture Capital Ltd.

¹ These 45 modarabas are handled by 41 management companies, of which three are handling more than one modaraba (Prudential Capital Management Ltd. is handling three modarabas, Al-Mal Corporation Ltd. is handling two, and Tri-Star modaraba 1st and 2nd are handled by one company).

Annex 1.3: Exchange Market Participants (Pre-reform)

Foreign exchange market comprised of suppliers (exporters, remitters and tourists), and users of foreign exchange (importers and government sector organizations). To manage the transactions between suppliers and users of foreign exchange, a system of Authorized Dealers (ADs) and Authorized Money Changers (AMCs) was in place.

1.1 Foreign Exchange Suppliers

Exporters, Pakistani nationals working abroad and foreign visitors spending foreign exchange in Pakistan make up a major source of hard currency in the foreign exchange market. Exporters were obliged to surrender export proceeds to ADs within four months of shipment of visible exports, and within three months of invisible exports (SBP authorized extensions of this period at its discretion). Proceeds from exports to Afghanistan were, however, exempted from surrender requirement.

Worker remittances were also surrendered to ADs in exchange for the Rupee equivalent, which in turn was sold to SBP at prescribed rates. Foreign visitors could convert their foreign currency holdings into Rupee at hotels and other licensed organizations dealing with tourists. These licensed dealers operated within prescribed limits on the volume of transactions and were also required to surrender all foreign exchange to SBP.

1.2 Foreign Exchange Users

Importers and those making invisible payments such as students, travelers and foreign companies remitting dividends, etc. comprised the users of foreign exchange. Invisible payments and remittances were subject to stringent controls by SBP, whilst importers' foreign exchange requirements were met by ADs. All imports, except goods imported by the government and other specified categories, required a license issued by the Chief Controller of Imports and Exports (CCI&E) who was also responsible for implementing import and export policies. These licenses, together with requirement of letters of credit, were effectively a means to regulate payments and overall import demand in the foreign exchange market.

Trade related invisible payments were treated according to the underlying trade transactions, and in many cases required prior approval of SBP. Limits on commissions, brokerage and other charges applied as a percentage of the value of the import shipments. Other invisible payments included payments for private travel, education and remittance of dividends, etc. The Private Travel Exchange Quota (PTEQ) was US\$ 1,000 per person, every two years. Allowances were made for pilgrims traveling to Saudi Arabia, as well as for exporters (earning above a given threshold annually) on account of business trips abroad. Additional exchange for business travel, medical treatment, education, and sponsored cultural trips were granted on individual basis. Student maintenance and book allowances for study abroad were allowed up to US\$ 8,200 a year. Allowances for professional training abroad were also made. Unrestricted remittance of dividends by foreign shareholders was allowed where the underlying investment had been made with government approval. Foreigners exiting the country within six months of their arrival in Pakistan were permitted to take out foreign currency equivalent to the amount they brought in, whilst those living in Pakistan could make family remittances of up to 50 percent of net income or US\$ 750 per month.

Government departments and public sector organizations were indirect participants, with an important role in the foreign exchange market. The Ministry of Finance prepared an annual foreign exchange budget, outlining requirements for individual public sector departments during a year, which were met by ADs. In 1989-90, certain public sector organizations were heavily involved in foreign trade transactions, for example, State Cement Corporation, Trading Corporation of Pakistan, Cotton Export Corporation and Rice Export Corporation. These agencies were required to surrender their earnings to ADs, whilst their foreign exchange needs were also fulfilled by ADs. Furthermore, foreign

currency loans contracted by the government were surrendered to SBP against their Rupee equivalent, deposited in government's account with the SBP.

1.3 Authorized Dealers

These comprised of all commercial banks designated by the SBP to deal in foreign exchange, acting as the main intermediary between suppliers, users and the SBP. They were required to surrender all foreign exchange holdings to SBP on a daily basis after clearing their payment obligations. At the same time, SBP was also ready to meet any excess demand of foreign exchange over and above their holdings. However, given the large current account deficit, SBP was more likely to be regular seller in the interbank market. ADs also dealt in foreign currency debt instruments certified by the SBP.

1.4 Authorized Money Changers ¹

This category was restricted to hotels and other organizations dealing with foreign tourists. They had Ltd. authorization to purchase foreign currency notes, coins and travelers checks at rates prescribed by SBP, subject to the condition that they surrender all collections to an authorized dealer. AMCs were, therefore, essentially involved only in meeting domestic currency demands of tourists through conversion of foreign exchange.

¹ According to Foreign Exchange Regulation Act, 1947 "authorized money changer means a person for the time being authorized under section 3A to deal in foreign currency notes, bank notes, coins and travelers cheques.

Annex 2

Annex 2.1: Reform Matrix

Area of reform	Date of reform	Reform description
Privatization		
Amendment in The Banks (Nationalization) Act 1974.	1990	The Act was amended to pave the way for privatization of the nationalized commercial banks (NCBs).
Privatization of NCBs	Apr-1991	On April 2, 1991, 26 percent shares of MCB were disinvested to private sector. Another 49 percent shares were disinvested in two steps in February 1992 and January 1993.
Opening of new banks	Sep-1991	On September 9, 1991, 26 percent shares of ABL were sold to private sector. In August 1993, further 25 percent of its shares were sold to the private sector.
	Aug-1991	Permission was granted to open 10 private domestic banks and licenses were granted to 3 foreign banks to operate in Pakistan. In later years, further 8 domestic and 3 foreign banks were established.
Scheduling of provincial banks	Sep-1994	Two Provincial banks namely Bank of Punjab and Bank of Khyber were scheduled.
Institutional Strengthening		
Setting up of Credit Information Bureau (CIB)	Jan-1990	CIB was set up in SBP to compile data pertaining to borrowers from the lending institutions in the country and disseminating it to banks and financial institutions.
National Credit Commission (NCC)	Aug-1991	National Credit Commission was set up in August 1991 to review the existing policy and institutional arrangements for the allocation and flow of credit in the economy.
Expansion in supervisory jurisdiction of SBP	Jan-1992	The government extended supervisory jurisdiction of the SBP to the NBFIs including leasing companies, investment banks and housing finance companies etc.
Setting up of NBFIs Regulation & Supervision Department	Jan-1992	The said department became functional from January 1, 1992. In the organizational restructuring process of SBP in FY97, the then two Banking Inspection Departments (BIDs) and this department were restructured as three Banking Supervision Departments (BSDs).
Rules of business for NBFIs	Dec-1991	SBP framed and issued Rules of Business for NBFIs. These rules became effective from January 1, 1992.
Issuance of prudential regulations for banks	Jan-1992	SBP issued prudential regulations for banks. These regulations covered various aspects of operations of commercial banks and became mandatory w.e.f July 1, 1992.
Amendment in Banking Companies Ordinance, 1962	Feb-1993	Section 27B was inserted to curtail disruptive union activities, and section 83A was inserted to make punishable dishonest removal or disposal of goods pledged as security for payment of debt or loan. Amendments also empowered SBP to frame guidelines for facilitating recovery of bad and doubtful loans.
Grant of autonomy to the SBP	Feb-1994	State Bank was granted autonomy in February 1994. Issuance of three more ordinances on January 21, 1997, which were approved by the parliament in May 1997, further strengthened this autonomy.
Establishment of Monetary and Fiscal Policies Coordination Board	Feb-1994	This Board was constituted for maintaining coordination between the SBP and federal government on fiscal, monetary and exchange rate policies.

Credit ratings for NBFIs & banks	Apr-1995 Jun-2000	Effective from April 20, 1995, all NBFIs were required to have themselves credit rated by a SBP approved rating agency. The same became applicable for all commercial banks from June 2000.
Fund management and investment advisory companies	Jan-1997	Banks meeting assets requirement and other credit disciplines during the immediately preceding 52 weeks would be eligible to offer fund management and other investment advisory services only if they form exclusive subsidiary companies for the purpose.
Dissolution of Pakistan Banking Council (PBC)	May-1997	PBC, which was established to look after the affairs of the NCBs, was dissolved through an amendment in the Banks (Nationalization) Act, 1974.
International Accounting Standards (IAS)	Aug-1997	State Bank issued directives to banks to prepare accounts for the year ending December 31, 1997, in conformity with IAS.
Basel Accord	Dec-1997	Banks were instructed to apply the system of risk-weighted capital, in line with the Basle Accord. From December 31, 1997, all banks were required to maintain capital and unencumbered general reserves of not less than 8% of their risk-weighted assets.
Minimum paid up capital		Effective from December 31, 1997, no banking company in Pakistan would carry on business unless it has a minimum paid up capital of Rs 500 million. This minimum paid up requirement for banks was doubled in December 2000 to Rs 1,000 million with half of the increase i.e. upto Rs 750 million to be achieved by December 2002.
CAMELS framework		CAMELS framework was adopted to ascertain the performance of banks and NBFIs on the basis of off-site and on-site surveillance.
BASEL core principles		Out of twenty-five core principles, SBP is compliant in fourteen, largely compliant in eight, and materially non-compliant in three of these principles.
Equity support to UBL and HBL	May-1998	In terms of its bail-out package, the State Bank made equity support to UBL amounting to Rs 21 billion on May 4, 1998, and Rs 9.7 billion to HBL on June 27, 1998.
Downsizing and restructuring of banks and DFIs	1997-98	Public sector banks and DFIs were asked to prepare action plans for restructuring and downsizing of their organizations in order to reduce the financial intermediation cost. Accordingly, through various incentive schemes from 1997 to 1999, work force of these institutions was reduced from 99,954 to 81,079, while 815 loss-making branches were closed.
Establishment of Corporate & Industrial Restructuring Corporation (CIRC)	Sep-2000	The CIRC was established on September 22, 2000 to promote revitalization of the economy by reviving sick industrial units. It will take over the NPLs of NCBs and DFIs.
Non Performing Loans (NPLs)		
Classification of loans	Aug-1992	Directives were issued to banks for provisioning and classification of NPLs. Loans were to be classified as other assets especially mentioned (OAEM), substandard, doubtful or loss, depending on whether interest or principal is overdue. Provisioning against substandard, doubtful and loss loan categories were required to be made at the rate of 20%, 50% and 100% respectively.
Setting of loan recovery targets	Nov-1993	Banks were directed to lay down quarterly recovery targets as percentage of the overdue obligation. They were also required to submit progress report on recovery in relation to targets set on quarterly basis
New loan recovery law	Feb-1997	In order to provide necessary legal framework to expedite the recovery of stuck-up loans, two existing recovery laws i.e., Banking Tribunal Ordinance, 1994 and Banking Companies (Recovery of Loans) Ordinance, 1997 were repealed and replaced with a new comprehensive law-Banking Companies (Recovery of Loans, Advances, Credits and Finances) Act, 1997.
Establishment of banking courts	Feb-1997	The Federal Government established 34 banking courts to admit cases of loan defaults below Rs 30 million. For cases above Rs 30 million, two judges from Lahore High Court and one judge each from Sindh and Baluchistan High Courts were nominated to deal exclusively with such cases.

Incentive schemes for loan defaulters	Jun-1997 Dec-1997	SBP introduced two separate incentive schemes to provide opportunity to loan defaulters to pay their overdue loans and to reschedule and regularize the remaining amounts.
Debt Management Reforms		
Setting up of Securities Department at SBP	Dec-1990	Securities Department was set up in the SBP to launch auction system of public debt and to develop a secondary market for government securities. In July 1998, Foreign Exchange Dealing Room was setup. These two were merged and became Exchange & Debt Management Department (EDMD) on February 17, 2000.
Auction system of treasury bills	Mar-1991	Realizing the disadvantages of the tap system and in order to develop an active money market, the government decided to introduce six-month treasury bills to be sold through auctions.
National Savings Scheme (NSS)	Feb-1990	Unfunded debt instruments like the Khas Deposit Certificates (KDCs) were replaced with three new instruments, which offered lower but still quite attractive rates of return.
Introduction of long-term government paper	Mar-1991	To cater for the need of a long-term market-based government paper, Federal Investment Bonds (FIBs) were introduced with 3, 5 and 10 years maturities.
Appointment of Approved Dealers	Dec-1990	Before launching the auction system of government securities, process of selecting and appointing primary dealers (PDs) was started. However by February 1991, before firming up of selection criteria of PDs, all banks were made eligible to participate directly in the auction of government papers as Approved Dealers. SBP later firmed up the criteria in June 2000 and appointed seven PDs on December 1, 2000.
Activation of Subsidiary General Ledger Account (SGLA)	Mar-1991	Facility of opening SGLA was extended to NBFIs. The system allowed the issuance and settlement of government securities in dematerialized form without any physical movement.
Rationalization of NSS	May-1999	Rates on these schemes were cut down to reduce distortions in term structure of interest rates.
Bearer instruments	Dec-1999	From the mid 1980s till December 2000, Government issued various bearer instruments such as FEBCs, SNFBs, BNFBs and DBCs etc., with the aim to raise finance from the informal sector. However, the sale of these bearer instruments was discontinued in December 1999.
Monetary Management Measures		
Statutory Cash Reserve Requirement (CRR)	Oct-1991	Under section 36(1) of SBP Act, 1956, all scheduled banks in Pakistan were required to maintain a balance--return free--with SBP equivalent to 5% of their demand and time liabilities. Throughout the reform period CRR remained more or less constant at 5%.
Averaging Mechanism of CRR		Effective from July 26 1997, banks were advised to maintain with SBP an average balance of 5% of its total time and demand liabilities in Pakistan, worked out on weekly basis, provided that the amount of the balance should not at the close of business on any day be less than 4% of the total demand and time liabilities in Pakistan.
Special Cash Deposits (SDC)	Oct-1991	SCD as an instrument of monetary policy was introduced on October 9, 1991 when banks were asked to maintain 7% of their outstanding credit in addition to CRR. Unlike CRR, deposits under SCD are remunerated at certain percentage. This requirement was dropped from January 15, 1992. Effective from February 9, 1995, banks were directed to maintain a SCD of 1.5 percent of their demand and time liabilities. This requirement was further enhanced to 3.5 percent from December 11, 1995. Effective from July 1, 1996, it was decided to dispense with this requirement.
Statutory Liquidity Requirement (SLR) for NBFIs	Jan-1992	Effective from January 1, 1992, all NBFIs had to maintain SLR @ 15 percent (varying from time to time).

Discount window replaced with 3-Day Repo Facility	Feb-1992	After the introduction of 3-Day Repo facility from February 1, 1992, it was felt prudent to close the discount window from February 15, 1992.
System of credit ceiling replaced by credit deposit ratio (CDR)	Aug-1992	System of credit ceilings was abolished from August 1, 1992 and replaced by a relatively flexible control through fixing of CDR in each quarter. System of CDR was also abolished on September 30, 1995 and replaced by market-based mechanism.
Statutory Liquidity Requirement (SLR) for Banks	Oct-1993	This required the commercial banks to maintain a minimum amount under section 29 of BCO, 1962, mainly in terms of eligible government papers in a certain ratio of their demand and time liabilities. As a part of liberalization of the financial system, this ratio was gradually reduced from 45% to 35% in October 1993 and to 25% in May 1994. The ratio was further reduced to 20% in May 1997, to 18 % in January 1998 and further to 15% in June 1998.
Introduction of Open Market Operations (OMOs)	Jan-1995	To exercise an effective indirect monetary policy, OMOs were introduced and now these constitute a major instrument of monetary policy.
Removal of caps on maximum lending rates	Mar-1995	As a major step towards market-based monetary management, caps on maximum lending rates of banks and NBFIs for trade related modes of financing were removed. In October 1995 ceilings on lending rates for project financing were also removed.
Cash Reserve Requirement (CRR) for NBFIs	Jan-1996	All NBFIs were required to maintain 1 percent CRR in addition of 15 percent SLR.
Removal of caps on minimum lending rates	Jul-1997	Caps on minimum lending rates of banks and NBFIs for trade and project related modes of financing were removed.
Rationalization of subsidized credit	1990-2000	Lending rates on special financing schemes including locally manufactured machinery and export finance schemes were gradually raised to eliminate the element of subsidy.
Master Repo	Nov-1999	With a view to bring about operational improvements in the money market transactions, strengthening the repurchase market and ensuring transparency, the banks & NBFIs would enter into Master Repo agreement before entering into repo transaction.
Exchange and Payment Reforms		
Permission to open foreign currency accounts (FCAs) to resident Pakistanis.	Jan-1991	A comprehensive package of exchange and payments reforms was announced. Resident Pakistanis were allowed to hold FCAs with banks in Pakistan on the same basis as non-residents. Later in April, Charitable Trusts, Foundations etc., were also allowed to open FCAs in Pakistan.
Investment by foreign ers	Feb-1991	Foreigners were allowed to invest without prior approval. They could purchase equity upto 100 percent.
Foreign banks allowed to underwrite shares	Feb-1991	Foreign banks operating in Pakistan were allowed to underwrite shares of an individual company to the extent of 30% of the public offering or its own capital and reserves whichever is less, with limits applied individually to each foreign bank.
Remittance of profit by foreign companies	Feb-1991	Authorized dealers designated by foreign companies were allowed to remit profits without specific SBP approval. Later in Feb 1992, the government also abolished ceiling on payment of royalty and technical fee to non-residents.
Import license	Feb-1991	The requirement of obtaining license from the Chief Controller of Imports and Exports (CCI&E) for items on the free list and other specified items was withdrawn. Effective from July 15, 1993, the office of CCI&E ceased to function. Since then, EPB has been looking after these functions.
Domestic borrowing by foreign companies (capital expenditure)	Feb-1991	Foreign-controlled manufacturing companies were allowed to borrow for their capital expenditure from banks, DFIs and other financial institutions by issuing Participation Term Certificates (PTCs).

US Dollar Bearer Certificates	Apr-1991	Government introduced a scheme for issuance of one-year US Dollar Bearer Certificates. Later in March 1992, government introduced 5-year Foreign Currency Bearer Certificates (FCBC) denominated in US Dollar, Deutsche Mark, Pound Sterling and Japanese Yen with six monthly fixed rate of return. Another scheme of FCBC in US Dollar and Pound Sterling with three-year maturity was introduced in Feb 1998. All these schemes were immune from tax and scrutiny.
Foreign exchange remittance	Jul-1991	During 1991, a number of decisions were taken to liberalize remittance of foreign exchange, which was otherwise restricted or required prior SBP approval. These included payments to non-residents on account of News Feature Services, News Pictures, Syndicate Services, contribution for publication in Pakistani news papers, subscription to foreign news papers and periodicals etc.
Export proceeds	Jul-1991	Exporters were allowed to retain an amount not exceeding 5% of their FOB value of the goods realized in their special FCAs.
Investment banks allowed to raise foreign currency funds	Apr-1992	Investment banks were allowed to raise funds from abroad, through issuance of Certificates of Investment (COIs) of maturity not less than three months. Foreign exchange so raised was to be surrendered immediately to SBP.
Grant of license to money changers and lifting of restrictions	May-1992	Pakistani nationals, resident companies/firms working as 'Money Changers' were granted licenses on payment of prescribed fees. Later in December 1992, all restrictions on import and export of foreign currency were lifted.
Foreign investment	Mar-1993	Foreign investment upto 100 percent of the equity of an industrial concern in Pakistan were permitted on repatriable basis. Furthermore, non-residents were allowed to trade freely in the shares quoted on the stock exchanges in Pakistan.
Investment abroad by residents	Mar-1993	Resident Pakistanis including firms and companies incorporated in Pakistan were allowed to make investment in companies/joint ventures abroad on repatriable bases through FEBCs.
Investment in debt instruments	Jan-1994	Non-residents were allowed to invest freely in FIBs and T-bills in the secondary market. They were also allowed to invest on repatriable basis in corporate debt instruments viz. PTCs and TFCs.
Discontinuation of forward buying/selling	May-1994	SBP decided to discontinue forward buying/selling of US dollars for 6/12 months in connection with the transactions undertaken by ADs relating to export and specific imports and leave the short-term forward cover to the market.
Discontinuation of forward cover	Jun-1994	The scheme of providing exchange risk coverage to private sector by the SBP on behalf of federal government on direct borrowings inclusive of suppliers' credit/guaranteed loans/ PAYE loans was abolished.
Current account made convertible	Jul-1994	Pak Rupee made convertible w.e.f. July 1, 1994 by accepting obligations of Article VIII, sections 2,3 and 4 of IMF Article of Agreement.
Foreign currency accounts holders allowed to sell forward	Sep-1994	Persons maintaining FCAs with the ADs in Pakistan were permitted to sell forward the balance held in their accounts to the importers in connection with imports LCs/Indents.
Domestic borrowing by foreign companies (Working Capital)	Dec-1997	Authorized dealers were permitted to grant rupee loans and credits for working capital requirement to the foreign controlled companies. Later foreign controlled investment banks were also allowed to meet their working capital requirement through local borrowing.
No surrender of foreign exchange of FCAs	Jun-1998	Following the freeze, the new FCAs (FE-25) had no obligation on ADs to surrender the foreign exchange to the SBP.
Market-based exchange rate system	May-1999	Effective from July 22, 1998, dual exchange rate system was adopted. On May 19, 1999, this was replaced by market-based exchange rate system given a narrow band. The unofficial cap on exchange rate was finally removed on July 21, 2000 to make it pure market-based.

Capital Market Reforms		
Creation of Pakistan Credit Rating Agency (PACRA) and DCR-VIS Credit Rating Company Limited	Aug-1994	Pakistan Credit Rating Agency Limited (PACRA) was set up in 1994, by IFC in collaboration with Fitch-IBCA Inc., of UK and LSE while DCR-VIS Credit Rating Co. Ltd was setup in 1997 in association with Duff and Phelps Credit Rating Co to improve transparency in the stock market.
Companies (Issue of Capital) Rules	Feb-1996	The government repealed the Capital Issues (Continuance of Control) Act, 1947, to abolish controls on pricing of new issues, and introduced the Companies (Issue of Capital) Rules, 1996.
Capita Market Development Program	May-1997	With a view to strengthen regulatory & institutional framework, the government in collaboration with ADB formulated this program.
Creation of Central Depository Company (CDC)	Sep-1997	To facilitate electronic transfer of stocks, Central Depository Company of Pakistan Limited was set up in collaboration with IFC, Citibank, other leading commercial banks and DFIs. It commenced its operations in Sep 1997.
Automation of all three stock exchanges	Sep-1997	All three stock exchanges were automated and rules and regulations of conduct were accordingly revised to enhance investors' confidence.
Establishment of Securities & Exchange Commission of Pakistan (SECP)	Jan-1999	SECP became operational from January 1, 1999 through SECP Act, 1997, replacing Corporate Law Authority (CLA).
Buy-back of shares	Dec-1999	The companies were allowed to buy-back its shares through an amendment in the Companies Rules w.e.f. December 14, 1999.

Annex 3

Annex 3.1: CAMELS Framework

Supervisory framework of SBP, consistent with international norms, covers risk-monitoring factors for evaluating the performance of banks. Specifically, CAMELS framework is in place since December 1997 for on-site and off-site surveillance. This framework involves the analyses of six groups of indicators reflecting the health of financial institutions.

Capital Adequacy

Capital base of financial institutions facilitates depositors in forming their risk perception about the institutions. Also, it is the key parameter for financial managers to maintain adequate levels of capitalization. Moreover, besides absorbing unanticipated shocks, it signals that the institution will continue to honor its obligations. The most widely used indicator of capital adequacy is capital to risk-weighted assets ratio (CRWA). According to Bank Supervision Regulation Committee (The Basle Committee) of Bank for International Settlements, a minimum 8 percent CRWA is required.

Asset Quality

Asset quality determines the robustness of financial institutions against loss of value in the assets. The deteriorating value of assets, being prime source of banking problems, directly pour into other areas, as losses are eventually written off against capital, which ultimately jeopardizes the earning capacity of the institution. With this backdrop, the asset quality is gauged in relation to the level and severity of non-performing assets, adequacy of provisions, recoveries, distribution of assets etc. Popular indicators include non-performing loans to advances, loan default to total advances, and recoveries to loan default ratios.

Management Soundness

Management of financial institution is generally evaluated in terms of capital adequacy, asset quality, earnings and profitability, liquidity and risk sensitivity ratings. In addition, performance evaluation includes compliance with set norms, ability to plan and react to changing circumstances, technical competence, leadership and administrative ability. In effect, management rating is just an amalgam of performance in the above-mentioned areas.

Earnings and Profitability

Earnings and profitability, the prime source of increase in capital base, is examined with regards to interest rate policies and adequacy of provisioning. In addition, it also helps to support present and future operations of the institutions. The single best indicator used to gauge earning is the Return on Assets (ROA), which is net income after taxes to total asset ratio.

Liquidity

An adequate liquidity position refers to a situation where institution can obtain sufficient funds, either by increasing liabilities or by converting its assets quickly at a reasonable cost. It is, therefore, generally assessed in terms of overall assets and liability management, as mismatching gives rise to liquidity risk. Efficient fund management refers to a situation where a spread between rate sensitive assets (RSA) and rate sensitive liabilities (RSL) is maintained. The most commonly used tool to evaluate interest rate exposure is the Gap between RSA and RSL, while liquidity is gauged by liquid to total assets ratio.

Sensitivity to Market Risk

The diversified nature of bank operations makes them vulnerable to various kinds of financial risks. Sensitivity analysis reflects institution's exposure to interest rate risk, foreign exchange volatility and

equity price risks (these risks are summed in market risk). Risk sensitivity is mostly evaluated in terms of management's ability to monitor and control market risk.

Annex 3.2: Glossary of Important Terms

Capital to Risk-weighted Assets

It is a ratio of capital -- sum of tier 1 and tier 2 -- to risk-weighted assets. Each asset and off balance sheet item is assigned one of four broad risk categories, based on the perceived credit risk of the obligor (borrower) or, if relevant, the guarantor or type of collateral. The appropriate rupee value of the amount in each category is multiplied by the risk weight associated with that category. The resulting weighted values for each of the risk categories are added to calculate the risk-weighted assets.¹

Earning Assets

This parameter represents the assets generating interest income. In this study, the sum total of net advances, net investments and money at call has been used as a proxy of earning assets.

Rate Sensitive Assets (RSA)

These are the same as earning assets, i.e., advances, investments and money at call.

Rate Sensitive Liabilities (RSL)

Since cost of interest-bearing liabilities depends on changes in interest rate, these are called rate sensitive liabilities. The sum of deposits and borrowings is used as RSL in this study.

GAP

Term commonly used to describe the rupee volume of the mismatch between interest Rate Sensitive Assets (RSA) and interest Rate Sensitive Liabilities (RSL) for a specific time frame.

Interest Rate Spread

The ratio obtained by subtracting the cost factor for interest-bearing liabilities from the percentage yield on earning assets.²

Banking Spread

Difference between weighted average lending and weighted average deposit rates.

Liquid Assets

The sum of cash and bank balances, investment in government securities and money at call is used as a measure of liquid assets.

Net Interest Margin

Net Interest Income as a percentage of average earning assets. It reveals the difference between the yield on Earning Assets and the Break-even Yield (or the yield that is needed to cover all interest expense). As interest-bearing liabilities are not normally equal to total earning assets, the "spread" is usually different from the net interest margin

Operating Expenses

Refers to expenses other than interest expense, for example, salaries, administrative expenses, etc.

Break-even Yield

Measured in terms of interest expense to earning assets ratio, it indicates the minimum rate to earn some profit.

¹ For detail see BPRD Circular No. 36 dated 4th November 1997.

² (Interest income / earning assets) – (interest expense / interest paying liabilities)

Annex 3.3: Group-wise data of Select Financial Variables of Banks

Table 3A.1: State-owned Banks

billion Rupees	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000
Paid-up capital	6.5	6.5	6.7	7.0	7.6	8.5	9.3	9.6	40.4	40.5	40.9
Equity	14.9	16.2	18.0	21.1	22.8	24.6	19.2	8.7	46.3	39.2	48.5
Deposits	329.7	382.4	456.8	510.6	586.2	674.4	737.9	784.9	859.3	924.9	974.2
Liabilities	377.3	434.6	520.2	580.2	669.4	764.0	836.3	910.8	982.1	1070.4	1109.5
Advances	201.2	206.9	223.7	277.0	295.8	352.3	379.6	389.3	414.6	479.1	543.6
Investment	104.1	129.0	184.5	185.3	230.2	249.4	255.6	272.1	314.8	284.0	265.0
Assets	392.3	450.8	538.2	601.3	692.2	788.6	855.5	919.4	1028.4	1109.6	1158.0
Income	37.6	40.9	48.1	60.2	66.1	80.3	81.8	98.3	109.2	110.6	110.4
Expense	35.9	38.6	43.9	54.7	61.4	75.4	86.1	119.9	111.1	112.6	106.9

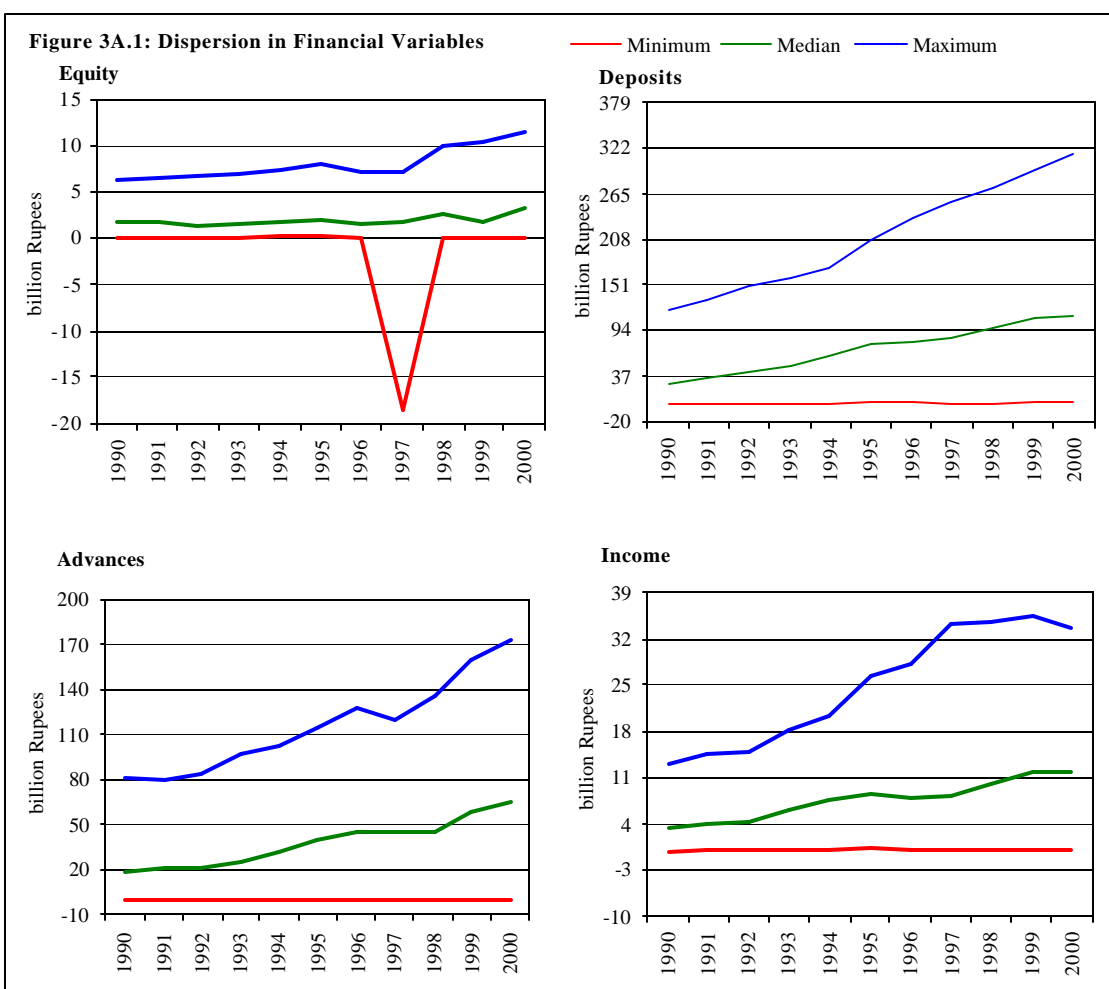


Table 3A.2: Private Banks

billion Rupees

	1992	1993	1994	1995	1996	1997	1998	1999	2000
Paid-up capital	2.6	2.9	3.4	5.6	6.1	6.9	7.3	7.6	8.3
Equity	2.8	3.7	4.9	8.6	10.1	11.8	12.1	13.7	14.4
Deposits	15.8	25.7	38.3	59.3	81.8	115.9	126.9	131.3	161.4
Liabilities	21.8	35.6	51.0	78.6	104.4	139.1	154.2	169.5	208.9
Advances	8.6	13.8	22.7	40.6	51.3	71.4	78.3	88.7	120.7
Investment	10.2	13.5	16.8	19.6	28.1	53.2	53.8	43.4	48.3
Assets	24.5	39.3	55.9	87.3	114.5	150.9	166.4	183.2	223.3
Income	1.0	4.1	5.9	10.2	14.1	19.2	21.8	21.1	22.7
Expense	0.7	2.6	3.9	7.5	10.5	15.6	19.6	18.4	20.1

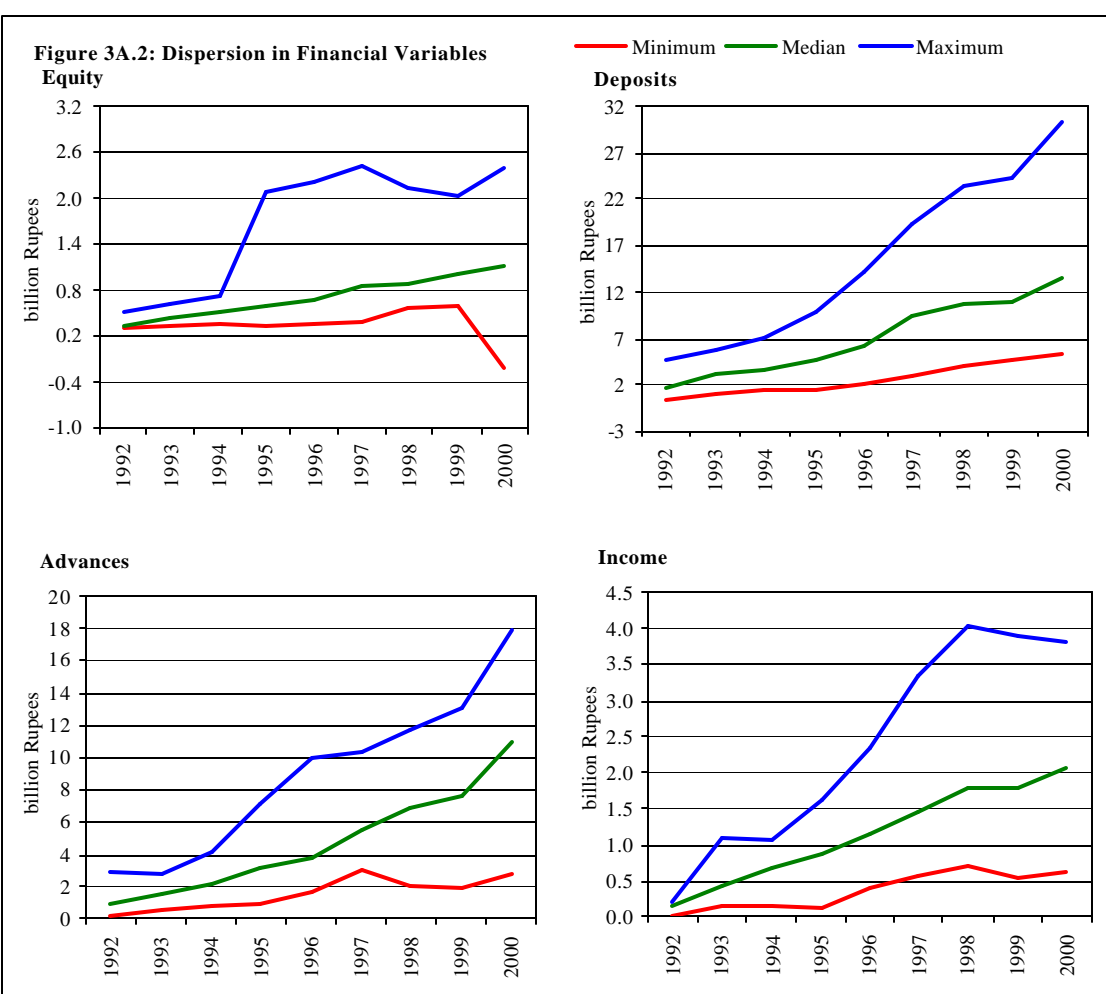
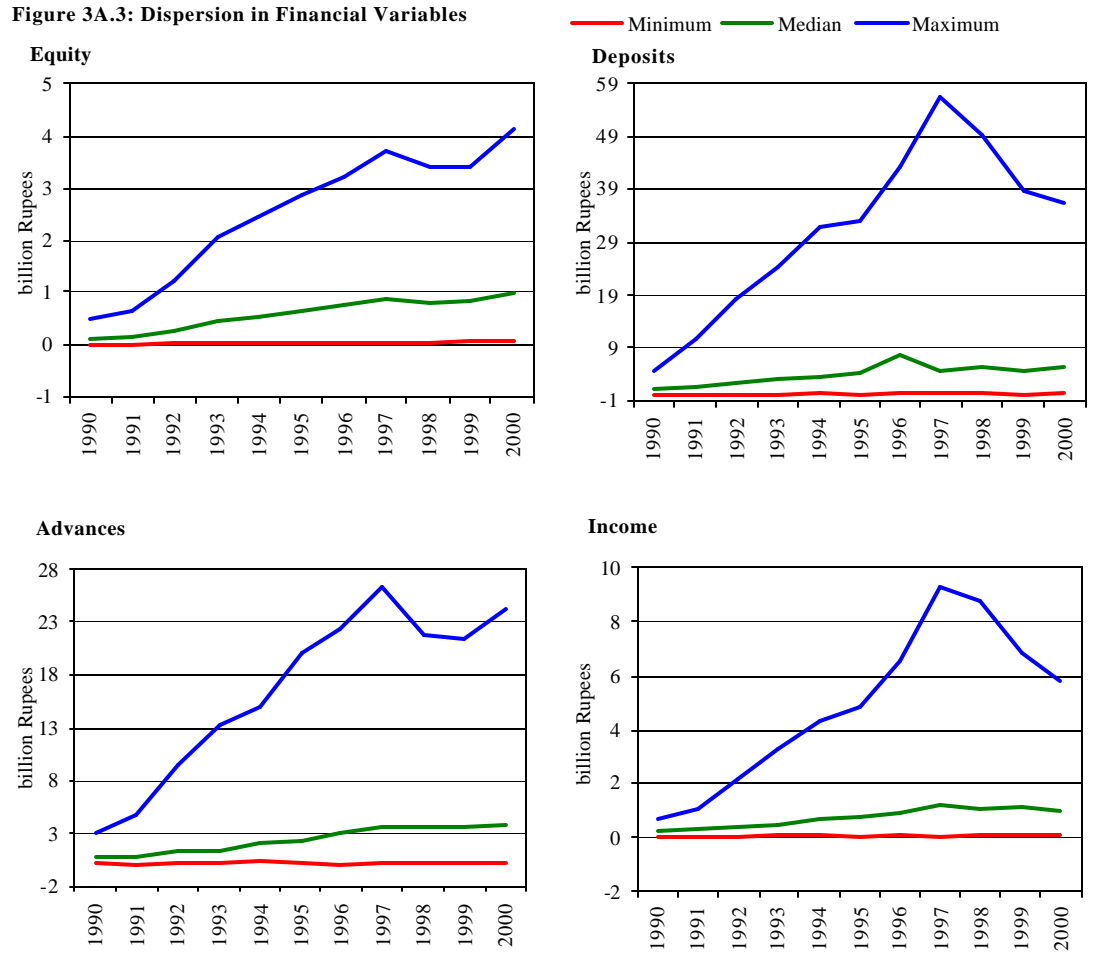


Table 3A.3: Foreign Banks

billion Rupees

	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000
Paid-up capital	1.8	2.6	4.3	7.3	8.9	11.4	13.9	17.0	19.0	21.3	22.6
Equity	2.5	4.0	6.7	10.0	11.8	13.6	16.7	21.2	23.3	24.4	24.3
Deposits	24.9	43.5	62.1	85.5	106.4	122.0	176.3	221.3	212.9	183.2	187.1
Liabilities	30.8	51.4	73.4	100.2	122.4	138.9	196.0	247.6	240.0	228.1	235.1
Advances	17.3	23.0	33.5	41.5	54.6	70.2	89.2	120.1	120.6	125.0	134.0
Investment	7.3	17.7	28.8	41.1	45.1	39.3	66.2	78.4	70.6	32.6	53.3
Assets	33.4	55.3	80.2	110.3	134.2	152.5	212.6	268.9	263.3	252.6	259.5
Income	4.0	6.2	9.7	13.4	16.9	19.1	26.5	39.2	40.1	35.0	29.9
Expense	2.8	3.5	5.2	9.3	12.9	16.0	21.3	31.8	35.5	30.4	26.1

Figure 3A.3: Dispersion in Financial Variables

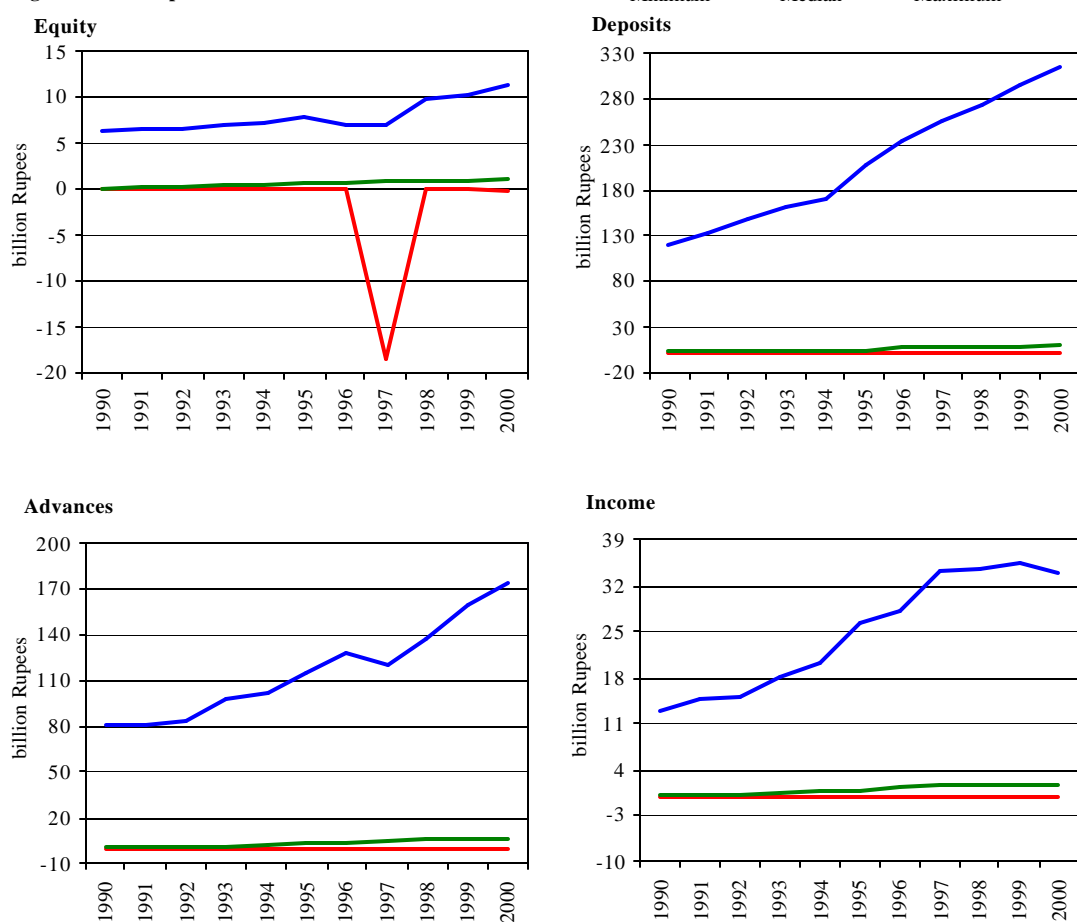


Tables 3A.4: All Banks

billion Rupees

	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000
Paid-up capital	8.3	9.3	13.7	17.2	19.9	25.6	29.3	33.5	65.7	69.3	71.9
Equity	17.5	20.5	27.5	34.8	39.5	46.9	45.9	41.7	81.7	77.3	87.2
Deposits	354.6	425.9	534.7	621.9	730.9	855.7	996.0	1122.1	1199.2	1239.4	1322.8
Liabilities	408.2	485.9	615.4	716.1	842.8	981.6	1136.7	1297.5	1376.3	1468.0	1553.5
Advances	218.5	229.9	265.9	332.4	373.1	463.1	520.2	580.8	613.5	692.9	798.3
Investment	111.3	146.7	223.4	239.9	292.0	308.3	350.0	403.6	439.2	360.0	366.5
Assets	425.6	506.4	642.9	750.9	882.3	1028.4	1182.6	1339.2	1458.0	1545.3	1640.7
Income	41.5	47.1	58.8	77.6	88.8	109.6	122.4	156.7	171.1	166.7	163.0
Expense	38.8	42.1	49.8	66.5	78.1	98.9	117.9	167.4	166.2	161.4	153.1

Figure 3A.4: Dispersion in Financial Variables



Annex 4

Annex 4.1: Functions of NBFIs

Non-Bank Finance Institutions

These include development finance institutions (DFIs), investment banks (IBs), leasing companies, modaraba companies, housing finance companies (HFCs), discount houses (DHs), and venture capital companies (VCCs).

Development Finance Institutions

Major business activities of DFIs include acceptance of fixed maturity deposits, trade and investment in securities, project financing, leasing, underwriting of equity and debt issues, and participation with other financial institutions in extending loans and advances. Their history dates back to 1957, when the Pakistan Industrial Credit and Investment Corporation (PICIC) was established with the help of World Bank. Since then, a number of DFIs have been established in the public sector including three joint ventures with foreign partners to provide resources to real sector. Government also established a commercial bank namely, Industrial Development Bank of Pakistan (IDBP) in 1961 to supplement the role of PICIC.

Investment Banks

Also known as investment finance companies, these banks are relatively new entrants compared to other NBFIs.¹ These banks are permitted to participate in money and capital markets, besides being allowed to mobilize both short-term (but not less than 30 days) as well as long-term deposits. In addition, these banks also provide project financing and fund management services. Despite the wide scope of their activities, only five investment banks were established till 1990, as rapid growth in leasing and modaraba companies marginalized this sector.

Leasing Companies

In addition to their primary business of providing lease finance for a wide range of items such as industrial equipment and machinery, office equipment and computers and motor vehicles etc., to businesses, these also invest in equities. The first leasing company was established in 1984. Being compatible with the Islamic mode of financing, these companies received a major boost in the later half of the 1980s and early 1990s. By end-June 1990, a total of 5 leasing companies were established.

Modaraba Companies

Although, their organizational structure was formulated in 1980, the first company was floated in 1985 with the enforcement of Modaraba Ordinance. These companies are mainly involved in leasing, equity portfolio management, and trading/lending activities. In view of government's efforts toward Islamization and compatibility of modaraba business activities with Islamic mode of financing, these companies showed impressive growth in late 1980s. By end-June 1990, a total of 10 such companies were established.

Housing Finance Companies

Though restricted to housing sector these companies are very similar to DFIs. In 1990, there was only one such entity: House Building Finance Corporation (HFBC) in the public sector, which was categorized as a DFI. However, with the establishment of three new housing finance companies in the private sector during 1990s, separate rules for Housing Finance Companies were specified. HFCs are allowed to mobilize long-term savings for housing investment, which include long term financing

¹ The legal framework to investment banks was provided in July 1987 vide an SRO 585(1)/87, issued by Ministry of Finance.

for construction, purchase or alteration, leasing and renting. In this category, HBFC being the oldest and in public sector enjoys almost a monopoly position.

Venture Capital Companies and Discount Houses

The venture capital companies are allowed to extend equity support to enterprises desiring to undertake innovative projects, while discount houses deal with discounting and related services. By end-June 1990, there was only one discount house operating in the country, however, during 1990s a number of discount houses and venture capital companies were established.

Annex 4.2: Group-wise data of Select Financial Variables of NBFIs

Table 4A.1: Development Finance Institutions

billion Rupees

	FY90	FY91	FY92	FY93	FY94	FY95	FY96	FY97	FY98	FY99	FY00
Paid-up capital	5.4	5.6	7.3	8.6	9.5	10.0	10.7	10.9	11.0	11.0	11.1
Equity	13.5	14.6	17.3	19.9	22.0	22.8	21.1	21.7	11.8	-2.7	-10.5
Deposits	20.3	27.2	33.6	39.3	47.3	54.2	59.1	88.4	69.2	63.0	57.8
Liabilities	91.8	104.7	118.1	140.0	159.0	176.4	192.4	230.5	214.7	211.9	211.0
Advances	79.0	92.5	98.3	108.5	117.2	130.4	133.2	161.7	136.4	130.0	122.6
Investment	12.0	9.0	15.6	23.4	27.4	27.2	31.7	36.8	28.7	29.5	29.6
Assets	105.3	119.3	135.4	159.9	181.1	199.2	213.6	252.1	226.5	209.2	200.5
Income	9.7	11.5	13.5	17.2	19.2	19.2	20.0	24.8	24.6	22.1	22.9
Expense	7.1	8.8	9.9	12.4	15.1	16.9	19.8	22.1	28.3	23.2	23.3

Figure 4A.1: Dispersion in Financial Variables

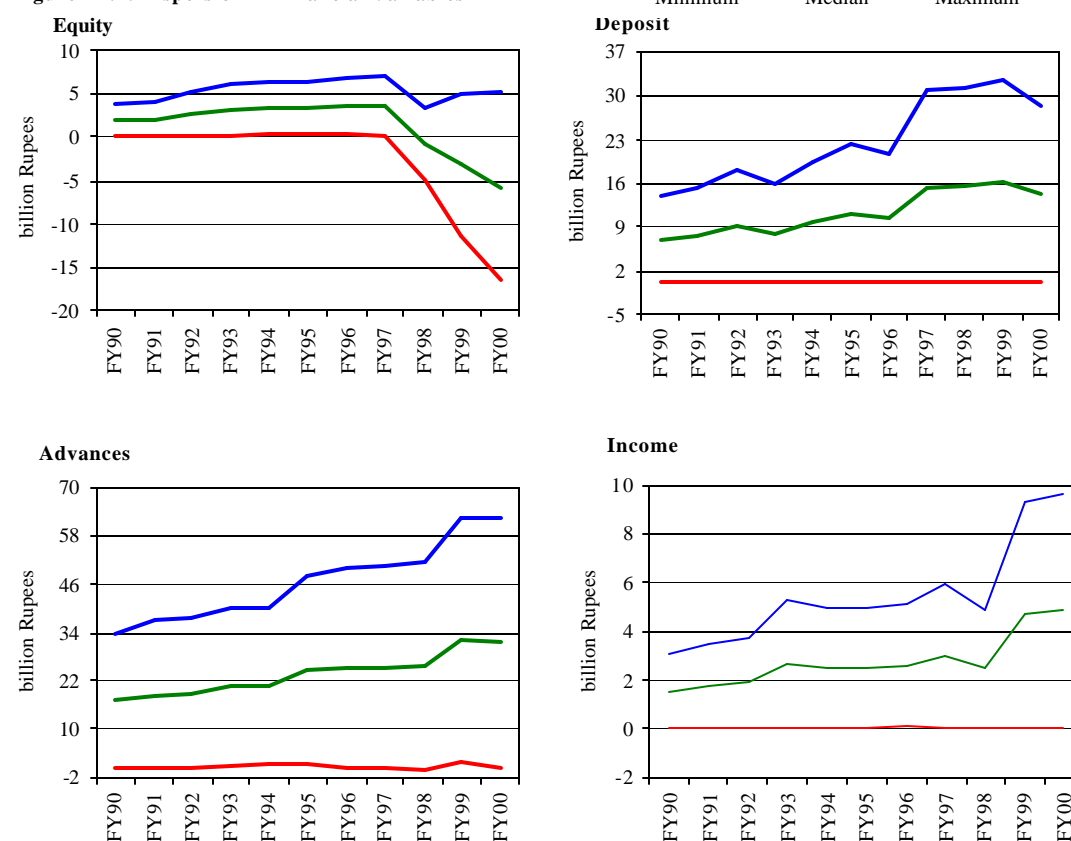


Table 4A.2: Investment Banks

billion Rupees

	FY90	FY91	FY92	FY93	FY94	FY95	FY96	FY97	FY98	FY99	FY00
Paid-up capital	0.5	0.8	1.4	1.6	2.4	2.6	3.0	3.3	4.3	4.4	4.4
Equity	0.5	0.9	1.7	2.4	3.6	3.9	4.4	5.0	5.7	5.6	6.0
Deposits	1.8	3.4	5.9	16.1	21.1	23.0	29.7	32.6	35.4	36.7	26.5
Liabilities	1.9	3.8	6.7	18.4	24.5	26.5	32.4	36.7	40.2	43.1	36.1
Loans & advances	1.7	3.5	5.3	13.0	16.9	16.4	18.9	21.2	22.5	20.9	13.4
Investment	2.6	0.5	1.8	4.2	6.4	8.9	10.2	12.7	11.9	14.9	17.6
Assets	2.4	4.7	8.4	20.7	28.1	30.5	36.8	41.7	45.9	48.7	42.1
Income	0.1	0.6	0.9	2.4	4.0	4.4	6.9	5.9	6.7	7.4	7.4
Expense	0.1	0.4	0.7	1.9	3.1	3.6	6.0	5.2	6.2	6.4	5.9

Figure 4A.2: Dispersion in Financial Variables

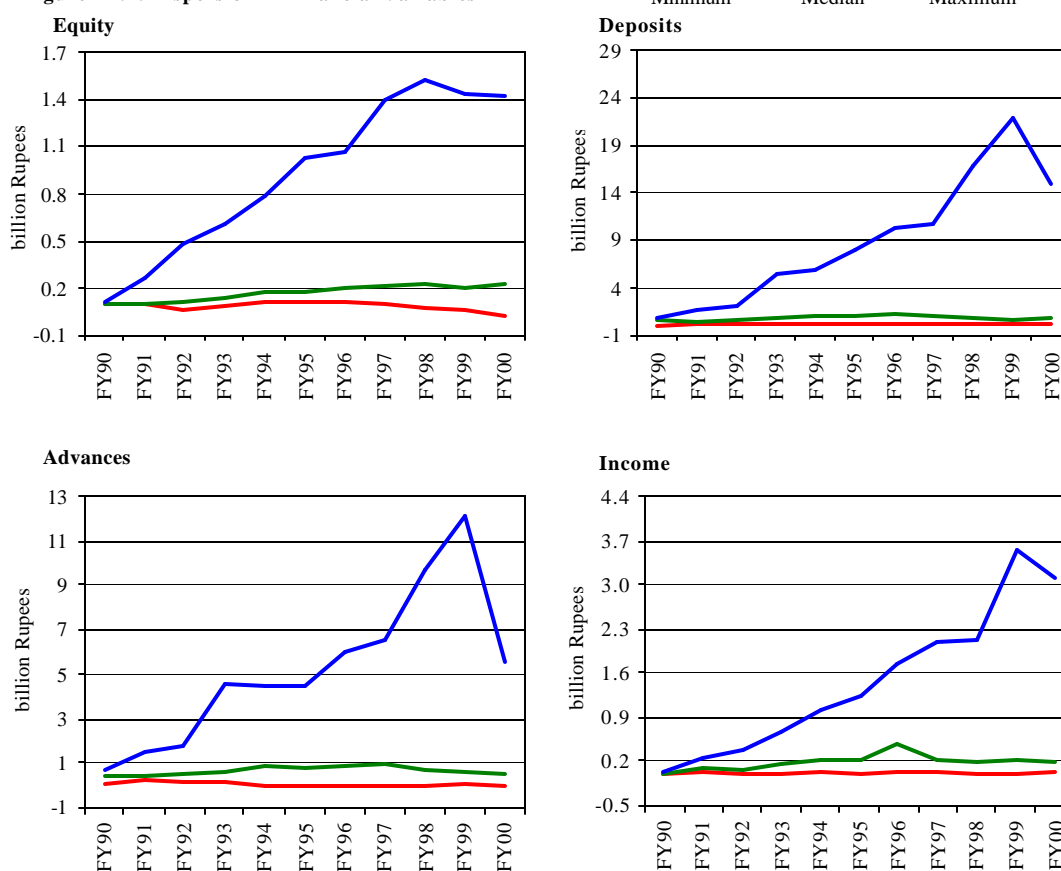


Table 4A.3 : DFIs: Asset Shares

percent											
	FY90	FY91	FY92	FY93	FY94	FY95	FY96	FY97	FY98	FY99	FY00
ADBP	37.4	35.5	33.3	32.7	30.2	30.9	29.9	26.4	30.7	36.5	38.9
NDFC	21.8	20.7	20.5	16.4	16.7	16.4	13.8	13.1	17.2	13.5	10.4
IDB	9.9	10.8	10.7	10.5	10.3	9.1	8.5	8.2	8	10.3	10.3
PICIC	11.1	11.3	12	13	11	10	8.6	7.3	7.9	7.6	7.7
SBFC	1.1	1.2	2.1	2.8	4	6	5.9	4.8	5.3	5.6	5.8
PKIC	0.7	0.8	0.8	2.8	4.2	6.5	9.3	14.3	9.3	5.5	4.9
BEL	7.1	7.7	8.1	9	7.9	7.5	6.9	6.4	6.8	4.9	4.8
PLHC	2.1	2	1.7	1.6	3.8	1.7	2.4	7.3	4.2	4.8	4.6
SPIAIC	1.6	1.8	2.2	3.2	4.6	5.1	7.5	6.9	4.5	4.7	4.3
PPCB	3.3	3.7	3.9	3.6	3	2.7	2.7	2.2	2.6	2.8	3.5
FCB	3.1	3.3	3.4	3	2.4	2.3	2.2	1.8	2.2	2.4	3
RDFC	1	1.2	1.3	1.4	2	1.8	2.3	1.5	1.5	1.5	1.7
Total assets (billion Rupees)	105.3	119.3	135.4	159.9	181.1	199.2	213.6	252.1	226.5	209.2	200.5

Table 4A.4 : Investment Banks: Asset Shares

percent											
	FY90	FY91	FY92	FY93	FY94	FY95	FY96	FY97	FY98	FY99	FY00
Al-Faysal	-	-	11.8	13.5	24.6	31.9	33.1	30.3	41.7	50.4	43.4
Crescent	35.5	45	34.4	31.7	25.6	23.7	24.1	24.6	18.2	14.6	19
Al-Towfeeq	6.2	6.7	6.3	10.2	10.1	9.3	9.3	6.8	5.9	4.3	3.2
Orix	-	-	-	-	-	-	0.6	2.7	3.3	3.8	3.5
Prudential	22.5	13.6	8.6	4.6	3.6	2.9	2.6	3.4	2.5	2	1.8
Franklin	-	-	0.9	2.4	3	2.5	1.8	2.8	0.6	0.2	0.4
Asset	-	-	1.2	2.2	1.1	1	0.9	1.1	1.1	0.7	0.6
First International	-	-	6.4	6.5	8	7.4	4.1	3.1	3.2	3.2	3.3
Fidelity	31.6	15.7	11.6	8.1	5.9	5.4	7.7	7.1	7.1	6.6	6.5
Al-Meezan	-	-	-	-	-	-	-	-	2	2.4	3.1
Escort	-	-	-	-	-	-	-	1.5	1.2	1.6	1.7
Atlas	-	6.1	7.8	6.4	5.2	4.8	4.2	4.3	4	2.6	3.1
Jahanjir Siddiqui	-	-	-	3.2	2.3	3.6	4.5	4.2	0.9	1.6	2.8
Security	-	2.2	2.7	4.5	5.4	2.7	3.5	3.3	3.8	2.8	2.5
Trust	-	-	-	-	-	-	-	1.5	1.4	0.9	1.1
Islamic	4.2	10.6	8.3	6.6	5.1	4.7	3.6	3.3	3.1	2.4	4
Total assets (billion Rupees)	2.4	4.7	8.4	20.7	28.1	30.5	36.8	41.7	45.9	48.7	42.1

Table 4A.5: Leasing Companies

million Rupees											
	FY90	FY91	FY92	FY93	FY94	FY95	FY96	FY97	FY98	FY99	FY00
Paid-up capital	303	549	1,155	1,550	1,950	3,139	3,768	4,155	4,328	4,429	4,584
Equity	729	1,177	2,015	2,644	3,407	5,330	6,404	7,217	7,457	7,521	7,850
Deposits	280	375	733	1,344	1,981	2,112	3,471	4,662	4,529	5,336	7,624
Liabilities	5,539	5,539	5,539	5,539	5,539	5,539	5,539	5,539	5,539	5,539	5,539
Lease finance	1,896	2,555	4,228	5,953	8,555	10,237	14,984	16,032	15,007	16,352	17,322
Investment	82	63	230	159	272	458	602	825	1,025	921	851
Assets	6,268	5,193	8,043	10,792	15,891	20,424	27,437	31,358	33,040	35,515	39,077

Table 4A.6: Modaraba Companies

million Rupees							
	FY94	FY95	FY96	FY97	FY98	FY99	FY00
Paid-up capital	6,036	6,710	6,760	6,760	7,067	6,765	6,720
Equity	6,955	7,418	7,365	7,569	7,876	7,039	7,070
Deposits	451	571	654	717	792	790	874
Liabilities	4,890	5,348	5,328	6,350	7,316	7,780	7,913
Advances	7,788	7,776	7,308	9,159	10,118	9,887	9,899
Investment	593	1,105	1,500	1,015	1,346	1,721	1,758
Assets	11,844	12,765	12,693	13,920	15,192	14,819	14,983

Table 4A.7: Housing Finance Companies

million Rupees											
	FY90	FY91	FY92	FY93	FY94	FY95	FY96	FY97	FY98	FY99	FY00
Paid-up capital	200	203	307	363	363	423	485	485	485	485	485
Equity	456	539	751	609	838	1,165	1,677	2,171	2,817	3,340	3,801
Deposits	-	-	-	-	5	57	145	124	101	231	133
Liabilities	16,041	16,208	17,106	17,959	18,105	18,277	18,488	18,200	18,486	18,204	18,461
Advances	14,539	14,686	14,504	14,605	14,319	13,738	13,617	13,569	13,376	11,713	11,402
Investment	445	686	1,480	2,059	2,729	3,445	4,411	4,732	5,931	3,388	5,997
Assets	16,497	16,745	17,855	18,570	18,945	19,443	20,165	20,371	21,303	21,543	22,260
Income	661	487	1,038	1,318	1,494	1,680	1,709	1,850	2,102	1,632	1,825
Expense	273	309	205	254	319	372	477	545	636	705	581

Table 4A.8: Discount Houses

million Rupees											
	FY90	FY91	FY92	FY93	FY94	FY95	FY96	FY97	FY98	FY99	FY00
Paid-up capital	10	110	110	110	110	110	185	635	635	635	635
Equity	14	137	167	201	244	259	353	822	886	916	933
Deposits	-	-	-	-	-	-	-	-	-	-	-
Liabilities	915	966	649	1,075	535	553	623	702	717	685	379
Advances	-	-	-	-	-	-	-	125	215	114	88
Investment	11	102	268	691	344	445	568	902	808	924	713
Assets	929	1,103	816	1,276	778	812	976	1,524	1,603	1,601	1,312
Income	74	121	126	162	126	63	152	227	270	239	218
Expense	70	77	74	75	54	22	63	79	110	77	75

Table 4A.9: Venture Capital Companies

million Rupees										
	FY91	FY92	FY93	FY94	FY95	FY96	FY97	FY98	FY99	FY00
Paid-up capital	1	100	100	100	100	100	475	475	475	475
Equity	1	100	111	131	127	131	532	527	505	368
Liabilities	3	5	10	6	7	1	98	724	753	666
Advances	0	9	8	23	11	1	7	25	4	33
Investment	-	70	105	86	97	106	570	1,036	899	743
Assets	4	105	121	137	134	133	629	1,251	1,265	1,027
Income	-	-	18	35	4	18	57	113	239	234
Expense	-	-	4	4	3	8	18	74	129	367

Table 4A.10: Outstanding Amount in National Saving Schemes

billion Rupees

National saving scheme	FY90	FY91	FY92	FY93	FY94	FY95	FY96	FY97	FY98	FY99	FY00
Defense saving certificates	35.2	41.9	47.5	53.0	64.4	85.0	105.2	136.6	168.8	207.2	248.4
National deposit cert./ accounts	5.5	4.8	4.2	3.6	3.0	2.2	1.1	0.2	0.1	0.1	0.1
Khas deposit cert./accounts	79.0	49.3	23.0	2.5	1.8	1.4	1.0	0.9	0.8	0.8	0.7
Special saving certificates-registered	6.6	24.9	43.0	58.5	64.1	71.5	83.9	98.8	119.0	143.9	163.3
Special saving certificates-bearer	0.5	1.9	2.9	3.7	4.3	5.4	4.6	3.4	1.7	0.8	0.3
Regular income certificates	0.0	0.0	0.0	1.1	5.4	9.4	14.1	30.6	85.0	144.1	170.2
Special saving accounts	1.7	6.6	11.9	15.7	16.7	18.8	21.0	24.8	27.4	33.3	38.8
Mahana amdani accounts	0.5	0.7	0.9	1.1	1.3	1.5	1.7	1.8	1.9	1.9	1.9
Saving accounts	3.0	4.7	5.6	5.2	15.8	15.6	20.3	14.7	8.0	10.3	10.1
Total	131.9	134.7	139.0	144.3	176.7	210.8	252.9	311.8	412.8	542.4	633.8
Annual flow in national saving schemes											
Defense saving certificates	9.8	6.8	5.6	5.5	11.4	20.7	20.1	31.4	32.3	38.4	41.2
National deposit cert./ accounts	0.6	-0.6	-0.6	-0.6	-0.6	-0.8	-1.1	-0.9	-0.1	0.0	0.0
Khas deposit cert./accounts	-1.9	-29.8	-26.3	-20.5	-0.7	-0.4	-0.3	-0.2	0.0	-0.1	-0.1
Special saving certificates-registered	6.6	18.3	18.1	15.4	5.7	7.4	12.3	14.9	20.2	25.0	19.4
Special saving certificates-bearer	0.5	1.4	1.0	0.8	0.6	1.1	-0.7	-1.3	-1.7	-0.9	-0.5
Regular income certificates	0.0	0.0	0.0	1.1	4.2	4.0	4.7	16.5	54.4	59.1	26.1
Special saving accounts	1.7	4.9	5.3	3.7	1.1	2.1	2.1	3.9	2.6	5.9	5.5
Mahana amdani accounts	0.1	0.2	0.2	0.2	0.2	0.2	0.2	0.1	0.0	0.0	0.0
Saving accounts	0.5	1.7	0.9	-0.4	10.6	-0.1	4.7	-5.6	-6.7	2.3	-0.2
Total	17.8	2.8	4.3	5.3	32.4	34.1	42.1	58.9	101.0	129.6	91.4

Annex 5

Annex 5.1: Select Indicators of Money Market

Table 5A.1: Open Market Operation

billion Rupees

Absorption

	FY95		FY96		FY97		FY98		FY99		FY00	
	Offered	Accepted	Offered	Accepted	Offered	Accepted	Offered	Accepted	Offered	Accepted	Offered	Accepted
July	-	-	9.3	9.3	31.4	26.9	26.9	15.5	16.6	10.2	7.7	-
August	-	-	23.9	17.1	24.6	21.5	26.6	21.4	76.5	41.0	54.7	21.6
September	-	-	13.2	10.9	14.0	12.7	33.9	22.0	105.8	64.4	56.0	28.2
October	-	-	0.6	0.6	2.0	1.5	33.0	12.2	-	-	15.3	-
November	-	-	11.3	8.2	35.0	27.7	33.5	25.8	16.4	10.2	20.4	5.5
December	-	-	2.8	2.0	28.6	20.9	39.2	20.8	57.7	40.1	15.3	5.0
January	23.6	11.4	6.3	4.9	6.2	2.9	10.6	-	-	-	5.6	-
February	7.4	2.2	5.0	3.6	18.8	18.1	34.7	28.9	60.7	24.0	37.4	3.4
March	22.5	16.5	8.9	4.4	20.3	18.1	41.1	31.3	4.2	-	22.0	-
April	18.2	14.8	5.9	5.6	20.7	14.0	2.4	0.8	4.0	-	31.3	12.5
May	7.6	3.5	17.7	17.4	58.2	32.8	45.2	27.9	15.1	-	0.9	-
June	5.6	2.2	17.4	16.6	13.2	2.9	34.8	30.0	50.9	10.0	4.0	-
Average												
per month	7.1	4.2	10.2	8.4	22.7	16.7	30.2	19.7	34.0	16.6	22.5	6.3
per day	0.2	0.1	0.3	0.3	0.8	0.6	1.0	0.7	1.1	0.6	0.8	0.2

Injection

	Bid	Injected	Bid	Injected	Bid	Injected	Bid	Injected	Bid	Injected	Bid	Injected
July	-	-	-	-	-	-	-	-	-	-	9.0	4.8
August	-	-	-	-	-	-	-	-	-	-	-	-
September	-	-	-	-	-	-	-	-	-	-	-	-
October	-	-	-	-	-	-	2.3	1.1	-	-	34.4	18.2
November	-	-	-	-	-	-	8.4	2.6	-	-	4.4	4.4
December	-	-	-	-	-	-	5.8	0.9	-	-	50.7	24.5
January	-	-	-	-	-	-	-	-	-	-	37.9	35.6
February	-	-	-	-	-	-	-	-	-	-	45.6	27.6
March	-	-	-	-	-	-	-	-	-	-	18.9	1.8
April	-	-	-	-	-	-	-	-	8.3	4.8	6.0	-
May	-	-	-	-	-	-	-	-	24.3	6.1	25.8	9.3
June	-	-	-	-	-	-	-	-	-	-	49.8	11.7
Average												
per month	-	-	-	-	-	-	1.4	0.4	2.7	0.9	23.5	11.5
per day	-	-	-	-	-	-	0.0	0.0	0.1	0.0	0.8	0.4

Note: Injections (through OMOs) started from FY98.

Table 5A.2: Call Money Market**Call rates**

percent per annum

	FY91	FY92	FY93	FY94	FY95	FY96	FY97	FY98	FY99	FY00
July	7.5	3.9	4.5	2.5	12.4	9.6	9.5	11.0	9.2	9.2
August	7.5	7.4	1.7	5.0	5.7	11.3	9.5	10.5	3.9	8.2
September	7.0	6.1	11.9	15.8	6.9	11.8	9.5	7.3	2.6	7.9
October	6.8	10.5	10.2	13.7	6.0	11.5	13.6	9.6	12.7	10.6
November	7.3	9.3	8.0	10.2	10.7	8.1	9.6	7.5	4.9	9.2
December	8.0	8.8	11.5	14.9	10.7	14.4	17.8	13.2	7.6	10.1
January	8.1	7.9	12.9	8.9	14.7	13.8	18.4	15.8	14.1	8.2
February	7.8	8.3	13.5	5.8	11.7	11.9	16.3	13.2	8.2	6.3
March	8.8	11.5	10.6	8.2	9.0	12.7	11.6	13.3	5.8	6.7
April	5.5	7.3	6.7	3.3	13.5	14.3	15.9	17.4	13.4	5.6
May	5.7	3.5	14.2	11.6	11.0	5.5	11.3	13.3	8.9	9.3
June	5.6	3.8	12.1	10.1	11.7	9.0	12.5	14.6	2.8	10.9
Average	7.1	7.4	9.8	9.2	10.3	11.2	13.0	12.2	7.8	8.5

Money at call and short notice

million Rupees

July	11,407	4,629	6,167	8,065	5,983	7,396	3,590	4,607	6,794	6,794
August	11,824	5,767	5,738	8,390	2,183	8,627	4,023	4,369	6,656	6,656
September	11,592	4,555	3,657	8,866	3,530	9,985	3,167	4,136	7,549	7,549
October	11,785	3,798	4,577	8,293	5,894	4,457	4,477	4,372	5,414	33,505
November	11,739	2,262	4,736	9,374	7,806	3,949	5,832	4,661	7,035	33,262
December	8,872	3,094	4,601	6,295	7,213	6,459	7,509	6,484	6,226	28,363
January	11,271	5,455	6,224	8,939	8,627	3,527	8,710	13,270	9,711	32,411
February	9,267	5,684	6,128	7,949	8,581	3,934	9,528	7,172	8,959	33,201
March	7,856	6,377	7,040	6,912	10,268	3,535	9,068	8,488	10,526	37,451
April	8,195	9,608	9,342	7,594	3,575	3,866	8,948	6,188	41,874	41,874
May	5,281	8,849	8,010	6,201	4,556	3,473	6,762	8,193	54,441	54,441
June	5,938	6,719		7,062	8,814	3,667	5,370	7,768	42,469	42,469
Average	9,586	5,566	6,020	7,828	6,419	5,240	6,415	6,642	17,305	29,831

Note: Outstanding at month end

Table 5A.3: SBP 3-Day Repo Window**Cash accommodation**

million Rupees

	FY92	FY93	FY94	FY95	FY96	FY97	FY98	FY99	FY00
July	-	2,350	-	1,518	2,964	4,275	7,400	17,460	33,585
August	-	-	4,202	-	3,054	12,760	5,373	6,945	28,152
September	-	38,326	22,726	-	3,208	34,120	360	900	7,806
October	-	8,349	53,897	-	5,380	150,576	54,370	85,790	29,458
November	-	2,193	14,892	4,930	1,460	17,230	25,020	-	28,230
December	-	5,806	118,367	2,316	33,585	80,089	86,054	-	62,280
January	-	32,693	20,341	35,812	20,935	304,684	97,800	152,398	106,860
February	1,175	41,284	3,179	1,750	-	215,456	19,980	18,351	12,656
March	37,310	50,180	20,197	175	-	6,570	8,703	37,400	42,616
April	5,140	2,383	-	925	30,155	39,321	198,795	117,754	19,120
May	-	40,535	16,673	5,470	86,945	25,098	10,615	40,512	49,200
June	555	42,879	4,422	1,988	26,053	38,847	91,885	-	317,700
Average									
per month	3,682	22,248	23,241	4,574	17,812	77,419	50,530	39,793	61,472
per day	123	742	775	152	594	2,581	1,684	1,326	2,049
SBP 3-Day repo rate									
percent per annum									
July	-	14.0	15.0	15.0	15.5	16.5	18.5	16.5	13.0
August	-	14.0	17.0	17.0	15.5	16.5	18.5	16.5	13.0
September	-	14.0	17.0	17.0	15.5	16.5	18.5	16.5	13.0
October	-	14.0	17.0	17.0	16.5	20.0	18.0	16.5	13.0
November	-	14.0	17.0	17.0	16.5	20.0	18.0	16.5	13.0
December	-	15.0	17.0	17.0	16.5	20.0	18.0	16.5	13.0
January	-	15.0	17.0	17.0	16.5	20.0	18.0	16.5	11.0
February	14.0	15.0	17.0	15.5	16.5	20.0	18.0	16.5	11.0
March	14.0	15.0	15.0	15.5	16.5	20.0	18.0	15.5	11.0
April	14.0	15.0	15.0	15.5	16.5	20.0	18.0	14.0	11.0
May	14.0	15.0	15.0	15.5	16.5	20.0	18.0	13.0	11.0
June	14.0	15.0	15.0	15.5	16.5	19.0	18.0	13.0	11.0

Note: Rates applicable against T-bills

Table 5A.4: Six-Month Treasury Bills

Amount offered million Rupees										
	FY91	FY92	FY93	FY94	FY95	FY96	FY97	FY98	FY99	FY100
July	-	12,098	34,960	26,245	19,800	13,275	7,702	34,864	9,944	10,950
August	-	8,908	36,936	17,921	39,848	9,420	13,035	47,099	71,046	10,425
September	-	8,740	21,994	11,122	36,303	21,535	13,852	62,518	71,734	30,245
October	-	775	10,497	7,991	36,319	11,321	5,518	44,726	9,642	10,750
November	-	1,030	11,780	11,620	15,505	11,275	14,524	57,559	33,101	35,375
December	-	7,950	13,535	5,460	5,846	3,791	14,133	66,774	23,111	8,000
January	-	23,100	30,070	39,520	23,290	7,731	10,210	38,248	11,677	12,650
February	-	9,218	8,028	56,113	15,172	7,250	15,618	45,472	41,474	19,850
March	13,630	6,485	13,735	35,236	18,219	15,313	20,495	29,687	36,562	13,950
April	10,561	9,615	7,796	34,843	19,210	13,829	9,116	17,926	3,850	20,590
May	7,212	17,736	3,615	20,500	15,237	10,913	20,913	33,790	15,154	25,315
June	17,816	17,261	7,550	5,771	5,709	9,896	38,346	50,244	16,642	7,880
Total	49,218	122,916	200,496	272,341	250,457	135,549	183,462	528,906	343,937	205,980
Amount accepted million Rupees										
July	-	11,138	33,400	24,945	16,505	13,015	7,102	23,074	8,494	-
August	-	7,128	8,972	16,816	29,803	4,820	12,670	25,013	28,296	3,525
September	-	6,315	16,749	3,977	21,227	16,130	12,402	13,238	16,098	16,700
October	-	135	4,517	3,885	12,635	9,256	5,218	4,825	-	2,300
November	-	280	3,060	8,915	10,235	8,395	8,864	31,404	1,000	24,825
December	-	6,715	2,875	1,835	1,966	3,391	9,208	47,214	7,611	1,500
January	-	17,860	15,100	11,995	7,321	6,931	7,295	18,726	8,157	2,350
February	-	6,423	4,233	27,493	2,792	4,300	12,168	22,807	20,139	3,250
March	6,673	2,500	3,975	13,405	15,089	14,010	10,410	18,022	12,700	500
April	7,271	4,240	4,896	8,908	11,130	8,154	6,036	11,146	175	11,150
May	3,873	5,120	2,270	10,840	12,767	8,571	18,673	21,822	-	18,915
June	12,906	8,160	6,165	3,492	5,224	9,336	34,707	34,839	-	500
Total	30,723	76,014	106,212	136,506	146,693	106,308	144,752	272,128	102,670	85,515
Weighted average yield percent per annum										
July	-	9.4	11.9	12.4	11.0	12.7	13.0	16.4	15.6	-
August	-	9.5	12.0	13.1	11.5	12.7	13.1	15.4	15.1	9.4
September	-	9.6	12.3	13.9	11.5	12.7	13.4	15.2	13.7	10.2
October	-	9.8	12.7	13.9	10.8	12.7	14.0	14.1	-	10.4
November	-	9.8	12.3	13.8	11.0	12.7	15.2	12.1	12.0	10.0
December	-	11.0	12.4	14.1	11.4	12.8	16.6	13.5	11.9	10.1
January	-	12.5	12.4	12.5	11.4	12.7	16.8	14.4	12.3	8.5
February	-	12.8	12.4	12.0	11.6	12.8	17.0	14.9	13.1	7.7
March	7.8	13.0	12.4	11.7	12.1	12.8	16.8	15.7	12.2	7.4
April	8.8	13.1	12.4	10.7	12.6	12.9	17.2	16.0	10.6	7.2
May	9.4	13.1	12.5	10.4	12.7	12.9	17.2	16.2	-	7.1
June	9.3	12.2	12.5	10.8	12.7	13.0	16.2	15.8	-	7.2
Average	8.8	11.3	12.3	12.4	11.7	12.8	15.5	15.0	9.7	7.9

Table 5A.5: Federal Investment Bonds (All Maturities)

million Rupees

Amount offered

	FY91	FY92	FY93	FY94	FY95	FY96	FY97	FY98
July	-	-	3,924	2,573	5,301	2,120	1,177	98
August	-	1,065	12,126	3,315	3,083	2,088	1,380	715
September	-	8,315	6,919	2,236	2,131	1,518	257	461
October	-	10,645	6,270	2,127	8,742	2,072	679	650
November	-	7,743	8,312	5,148	1,771	500	535	325
December	-	6,589	5,940	1,115	7,061	380	12	565
January	-	9,686	14,765	2,963	1,357	5,995	111	482
February	-	3,289	5,863	5,203	5,324	1,033	240	482
March	-	1,021	5,835	8,271	4,493	1,297	79	787
April	13,661	1,424	2,697	10,238	2,890	720	-	125
May	15,466	2,712	2,341	14,025	748	56	126	-
June	10,141	3,919	2,135	6,071	1,452	247	245	191
Total	39,268	56,407	77,127	63,284	44,353	18,026	4,841	4,881

Amount accepted

July	-	-	2,522	1,743	1,881	1,519	1,127	98
August	-	830	4,876	1,315	2,403	1,788	1,380	465
September	-	7,690	2,424	909	1,891	1,218	257	411
October	-	9,394	3,824	803	8,027	1,644	679	150
November	-	6,940	6,467	4,010	1,231	429	535	325
December	-	6,369	4,580	-	6,526	375	12	565
January	-	6,591	12,615	884	810	5,863	111	482
February	-	1,987	4,288	1,984	3,141	933	240	61
March	-	556	5,485	1,175	1,015	1,172	79	787
April	12,029	779	2,332	3,582	1,745	720	-	125
May	14,221	1,082	2,241	6,678	297	56	51	-
June	8,688	2,756	1,925	3,528	1,022	247	245	191
Total	34,938	44,974	53,579	26,611	29,988	15,964	4,716	3,660

Amount accepted (Banks)

July	-	-	1,632	1,383	300	600	52	-
August	-	430	4,530	498	1,508	287	169	-
September	-	7,154	1,010	133	993	834	6	-
October	-	7,131	2,777	266	6,508	30	1	-
November	-	3,237	4,027	1,597	193	37	-	275
December	-	4,146	3,381	-	2,772	-	2	250
January	-	5,363	11,786	331	400	5,101	-	2
February	-	1,449	3,442	381	2,200	201	-	-
March	-	432	4,426	851	500	-	-	670
April	11,385	612	1,713	3,185	436	50	-	-
May	12,505	651	1,627	6,270	27	0	-	-
June	5,087	2,313	556	2,317	535	31	-	-
Total	28,977	32,918	40,907	17,211	16,371	7,171	230	1,197

Amount accepted (Non-bank)

July	-	-	891	361	1,581	918	1,075	98
August	-	400	346	817	895	1,501	1,210	465
September	-	536	1,414	776	898	384	251	411
October	-	2,263	1,047	538	1,519	1,614	678	150
November	-	3,703	2,440	2,413	1,038	392	535	50
December	-	2,223	1,198	-	3,754	375	10	315
January	-	1,228	830	554	410	762	111	480
February	-	538	846	1,603	941	732	240	61
March	-	124	1,059	324	515	1,172	79	117
April	644	167	619	397	1,310	670	-	125
May	1,716	431	614	408	270	56	51	0
June	3,601	443	1,369	1,211	487	216	245	191
Total	5,961	12,056	12,671	9,400	13,617	8,793	4,486	2,463

Note: FIB auctions were suspended in June 1998.

Table 5A.6: Federal Investment Bonds Amount Accepted (Non-bank)

million Rupees

3-year bond

	FY91	FY92	FY93	FY94	FY95	FY96	FY97	FY98
July	-	-	256	53	1,581	61	300	50
August	-	109	54	1	287	40	250	50
September	-	225	13	5	100	40	100	101
October	-	1,105	81	10	462	477	80	50
November	-	2,233	106	1	100	350	100	50
December	-	1,176	2	-	821	60	-	50
January	-	305	10	51	150	60	-	480
February	-	129	26	1,000	450	215	150	-
March	-	0	88	113	200	350	20	100
April	37	100	13	25	172	90	-	100
May	924	60	-	170	0	-	50	0
June	1,676	1	45	375	150	133	50	150
Total	2,637	5,444	693	1,804	4,474	1,877	1,101	1,181

5-year bond

July	-	-	107	31	-	-	45	0
August	-	150	50	49	75	152	4	2
September	-	240	171	41	-	-	50	-
October	-	84	168	32	244	4	-	-
November	-	210	5	40	-	-	-	-
December	-	193	49	-	744	6	-	-
January	-	30	131	50	1	5	-	-
February	-	34	39	54	-	3	-	-
March	-	91	101	30	105	300	4	-
April	185	20	48	-	-	500	-	-
May	377	49	36	210	28	-	-	-
June	607	16	24	250	1	-	-	-
Total	1,169	1,116	930	786	1,198	969	102	2

10-year bond

July	-	-	529	277	-	857	731	48
August	-	141	242	767	533	1,310	957	413
September	-	72	1,230	730	798	343	101	310
October	-	1,074	798	496	813	1,134	598	100
November	-	1,259	2,329	2,372	938	42	435	-
December	-	853	1,147	-	2,189	310	10	265
January	-	892	688	453	259	697	111	-
February	-	375	781	549	491	514	90	61
March	-	33	870	182	210	522	55	17
April	422	47	557	372	1,138	80	-	25
May	415	322	578	28	242	56	1	-
June	1,317	426	1,300	585	335	83	195	41
Total	2,154	5,495	11,049	6,810	7,946	5,948	3,283	1,279

Table 5A.7: Federal Investment Bonds Amount Accepted (Banks)

million Rupees

3-year bond

	FY91	FY92	FY93	FY94	FY95	FY96	FY97	FY98
July	-	-	817	550	300	-	-	-
August	-	50	2,035	215	900	-	-	-
September	-	915	760	-	220	-	-	-
October	-	3,160	-	-	1,625	-	-	-
November	-	-	475	40	91	-	-	-
December	-	-	500	-	170	-	-	150
January	-	575	5,575	-	400	2,000	-	-
February	-	20	205	20	-	-	-	-
March	-	20	190	630	500	-	-	-
April	6,915	10	-	1,705	1	-	-	-
May	3,595	-	1,225	4,175	-	-	-	-
June	787	455	125	1,570	105	-	-	-
Total	11,297	5,205	11,907	8,905	4,312	2,000	-	150

5-year bond

July	-	-	25	-	-	-	-	-
August	-	-	875	50	170	-	-	-
September	-	813	-	1	270	200	3	-
October	-	358	60	1	500	-	-	-
November	-	7	410	60	-	-	-	175
December	-	-	1,513	-	10	-	-	-
January	-	227	400	-	-	3,000	-	-
February	-	4	100	-	-	-	-	-
March	-	127	0	120	-	-	-	-
April	660	3	50	500	50	-	-	-
May	3,380	2	375	2,095	8	-	-	-
June	960	350	400	420	61	-	-	-
Total	5,000	1,891	4,208	3,248	1,069	3,200	3	175

10-year bond

July	-	-	789	833	-	600	52	-
August	-	380	1,620	234	438	287	169	-
September	-	5,426	250	132	503	634	3	-
October	-	3,613	2,717	265	4,383	30	1	-
November	-	3,230	3,142	1,497	102	37	-	100
December	-	4,146	1,369	-	2,592	-	2	100
January	-	4,561	5,811	331	-	101	-	2
February	-	1,425	3,137	361	2,200	201	-	-
March	-	285	4,236	101	-	-	-	670
April	3,810	599	1,663	980	385	50	-	-
May	5,530	649	27	-	19	0	-	-
June	3,340	1,508	31	327	368	31	-	-
Total	12,680	25,822	24,792	5,059	10,990	1,971	227	872

Annex 6

Annex 6.1: List of Core Principles for Effective Banking Supervision

1. An effective system of banking supervision will have clear responsibilities and objectives for each agency involved in the supervision of banking organizations. Each such agency should possess operational independence and adequate resources. A suitable legal framework for banking supervision is also necessary, including provisions relating to authorization of banking organizations and their ongoing supervision; powers to address compliance with laws as well as safety and soundness concerns; and legal protection for supervisors. Arrangements for sharing information between supervisors and protecting the confidentiality of such information should be in place.
2. The permissible activities of institutions that are licensed and subject to supervision as banks must be clearly defined, and the use of the word "bank" in names should be controlled as far as possible.
3. The licensing authority must have the right to set criteria and reject applications for establishments that do not meet the standards set. The licensing process, at a minimum, should consist of an assessment of the banking organization's ownership structure, directors and senior management, its operating plan and internal controls, and its projected financial condition, including its capital base; where the proposed owner or parent organization is a foreign bank, the prior consent of its home country supervisor should be obtained.
4. Banking supervisors must have the authority to review and reject any proposals to transfer significant ownership or controlling interests in existing banks to other parties.
5. Banking supervisors must have the authority to establish criteria for reviewing major acquisitions or investments by a bank and ensuring that corporate affiliations or structures do not expose the bank to undue risks or hinder effective supervision.
6. Banking supervisors must set prudent and appropriate minimum capital adequacy requirements for all banks. Such requirements should reflect the risks that the banks undertake, and must define the components of capital, bearing in mind their ability to absorb losses. At least for internationally active banks, these requirements must not be less than those established in the Basel Capital Accord and its amendments.
7. An essential part of any supervisory system is the evaluation of a bank's policies, practices and procedures related to the granting of loans and making of investments and the ongoing management of the loan and investment portfolios.
8. Banking supervisors must be satisfied that banks establish and adhere to adequate policies, practices and procedures for evaluating the quality of assets and the adequacy of loan loss provisions and loan loss reserves.
9. Banking supervisors must be satisfied that banks have management information systems that enable management to identify concentrations within the portfolio and supervisors must set prudential limits to restrict bank exposures to single borrowers or groups of related borrowers.
10. In order to prevent abuses arising from connected lending, banking supervisors must have in place requirements that banks lend to related companies and individuals on an arm's-length basis, that such extensions of credit are effectively monitored, and that other appropriate steps are taken to control or mitigate the risks.

11. Banking supervisors must be satisfied that banks have adequate policies and procedures for identifying, monitoring and controlling country risk and transfer risk in their international lending and investment activities, and for maintaining appropriate reserves against such risks.
12. Banking supervisors must be satisfied that banks have in place systems that accurately measure, monitor and adequately control market risks; supervisors should have powers to impose specific limits and/or a specific capital charge on market risk exposures, if warranted.
13. Banking supervisors must be satisfied that banks have in place a comprehensive risk management process (including appropriate board and senior management oversight) to identify, measure, monitor and control all other material risks and, where appropriate, to hold capital against these risks.
14. Banking supervisors must determine that banks have in place internal controls that are adequate for the nature and scale of their business. These should include clear arrangements for delegating authority and responsibility; separation of the functions that involve committing the bank, paying away its funds, and accounting for its assets and liabilities; reconciliation of these processes; safeguarding its assets; and appropriate independent internal or external audit and compliance functions to test adherence to these controls as well as applicable laws and regulations.
15. Banking supervisors must determine that banks have adequate policies, practices and procedures in place, including strict "know-your-customer" rules, that promote high ethical and professional standards in the financial sector and prevent the bank being used, intentionally or unintentionally, by criminal elements.
16. An effective banking supervisory system should consist of some form of both on-site and off-site supervision.
17. Banking supervisors must have regular contact with bank management and thorough understanding of the institution's operations.
18. Banking supervisors must have a means of collecting, reviewing and analyzing prudential reports and statistical returns from banks on a solo and consolidated basis.
19. Banking supervisors must have a means of independent validation of supervisory information either through on-site examinations or use of external auditors.
20. An essential element of banking supervision is the ability of the supervisors to supervise the banking group on a consolidated basis.
21. Banking supervisors must be satisfied that each bank maintains adequate records drawn up in accordance with consistent accounting policies and practices that enable the supervisor to obtain a true and fair view of the financial condition of the bank and the profitability of its business, and that the bank publishes on a regular basis financial statements that fairly reflect its condition.
22. Banking supervisors must have at their disposal adequate supervisory measures to bring about timely corrective action when banks fail to meet prudential requirements (such as minimum capital adequacy ratios), when there are regulatory violations, or where depositors are threatened in any other way. In extreme circumstances, this should include the ability to revoke the banking licence or recommend its revocation.

23. Banking supervisors must practice global consolidated supervision over their internationally-active banking organizations, adequately monitoring and applying appropriate prudential norms to all aspects of the business conducted by these banking organizations worldwide, primarily at their foreign branches, joint ventures and subsidiaries.

24. A key component of consolidated supervision is establishing contact and information exchange with the various other supervisors involved, primarily host country supervisory authorities.

25. Banking supervisors must require the local operations of foreign banks to be conducted to the same high standards as are required of domestic institutions and must have powers to share information needed by the home country supervisors of those banks for the purpose of carrying out consolidated supervision.

Annex 6.2: Dynamics of Financial Sector During 1990s

Table 6A.1: Financial Sector Assets

	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000
Assets (billion Rupees)											
Banks	426	506	643	751	882	1028	1183	1339	1458	1545	1641
State-owned	392	451	538	601	692	789	855	919	1028	1110	1158
excluding ABL & MCB	392	377	438	484	546	610	657	697	789	844	885
Private	0	0	25	39	56	87	114	151	166	183	223
including ABL & MCB	0	74	125	156	202	265	313	373	405	449	496
Foreign	33	55	80	110	134	153	213	269	263	253	259
NBFIs	134	168	232	270	335	360	377	410	369	356	352
Public	125	158	191	216	257	263	278	309	270	252	248
Private	3	6	9	43	57	69	83	95	102	108	104
CDNS	132	135	139	144	177	211	253	312	413	542	634
Total	691	809	1014	1165	1394	1599	1813	2061	2240	2444	2626
Assets Shares (percent)											
Banks	61.6	62.6	63.4	64.5	63.3	64.3	65.2	65	65.1	63.2	62.5
State-owned	56.7	55.7	53.1	51.6	49.6	49.3	47.2	44.6	45.9	45.4	44.1
excluding ABL & MCB	56.7	46.6	43.2	41.6	39.2	38.2	36.2	33.8	35.2	34.5	33.7
Private	0.0	0.0	2.5	3.4	4.1	5.6	6.4	7.3	7.4	7.5	8.5
including ABL & MCB	0.0	9.2	12.3	13.6	14.5	16.6	17.3	18.2	18.1	18.3	18.9
Foreign	4.9	6.9	8.2	9.6	9.8	9.7	11.8	13.1	11.7	10.3	9.9
NBFIs	19.4	20.7	22.9	23.1	24	22.5	20.8	19.9	16.5	14.6	13.4
Public	18.2	19.6	19.5	18.7	18.7	16.7	15.5	15.0	12.0	10.3	9.5
Private	0.5	0.7	1.0	3.7	4.2	4.4	4.6	4.6	4.6	4.4	4.0
CDNS	19.2	16.7	13.7	12.4	12.7	13.2	14.0	15.1	18.4	22.2	24.1
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
As percent of GDP											
Financial Sector Assets	80.8	79.3	83.7	86.8	88.6	85.0	85.5	83.9	83.7	83.2	82.5

Figure 6A.1: Assets of Financial Sector

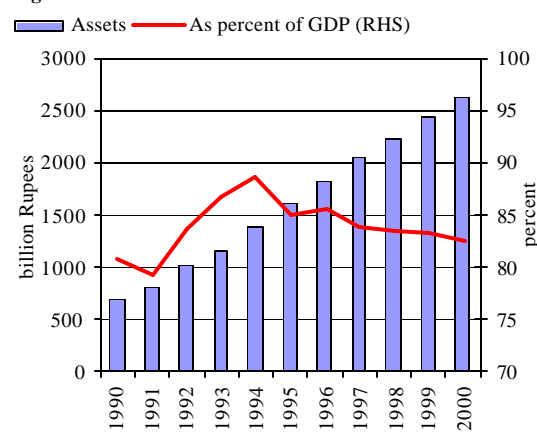


Figure 6A.2: Share in Financial Sector Assets

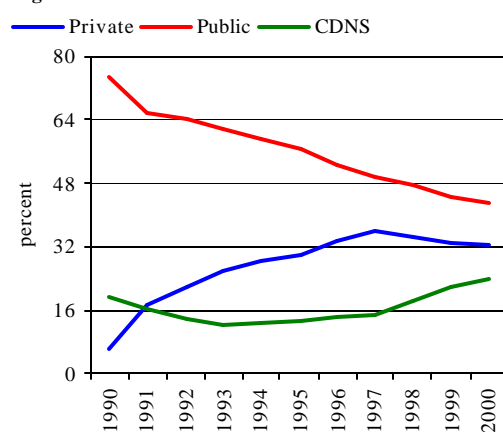


Table 6A.2: Financial Sector Advances

	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000
Advances (billion Rupees)											
Banks	219	230	266	332	373	463	520	581	614	693	798
State-owned	201	207	224	277	296	352	380	389	415	479	544
excluding ABL & MCB	201	174	182	228	234	272	289	289	306	356	401
Private	0	0	9	14	23	41	51	71	78	89	121
including ABL & MCB	0	33	50	63	84	121	142	172	187	211	264
Foreign	17	23	34	42	55	70	89	120	121	125	134
NBFIs	98	114	124	144	166	180	189	222	198	189	175
Public	82	95	101	111	119	133	135	164	138	132	124
Private	2	3	5	28	36	41	50	58	62	62	57
CDNS	132	135	139	144	177	211	253	312	413	542	634
Total	449	479	528	620	716	854	962	1115	1224	1425	1607
Shares (percent)											
Banks	48.7	48.0	50.3	53.6	52.1	54.3	54.1	52.1	50.1	48.6	49.7
State-owned	44.8	43.2	42.3	44.7	41.3	41.3	39.5	34.9	33.9	33.6	33.8
excluding ABL & MCB	44.8	36.3	34.5	36.8	32.7	31.8	30.0	25.9	25.0	25.0	24.9
Private	0.0	0.0	1.6	2.2	3.2	4.8	5.4	6.4	6.4	6.2	7.5
including ABL & MCB	0.0	6.9	9.5	10.1	11.8	14.2	14.8	15.4	15.2	14.8	16.4
Foreign	4.0	5.0	6.6	6.7	7.7	8.3	9.3	10.8	9.8	8.7	8.3
NBFIs	21.9	23.9	23.4	23.1	23.2	21.0	19.6	20.0	16.2	13.3	10.9
Public	21.1	22.6	21.6	20.1	18.5	17.0	15.3	15.7	12.2	9.9	8.3
Private	0.8	1.3	1.8	3.1	4.7	4.1	4.3	4.2	4.0	3.4	2.6
CDNS	29.4	28.1	26.3	23.3	24.7	24.7	26.3	28.0	33.7	38.1	39.4
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
As percent of GDP											
Financial Sector Advances	52.4	46.9	43.6	46.2	45.5	45.5	45.4	45.4	45.7	48.5	50.5

Figure 6A.3: Advances of Financial Sector

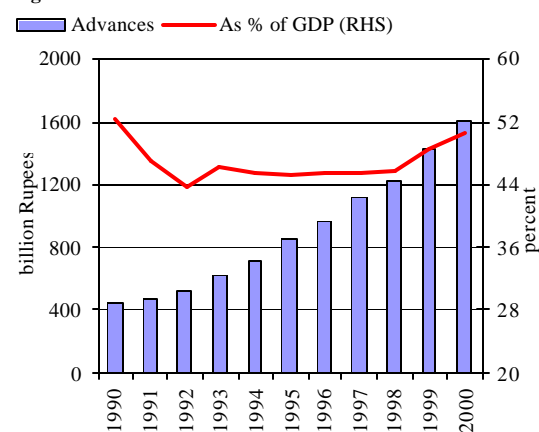


Figure 6A.4: Share in Financial Sector Advances

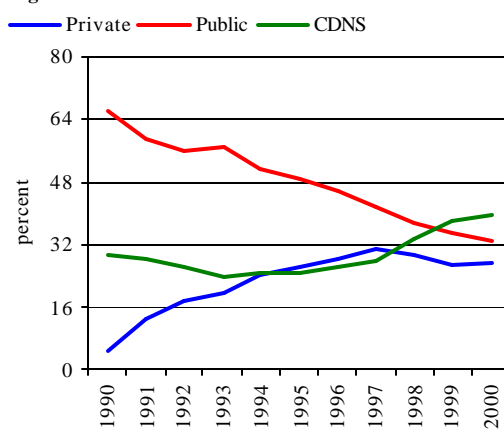


Table 6A.3: Financial Sector Investment

	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000
Investment (billion Rupees)											
Banks	111	147	223	240	292	308	350	404	439	360	367
State-owned	104	129	184	185	230	249	256	272	315	284	265
excluding ABL & MCB	104	106	146	142	177	190	193	194	234	212	201
Private	0	0	10	14	17	20	28	53	54	43	48
including ABL & MCB	0	23	49	56	69	79	91	131	135	116	112
Foreign	7	18	29	41	45	39	66	78	71	33	53
NBFIs	14	11	21	32	40	44	52	60	53	54	59
Public	14	27	49	56	79	67	76	74	54	52	60
Private	0	1	2	7	10	14	15	18	18	21	25
CDNS	-	-	-	-	-	-	-	-	-	-	-
Total	126	158	244	272	332	352	402	464	492	414	426
Shares (percent)											
Banks	89.1	92.8	91.5	88.2	87.9	87.5	87.1	87.0	89.2	86.9	86.1
State-owned	83.3	81.6	75.5	68.1	69.3	70.8	63.6	58.7	64.0	68.6	62.2
excluding ABL & MCB	83.3	67.1	59.6	52.4	53.4	53.9	47.9	41.8	47.5	51.1	47.2
Private	0.0	0.0	4.2	5.0	5.0	5.6	7.0	11.5	10.9	10.5	11.3
including ABL & MCB	0.0	14.6	20.1	20.7	20.9	22.5	22.7	28.3	27.4	28.0	26.4
Foreign	5.8	11.2	11.8	15.1	13.6	11.1	16.5	16.9	14.4	7.9	12.5
NBFIs	10.9	7.2	8.5	11.8	12.1	12.5	12.9	13.0	10.8	13.1	13.9
Public	10.6	6.8	7.5	9.9	9.8	9.3	9.7	9.5	7.5	8.4	8.8
Private	0.3	0.4	1.0	1.9	2.3	3.1	3.2	3.5	3.3	4.7	5.1
CDNS	-	-	-	-	-	-	-	-	-	-	-
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
As percent of GDP											
Financial Sector Investment	14.6	15.5	20.2	20.3	21.1	18.7	19.0	18.9	18.4	14.1	13.4

Figure 6A.5: Investment of Financial Sector

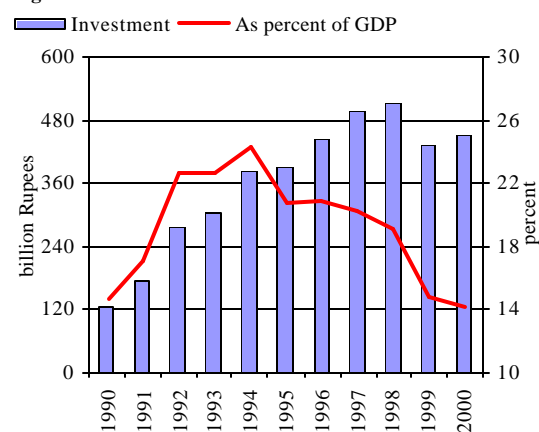


Figure 6A.6: Share in Financial Sector Investment

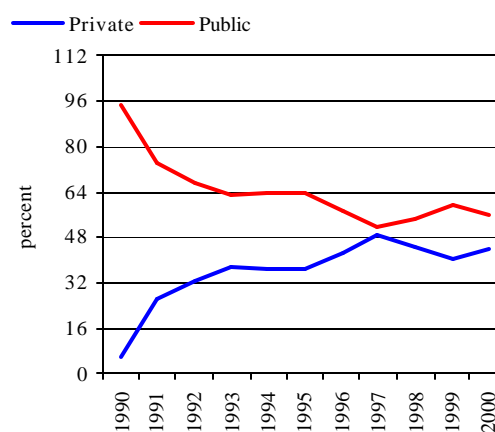


Table 6A.4: Financial Sector Deposits

	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000
Deposits (billion Rupees)											
Banks	355	426	535	622	731	856	996	1122	1199	1239	1323
State-owned	330	382	457	511	586	674	738	785	859	925	974
excluding ABL & MCB	330	322	373	411	463	524	569	597	659	701	744
Private	0	0	16	26	38	59	82	116	127	131	161
including ABL & MCB	0	60	100	126	161	210	251	304	327	355	392
Foreign	25	44	62	85	106	122	176	221	213	183	187
NBFIs	22	31	40	57	72	81	94	127	111	107	93
Public	20	27	34	40	48	55	60	89	70	64	58
Private	2	3	6	17	23	27	36	40	43	44	36
CDNS	132	135	139	144	177	211	253	312	413	542	634
Total	509	592	714	823	979	1147	1343	1561	1723	1888	2050
Shares (percent)											
Banks	69.7	72.0	75.0	75.5	74.6	74.6	74.2	71.9	69.6	65.6	64.5
State-owned	64.8	64.6	64.0	62.0	59.9	58.7	54.9	50.3	49.9	48.9	47.5
excluding ABL & MCB	64.8	54.5	52.3	49.9	47.4	45.6	42.3	38.2	38.2	37.1	36.3
Private	0.0	0.0	2.2	3.1	3.9	5.2	6.1	7.4	7.4	6.9	7.9
including ABL & MCB	0.0	10.2	14.0	15.3	16.5	18.3	18.6	19.4	19.0	18.8	19.1
Foreign	4.9	7.4	8.7	10.4	10.9	10.6	13.1	14.2	12.3	9.7	9.1
NBFIs	4.4	5.2	5.7	6.9	7.3	7.0	7.0	8.1	6.4	5.7	4.6
Public	4.0	4.6	4.7	4.8	4.9	4.8	4.5	5.7	4.1	3.4	2.8
Private	0.4	0.6	0.8	2.1	2.3	2.4	2.7	2.6	2.5	2.3	1.8
CDNS	25.9	22.8	19.5	17.5	18.1	18.4	18.8	19.9	23.9	28.7	30.9
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
As percent of GDP											
Financial Sector Deposits	59.5	58.0	58.9	61.4	62.2	61.0	63.3	63.5	64.3	64.3	64.4

Figure 6A.7: Deposits of Financial Sector

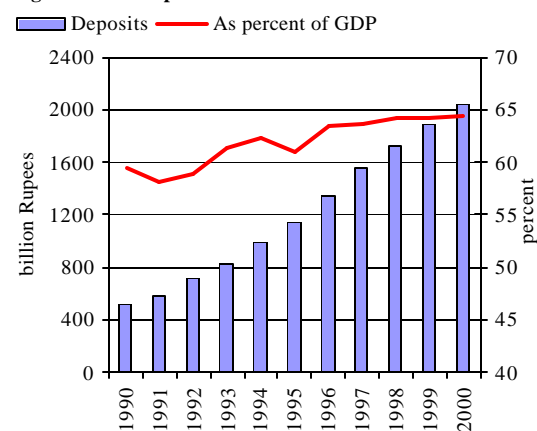
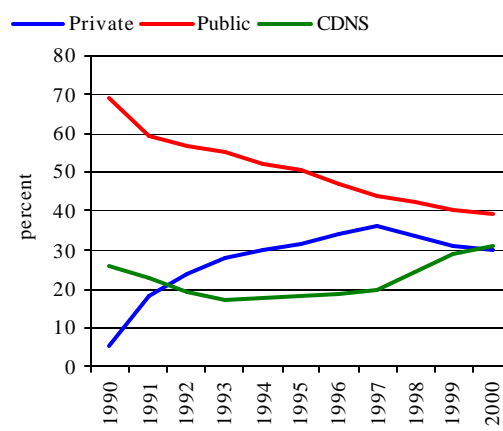


Figure 6A.8: Share in Financial Sector Deposits



Annex 6.3: Financial Savings

Table 6A.5: Financial Savings

billion Rupees

Components of Financial Savings	FY91	FY92	FY93	FY94	FY95	FY96	FY97	FY98	FY99	FY00
Deposits of schedule banks	344	417	491	593	713	827	940	1051	1113	1140
Current account	72	89	103	118	151	158	156	166	172	168
Call deposits	4	5	6	8	14	13	12	14	22	17
Other deposits	11	13	18	20	18	26	33	33	35	48
Savings deposits	144	173	210	254	292	339	403	479	524	583
Fixed term deposits	113	137	153	194	238	291	337	360	360	324
Deposits of NBFIs	25	33	49	61	69	80	105	95	87	69
DFIs	22	26	32	39	44	49	79	59	49	42
Other NBFIs	3	6	16	22	25	31	26	36	38	27
Government debt instruments (non-bank)	218	226	250	302	347	407	476	592	758	853
National savings schemes	163	169	179	216	256	304	372	484	624	715
Defence savings certificates	42	48	53	64	85	105	137	169	207	248
Special savings certificates (reg)	25	43	58	64	72	84	99	114	131	163
Prize bonds	28	30	35	39	45	51	61	71	81	81
Other savings schemes	68	48	33	48	54	64	76	130	204	222
Others instruments	56	57	71	86	91	103	104	108	134	138
Currency in circulation	137	152	167	185	216	234	244	273	288	356
Financial savings (stock)	724	827	957	1141	1344	1548	1765	2011	2245	2418
Financial savings (flows)	114	103	130	184	203	204	217	246	235	173

Figure 6A.9: Financial Savings

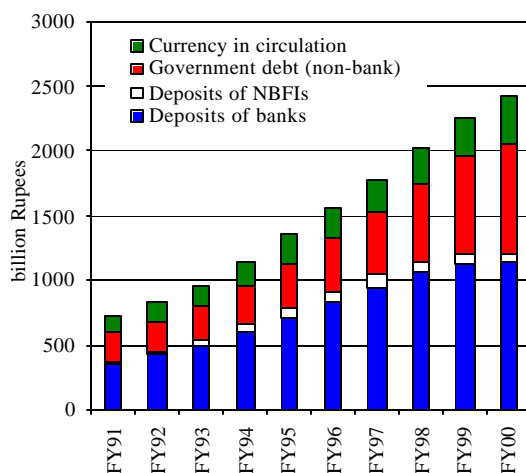


Figure 6A.10: Government Debt (Non-Bank)

